TRANSALTA CORP
Form 6-K
March 28, 2003

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of March, 2003

TRANSALTA CORPORATION

(Translation of registrant's name into English)

110-12th Avenue S.W., Box 1900, Station M , Calgary, Alberta, T2P 2M1

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F____ Form 40-F X__

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ..... No ..X...

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-________

Evaluation of Disclosure Controls and Procedures

TransAlta has designed disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the Chief Executive Officer and Chief Financial Officer by others within the Company, including its consolidated subsidiaries, on a regular basis, in particular during the period in which its Current Report on Form 6-K relating to financial results for the year ended December 31, 2002 are being prepared. The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the disclosure controls and procedures as of a date within 90 days of the date of this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded, as of that evaluation date, that the Company's disclosure controls and procedures were effective to ensure that material information relating to the Company, including its consolidated subsidiaries, was made known to them by others within those entities during the period in which this report was being prepared. There have been no significant changes in the internal controls or in other factors that could significantly affect internal controls subsequent to the date of the most recent evaluation by the Chief Executive Officer and Chief Financial Officer, including any corrective action with regard to significant deficiencies and material weaknesses.

-
- **EXHIBITS**

Exhibit 1	2002 Management's Discussion and Analysis and consolidated financial statements for the period ended December 31, 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis should be read in conjunction with the consolidated financial statements and Auditors' Report included in this Annual Report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The effect of significant differences between Canadian and U.S. GAAP has been disclosed in Note 27 to the consolidated financial statements. All tabular amounts in the following discussion are in millions of Canadian dollars unless otherwise noted.

FORWARD-LOOKING STATEMENTS

Management's discussion and analysis (MD&A) contains forward-looking statements, including statements regarding the business and anticipated financial performance of TransAlta Corporation (TransAlta or the corporation). In some cases, forward-looking statements can be identified by terms such as 'may', 'will', 'believe', 'expect', 'potential', 'enable', 'continue' or other comparable terminology. These statements are not guarantees of TransAlta's future performance and are subject to risks, uncertainties and other important factors that could cause the corporation's actual performance to be materially different from those projected. Some of the risks, uncertainties, and factors include, but are not limited to: legislative and regulatory developments that could affect revenues, costs, the speed and degree of competition entering the market; global capital markets activity; timing and extent of changes in commodity prices, prevailing interest rates, currency exchange rates, inflation levels and general economic conditions in geographic areas where TransAlta operates; results of financing efforts; changes in counterparty risk; and the impact of accounting policies issued by Canadian and U.S. standard setters. Given these uncertainties, the reader should not place undue reliance on these forward-looking statements. See additional discussion under Risk Factors and Risk Management in this MD&A.

OVERVIEW

This review of TransAlta's 2002 financial results is organized by consolidated results and by business segment. TransAlta has two business segments: Generation and Energy Marketing. A third business segment, Independent Power Projects (IPP), was combined with the Generation segment effective Jan. 1, 2002 following changes to TransAlta's organizational structure. TransAlta's Transmission, Alberta Distribution and Retail (D&R), and New Zealand operations were sold on April 29, 2002, Aug. 31, 2000 and March 31, 2000, respectively. Prior period amounts have been reclassified to reflect these changes. Generation and Energy Marketing are supported by a corporate group that provides finance, treasury, legal, human resources and other administrative support. These corporate group overheads are allocated to the business segments if they are not directly attributable to discontinued operations.

Each business segment assumes responsibility for its operating results measured as earnings before interest, taxes and non-controlling interests (EBIT). EBIT should not be considered an alternative to, or more meaningful than, net income or cash flow as determined in accordance with Canadian GAAP as an indicator of the corporation's performance or liquidity. TransAlta's EBIT is not necessarily comparable to a similarly titled measure of another company. EBIT has been calculated on a consistent basis for the three years ended Dec. 31, 2002 and is reconciled to net earnings applicable to common shareholders below:

Year ended Dec. 31	**2002**	2001	2000
EBIT	**$ 197.6**	$ 378.9	$ 408.9
Other income (expense)	**0.1**	1.5	(1.1)
Foreign exchange gain	**1.2**	0.8	0.1
Net interest expense	**(82.7)**	(88.1)	(91.4)
Earnings from continuing operations before income taxes and non-controlling interests	**116.2**	293.1	316.5
Income tax expense	**18.1**	89.9	128.5
Non-controlling interests	**20.1**	20.6	41.6

Earnings from continuing operations	**78.0**	182.6	146.4
Earnings from discontinued operations	**12.8**	45.1	89.1
Gain on disposal of discontinued operations	**120.0**	-	266.8
Extraordinary item	**-**	-	(209.7)
Net earnings	**210.8**	227.7	292.6
Preferred securities distribution, net of tax	**20.9**	13.1	12.8
Net earnings applicable to common shareholders	**$ 189.9**	$ 214.6	$ 279.8

Some of the corporation's accounting policies require management to make estimates or assumptions that in some cases may relate to matters that are inherently uncertain. Critical accounting policies and estimates for TransAlta include: revenue recognition; valuation and useful life of property, plant and equipment; valuation of goodwill; income taxes; and employee future benefits. See additional discussion under Critical Accounting Policies and Estimates in this MD&A.

