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TODAY'S PAPER
REPORT ON BUSINESS

TransAlta closing trading office, 20 staff affected

\$24-million (U.S.) bidding error knocks 11 cents a share off second-quarter profit

By BRENT JANG
Friday, July 25, 2003 - Page B3

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TransAlta Corp. is closing its Maryland trading office three months after an employee there made a \$24-million (U.S.) clerical error to inadvertently overbid on electricity transmission contracts.

The bidding error contributed to TransAlta's drop in second-quarter profit, knocking off 11 cents (Canadian) a share.

TransAlta posted a \$23.3-million profit yesterday, compared with \$127.3-million in the same period last year. Share profit dipped to 12 cents from 75 cents, while revenue rose to \$541-million from \$336.3-million.

Last year's second-quarter profit included a gain of 65 cents a share on the selling of transmission operations.

TransAlta said yesterday it has laid off 10 of the office's 24 employees in Annapolis, and plans to let another 10 workers go by the end

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| S&P500 | -2.16 | 996.52 |
| Nasdaq | 4.66 | 1735.36 |
| Venture | 5.02 | 1164.55 |
| DJUK | .71 | 171.2 |
| Nikkei | 191.9 | 9839.91 |
| HSeng | 195.68 | 10134.88 |
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of the year.

The individual who committed the error left TransAlta in July as part of the first wave of 10 employees severed, said Thomas Rainwater, TransAlta's executive vice-president of corporate development and marketing.

The person, who was not fired, will receive a severance package like the other 19 people who have departed or soon will, Mr. Rainwater said.

He declined to identify the person who made a cut-and-paste error on an Excel spreadsheet in the spring, saying he didn't want to further aggravate the situation.

After the Maryland branch closes within three to six months, TransAlta's trading operations will be shifted to its Calgary head office, where the remaining four U.S. employees are expected to transfer.

"I wouldn't want it to be perceived as a witch hunt," Mr. Rainwater said. "It really was more of a strategic business decision" that TransAlta considered months before the jolting blunder. "The last thing we want to do is try to victimize somebody."

U.S. citizens account for the bulk of the office's payroll in Annapolis, where TransAlta leases space.

On June 3, TransAlta disclosed that human error led to the electronic filing of bids at the end of April that misaligned rows of data on the spreadsheet. High bids were made for low demand routes, so the company ended up holding the bag for May transmission contracts it didn't need.

"Clearly, the employee who did it is quite distraught over it. It was a simple error, though, but the closing of the office has nothing to do with that, and that employee was not terminated because of that error," said Steve Snyder, TransAlta's president and chief executive officer. "There were certainly discussions held with the employee, but they are unrelated events."

TransAlta is seeking to close the Maryland trading operations in an orderly fashion and move those functions to Calgary as a cost-cutting measure and to improve efficiency, Mr. Snyder said.

Mr. Snyder said the latest quarter was strong from the standpoint of plant operating performance, higher spot prices for electricity and

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plant operating performance, higher spot prices for electricity and new power plants.

In other corporate highlights, TransAlta recently sold its Calgary headquarters to Forum Leasehold Partners Inc. for \$66-million, and has entered into a 20-year lease for the property.

TransAlta also said yesterday that it began commercial operation of a wind-turbine joint venture in southern Alberta last month.

The utility oversees nearly \$9-billion in assets, including coal-fired electricity plants in Alberta.

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