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International Accounting Standards Board  
30 Cannon Street  
London, United Kingdom  
EC4M 6XH

Via email: [commentletters@iasb.org](mailto:commentletters@iasb.org)

Dear Sir or Madam:

We appreciate the opportunity to respond to the Board's request for comment on the Exposure Draft *Improving Disclosures about Financial Instruments (Proposed Amendments to IFRS 7)*.

TransAlta is a power generation and wholesale marketing company focused on creating long-term shareholder value. We maintain a low-risk profile by operating a highly contracted portfolio of assets in Canada, the United States and Australia. Our focus is to efficiently operate our coal-fired, gas-fired, hydro and renewable facilities in order to provide our customers with a reliable, low-cost source of power. For nearly 100 years, we've been a responsible operator and a proud contributor to the communities where we work and live.

Our business activities expose us to a wide variety of risks. As a result, the organization has an established trading division that derives revenue and earnings from the wholesale trading of electricity and other energy-related commodities and derivatives. The trading division is also integral to the management of available generating capacity as well as the fuel and transmission needs of the corporation's Generation business segment by utilizing physical and financial contracts for the forward sales of electricity and for the purchase of natural gas, coal and transmission capacity.

We provide our comments below for your consideration.

**Fair value disclosures**

**Question 1**

*Do you agree with the proposal in paragraph 27A to require entities to disclose the fair value of financial instruments using a fair value hierarchy? If not, why?*

We agree with the proposals requiring disclosures using a fair value hierarchy. We believe the use of a fair value hierarchy will provide users of financial statements with greater consistency and comparability regarding an entity's determination of fair values.

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## **Question 2**

*Do you agree with the three-level fair value hierarchy as set out in paragraph 27A? If not, why? What would you propose instead, and why?*

We agree with the three-level fair value hierarchy as set out in paragraph 27A. As noted in the Basis for Conclusion, the proposed hierarchy is similar to that in SFAS 157. We agree with the adoption of the SFAS 157 hierarchy as given the recent focus on fair values and the determination of fair values due to the global financial-credit crisis, the introduction of a different hierarchy would result in greater uncertainty and less confidence in reported fair values.

## **Question 3**

*Do you agree with the proposals in:*

*(a) paragraph 27B to require expanded disclosures about the fair value measurements recognised in the statement of financial position? If not, why? What would you propose instead, and why?*

We agree with the requirements outlined in paragraph 27B. In particular, we believe that the disclosures in paragraph 27B(e) regarding movements between all levels of the fair value hierarchy and the reasons therefore, will be of significant value to financial statement users in that it will provide them with better insight into the composition of, and changes to, fair value measurements.

*(b) paragraph 27C to require entities to classify, by level of the fair value hierarchy, the disclosures about the fair value of the financial instruments that are not measured at fair value? If not, why? What would you propose instead, and why?*

We agree with the requirements outlined in paragraph 27C. Even though the fair values of these financial instruments do not impact the financial statements, disclosures about the level of the fair value hierarchy in which their fair values fall will provide important and useful information to help financial statement users evaluate the potential future impacts to the financial statements from these financial instruments.

## **Liquidity risk disclosures**

### **Question 4**

*Do you agree with the proposal in paragraph 39(a) to require entities to disclose a maturity analysis for derivative financial liabilities based on how the entity manages the liquidity risk associated with such instruments? If not, why? What would you propose instead, and why?*

We agree with this proposal as it provides greater flexibility to the reporting entity and should also provide better information for users of the financial statements as the disclosures will provide them with management's view or expectations regarding how they manage liquidity risk associated with derivative financial liabilities.

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## **Question 5**

*Do you agree with the proposal in paragraph 39(b) to require entities to disclose a maturity analysis for non- derivative financial liabilities based on remaining expected maturities if the entity manages the liquidity risk associated with such instruments on the basis of expected maturities? If not, why? What would you propose instead, and why?*

We agree with the proposal, as disclosing a maturity analysis based on expected maturities provides greater transparency with respect to how the entity expects to settle such liabilities.

## **Question 6**

*Do you agree with the amended definition of liquidity risk in Appendix A? If not, how would you define liquidity risk, and why?*

We believe that the amended definition of liquidity risk provides greater clarity and thus, will assist entities in more appropriately identifying financial liabilities subject to liquidity risk and the disclosures regarding liquidity risk.

## **Effective date and transition**

### **Question 7**

*Do you agree with the proposed effective date? If not, why? What would you propose instead, and why?*

We agree with the proposed effective date and support the option provided permitting early adoption.

### **Question 8**

*Are the transition requirements appropriate? If not, why? What would you propose instead, and why?*

Please refer to our response to Question 7.

In conclusion, we thank you again for the opportunity to provide our views on this very important topic. Should you have any questions regarding our responses, we would be pleased to discuss them with you at your convenience.

Yours truly,

**TRANSALTA CORPORATION**



Kevin Morris, CMA  
Director Financial Reporting & Accounting

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