TransAlta now measures capacity as net maximum capacity (see glossary for definition of this and other key terms) compared to nameplate capacity which had been previously used. The change was made to better reflect the actual capacities of assets and to be more consistent with industry standards. Capacity figures represent capacity owned and in operation unless otherwise stated. Prior years have been adjusted to reflect the new method of measurement.

STRATEGY AND KEY PERFORMANCE INDICATORS

Strategy

The corporation's strategy is to maintain a strong balance sheet, run its existing assets efficiently and carefully manage the risk profile while methodically growing capacity. As discussed in the letter to shareholders, TransAlta has identified 11 goals to implement this strategy.

1.

Maintain investment grade credit ratings. TransAlta is focused on maintaining a strong balance sheet and investment grade credit ratings while maintaining the dividend. At Dec. 31, 2002, TransAlta's debt to invested capital ratio was 50.9 per cent, the corporation's credit rating was BBB+ and the 2002 annual dividend was $1.00 per common share.

2.

Steadily increase earnings per share. For the year ended Dec. 31, 2002, TransAlta earned $1.12 per common share compared to $1.27 in 2001. Earnings were lower due to lower market prices and increased maintenance costs. The gain on sale related to the Transmission business was offset by an arbitration decision related to the Wabamun power purchase arrangement (PPA), an impairment charge related to the Wabamun plant and turbine cancellation charges. TransAlta expects to achieve average earnings growth of five to 10 per cent per annum in the medium term. However, 2003 earnings will be impacted as a result of TransAlta accelerating maintenance at Alberta thermal plants in order to have assets operating at high availability rates in the future.

3.

Increase generation capacity. In 2002, TransAlta increased capacity by 200 megawatts (MW). In 2003, the Sarnia, Campeche and Chihuahua plants, as well as the McBride Lake joint venture project are forecast to be completed, increasing capacity by an additional 989 MW. In addition, the January 2003 acquisition of a 50 per cent interest in CE Generation LLC (CE Gen) increased capacity by an additional 378 MW. Due to this acquisition and the 50 per cent acquisition of Genesee 3, TransAlta reached 9,726 MW of owned capacity in operation, under construction or approved for development in January 2003. While TransAlta continues to explore strategic acquisitions to grow generating capacity, such growth will only be undertaken to the extent that it is affordable and supported by the balance sheet. As a result, the corporation expects that it will take longer than 2005 to increase capacity to 15,000 MW.

	2002	2001	2000
Owned Capacity in Operation (MW)	**7,144**	6,944	6,761

4.

Increase overall plant availability to 90 per cent. Availability is a key performance indicator for TransAlta. The corporation has approximately 90 per cent of its output under long-term contracts ; therefore , availability is critical to meeting these contracted quantities. Availability is also essential to producing electricity for sale at spot market prices. Overall plant availability for the year ended Dec. 31, 2002 was 88.4 per cent compared to 86.9 per cent in 2001.

	2002	2001	2000
Availability	**88.4**	86.9	87.8

5.

Reduce overhead and variable costs by $150 million. As of Dec. 31, 2002, the corporation identified $137.0 million in cost reductions related to coal extraction, variable operating costs and overhead costs compared to those incurred during 2001.

6.

Diversify by market and fuel type. To minimize risk, TransAlta's long-term goal is to ensure no more than 30 per cent of the corporation's generating capacity is in one fuel source or market. During 2002 TransAlta increased gas-fired capacity by a net 263 MW, renewable capacity by 44 MW, capacity in the U.S. by a net 126 MW and capacity in Australia by 34 MW. All of the 989 MW forecast to be completed in 2003 are fuelled by gas or renewables and 511 MW are outside of Canada. The 50 per cent acquisition of CE Gen in 2003 increased capacity from renewables by 163 MW and gas-fired assets by 215 MW, all within the U.S.

Owned and operated capacity by fuel source at Dec. 31, 2002 (MW)		
Coal	4,966	70%
Gas	1,333	19%
Hydro	801	11%
Renewable	44	1%

Owned and operated capacity by location at Dec. 31, 2002 (MW)		
Canada	5,165	72%
U.S.	1,699	24%
Australia	280	4%

7.

Minimum of 75 per cent of production under long-term contracts. Long-term contracts minimize TransAlta's exposure to market fluctuations. Maintaining a portion of production to be sold at market rates allows the corporation to capitalize on favourable market prices when available and reduces the risk of production shortfalls. In 2002, 90 per cent of the corporation's production was under long-term contracts. Of the new capacity scheduled for completion in

2003, the Mexican plants and McBride Lake joint venture are 100 per cent contracted and Sarnia is approximately 50 per cent contracted.

	2002	2001	2000
Contracted production (%)	**90**	92	96

8.

10 per cent of capacity from renewable energy sources by 2010. TransAlta is committed to reducing emissions while increasing production. A key factor in this strategy is increasing production from renewable energy sources. The acquisitions of Vision Quest Windelectric Inc. (Vision Quest) in December 2002 and a 50 per cent interest in CE Gen in January 2003 are part of TransAlta's commitment to sustainable development.

