

TransAlta Corporation, as Manager of the TransAlta Generation Partnership
Transmission Function
Report of Finances and Operations
For the Year Ended December 31, 2018

April 30, 2019

TransAlta Corporation, as Manager of the TransAlta Generation Partnership
SUMMARY OF REVENUE REQUIREMENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(\$000s)

Line No.	Description	Cross-Reference	2018 Actual	2017 Actual	Var. Actual to Prior Year	Var. %	Working Paper Reference
1	Return on Rate Base	Sch 2	1,987	814	1,172	143.9%	
2	Operating and Maintenance	Sch 3	2,574	2,834	(260)	-9.2%	
3	Depreciation and Amortization	Sch 4	1,605	1,506	99	6.6%	
4	Utility Income Tax	Sch 5	0	0	0	0.0%	
5	Subtotal		6,166	5,155	1,012	19.6%	
6	Revenue Offsets		0	0	0	0.0%	
7	Total Revenue Requirement	Sch 10	6,166	5,155	1,012	19.6%	
<u>Detailed Revenue Requirement</u>							
8	Distribution Tariff Revenue		0	0	0	0.0%	
9	Transmission Tariff Revenue		6,166	5,155	1,012	19.6%	
10	Retail Tariff Revenue		0	0	0	0.0%	
11	Other Revenue		0	0	0	0.0%	
12	Total Revenue Requirement		6,166	5,155	1,012	19.6%	

Totals may not add due to rounding

TransAlta Corporation, as Manager of the TransAlta Generation Partnership
SUMMARY OF RETURN ON RATE BASE
FOR THE YEAR ENDED DECEMBER 31, 2018
 (\$000s)

2018 Actual

Line No.	Description	Cross-Reference	Mid-Year Capital	Ratio	Prorated Rate Base	Cost Rate %	Return \$	Var. Actual to Approved	Var. %	Working Paper Reference
1	Long-Term Debt	Sch 2.2	29,336	63%	29,336	3.99%	1,171			
2	Preferred Shares	Sch 2.2	-		-					
3	Common Equity	Sch 2.2	17,229	37%	17,229	4.73%	815			
4	Mid-Year Invested Capital	Sch 2.1	<u>46,565</u>	<u>100%</u>	<u>46,565</u>	<u>4.27%</u>				
5	Return on Mid-Year Rate Capital	Sch 1					<u>1,987</u>			

2018 Approved

Line No.	Description	Cross Reference	Mid Year Capital	Deemed Structure	Prorated Rate Base	Cost Rate %	Return \$
6	Long-Term Debt	Sch 2.2	-		-		-
7	Preferred Shares	Sch 2.2	-		-		-
8	Common Equity	Sch 2.2	-		-		-
9	Mid-Year Invested Capital	Sch 2.1	<u>-</u>		<u>-</u>		
10	Return on Mid-Year Rate Capital	Sch 1					<u>-</u>

Totals may not add due to rounding

TransAlta Corporation, as Manager of the TransAlta Generation Partnership
SUMMARY OF MID-YEAR RATE BASE
FOR THE YEAR ENDED DECEMBER 31, 2018
(\$000s)

Line No.	Description	Cross-Reference	2018 Actual	2017 Actual	Var. Actual to Prior Year	Var. %	Working Paper Reference
	<u>Gross Utility Plant in Service</u>						
1	Opening Balance		63,265	63,830	(565)	-0.9%	
2	Closing Balance	Sch 11	65,194	63,265	1,929	3.0%	
3	Mid-Year Gross Utility Plant in Service		<u>64,230</u>	<u>63,547</u>	<u>682</u>	1.1%	
	<u>Accumulated Depreciation - Utility</u>						
4	Opening Balance		(17,226)	(16,891)	334	2.0%	
5	Closing Balance	Sch 11	(18,655)	(17,226)	1,429	8.3%	
6	Mid-Year Accumulated Depreciation - Utility		<u>(17,940)</u>	<u>(17,058)</u>	<u>882</u>	5.2%	
	<u>Contributions in Aid of Construction</u>						
7	Opening Balance		(66)	(66)			
8	Closing Balance	Sch 11	(66)	(66)			
9	Mid-Year Utility Contributions in Aid of Construction		<u>(66)</u>	<u>(66)</u>	<u>-</u>		
	<u>Amortization of Contributions</u>						
10	Opening Balance		22	20			
11	Closing Balance	Sch 11	23	22			
12	Mid-Year Utility Amortization of Contributions		<u>23</u>	<u>21</u>	<u>2</u>		
13	Mid-Year Net Utility Plant in Service		<u>46,245</u>	<u>46,443</u>	<u>(198)</u>	-0.4%	
	<u>Mid Year No Cost Capital</u>						
14	Opening Balance		-	-	-		
15	Closing Balance		-	-	-		
16	Mid Year No Cost Capital		<u>-</u>	<u>-</u>	<u>-</u>		
17							
18	Necessary Working Capital		320	200	119	59.4%	
19	Mid-Year Net Rate Base (Capital Invested)	Sch 2	<u>46,565</u>	<u>46,644</u>	<u>(79)</u>	-0.2%	