9.

Continue to capitalize on alliances. TransAlta has strategic alliances with EPCOR Utilities Inc. (EPCOR), ENMAX Corporation (ENMAX) and MidAmerican Energy Holdings Company (MidAmerican). The EPCOR alliance provided the opportunity to acquire a 50 per cent ownership in the 450 MW Genesee 3 project. The ENMAX partnership in the McBride Lake wind project provides the economic support to expand TransAlta's renewable energy business. MidAmerican owns the other 50 per cent interest in CE Gen.

10.

Use Energy Marketing to manage the corporation's asset risk. Energy Marketing acts to maximize margins from electricity, minimize the cost of natural gas used to generate electricity and reduce the risk to the corporation from unplanned outages by acquiring replacement power at the lowest possible price. During 2002, TransAlta sold uncontracted electricity at greater than market index prices and purchased electricity to meet contract obligations when it was more economic to buy rather than produce electricity.

11.

Reach zero net emissions from Canadian thermal plants by 2024. In 2002 TransAlta added additional gas and renewable capacity in Canada while reducing capacity at the coal-fired Wabamun facility. In addition, the purchase of offset credits and continued focus on technology will position the corporation to manage the future requirements of the Kyoto Protocol.

Key Performance Indicators

For the Generation segment, key performance indicators (KPIs) include availability, production, fuel and operating costs, and pricing applicable to non-contracted production. For the Energy Marketing segment, KPIs include trading volumes, margins and value at risk (VAR), which is a measure to manage earnings exposure from trading activities not related to TransAlta's assets. Each of these KPIs is discussed in greater detail in Segmented Business Results in this MD&A. KPIs for the corporate segment include the debt to invested capital ratio and credit ratings. These KPIs are discussed under Liquidity and Capital Resources.

MARKET TRENDS

Average Monthly Electricity Prices

	Mid-Columbia Price (US$/MWh)	Alberta System Market Price (Cdn$/MWh)
January 2000	$ 25.40	46.46
February 2000	26.25	47.07
March 2000	27.36	77.19
April 2000	23.38	93.68
May 2000	50.02	51.66
June 2000	131.26	106.73
July 2000	98.08	124.11
August 2000	166.06	202.09
September 2000	114.73	176.28
October 2000	96.71	253.28
November 2000	161.29	227.73
December 2000	524.65	188.91
January 2001	261.46	131.22
February 2001	275.22	116.75
March 2001	260.71	97.23
April 2001	289.74	114.82
May 2001	223.45	88.34
June 2001	62.00	63.59
July 2001	53.04	53.47
August 2001	39.71	52.37
September 2001	22.72	29.93
October 2001	24.49	43.94
November 2001	22.36	33.31

December 2001	24.24	33.61
January 2002	17.38	28.44
February 2002	19.45	22.37
March 2002	32.32	55.14
April 2002	19.44	45.04
May 2002	19.02	40.44
June 2002	7.51	46.23
July 2002	9.91	45.70
August 2002	17.90	32.03
September 2002	24.59	24.61
October 2002	24.49	44.33
November 2002	22.36	69.07
December 2002	24.24	70.88

Changes in the price of electricity can have a significant influence on TransAlta's financial performance. Fluctuating supply and demand resulted in high market volatility and high prices for electricity in late 2000 and early 2001. In the last half of 2001, additional capacity was brought to market and adverse economic conditions reduced demand; this combination resulted in lower volatility and prices throughout 2002, as shown in the chart above. Electricity price levels in Alberta and the Pacific Northwest are expected to be slightly higher in 2003 compared to 2002 due to higher natural gas prices and reduced hydro production as a result of lower snow pack.

Electricity prices generally increase as a result of higher natural gas prices. This benefits TransAlta's coal-fired facilities by increasing margins on merchant output. However, in the short term increased natural gas prices can also reduce spark spreads (the difference between the price of natural gas consumed to produce power and the selling price of electricity). As illustrated in the chart below, spark spreads were reduced in 2002 at TransAlta's merchant gas-fired facilities. The increases in electricity prices are not completely correlated to the increase in natural gas prices due to generation overcapacity in the market. The majority of the corporation's gas costs have been hedged or flow through to customers under the terms of agreements ; however , approximately 10 per cent of total production is subject to market prices for electricity and/or spark spread risk.

Average Monthly Spark Spreads[1] ($/MWh)

	Mid-Columbia Price vs. Sumas (US$)	Alberta System Market Price vs. AECO (Cdn$)
January 2000	9.56	25.58
February 2000	9.66	24.15
March 2000	9.23	51.17
April 2000	3.75	65.83
May 2000	27.61	19.59

June 2000	101.87	69.00
July 2000	73.89	90.61
August 2000	140.54	168.83
September 2000	81.55	129.99
October 2000	62.39	205.94
November 2000	87.50	174.84
December 2000	398.39	102.59
January 2001	202.81	51.99
February 2001	232.90	