TransAlta Corporation, as Manager of the TransAlta Generation Partnership
SUMMARY OF MID-YEAR CAPITAL STRUCTURE
FOR THE YEAR ENDED DECEMBER 31, 2018
(\$000s)

Line No.	Description	Cross-Reference	Current Year-End	Previous Year-End	Actual Mid-Year Capital	Approved Mid-Year Capital	Var. Actual to Approved	Var. %	Working Paper Reference
1	Long-Term Debt	Sch 2.3	29,494	29,565	29,336				
2	Preferred Shares	Sch 2.4	-	-	-				
3	Common Equity		17,322	16,630	17,229				
4	Total Mid-Year Invested Capital		<u>46,816</u>	<u>46,195</u>	<u>46,565</u>				

See Schedule 2.1 for variance explanations.

Totals may not add due to rounding

TransAlta Corporation, as Manager of the TransAlta Generation Partnership
SCHEDULE OF DEBT CAPITAL EMPLOYED
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (\$000s)

2017 Actual

Line No.	Cross-Reference	Description	Series	Issue Date	Maturity Date	Coupon Rate	Transmission Principal Amount	Underwriting Discount & Expense	Total Amount	Effective Cost Rate %	Principal Outstanding at Year-End	Carrying Cost	Average Embedded Cost Rate	Variance Actual to Approved	Var. %	Working Paper Reference
1	Sch 2.2	Current Period-End Balance									29,494	1,178	3.99%	n/a	n/a	
2	Sch 2.2	Prior Year-End Balance									29,565	1,181	3.99%	n/a	n/a	
3	Sch 2.2	Mid-Period Balance									<u>29,336</u>	<u>1,171</u>	<u>3.99%</u>	n/a	n/a	

2017 Approved

Line No.	Cross-Reference	Description	Series	Issue Date	Maturity Date	Coupon Rate	Principal Amount	Underwriting Discount & Expense	Total Amount	Effective Cost Rate %	Principal Outstanding at Year-End	Carrying Cost	Average Embedded Cost Rate
1		A											
2		B											
3		C											
4		D											
5		E											
6		F											
<div style="border: 1px solid black; background-color: #cccccc; padding: 10px; width: fit-content; margin: 0 auto;"> TransAlta adopted AltaLink's cost factors </div>													
7	Sch 2.2	Current Year-End Balance											
8	Sch 2.2	Prior Year-End Balance											
9	Sch 2.2	Mid-Year Balance											

Totals may not add due to rounding

TransAlta Corporation, as Manager of the TransAlta Generation Partnership
SCHEDULE OF PREFERRED SHARE CAPITAL EMPLOYED
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (\$000s)

2018 Actual

Line No.	Cross-Reference	Series	Issue Date	Dividend Rate	Stated Value of Issue	Underwriting Discount & Expense	Net Proceeds Outstanding	Carrying Cost of Issue	Average Embedded Cost Rate	Variance Actual to Approved	Var. %	Working Paper Reference
1		A		0.00%	0	0	0	0		0	0%	
2		B		0.00%	0	0	0	0		0	0%	
3		C		0.00%	0	0	0	0		0	0%	
4		D		0.00%	0	0	0	0		0	0%	
5	Sch 2.2	Current Year-End Balance			<u>0</u>	<u>0</u>	0	0	0.00%	0	0%	
6	Sch 2.2	Prior Year-End Balance					0	0	0.00%	0	0%	
7	Sch 2.2	Mid-Year Balance					<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>	<u>0%</u>	

2018 Approved

Line No.	Cross-Reference	Series	Issue Date	Dividend Rate	Stated Value of Issue	Underwriting Discount & Expense	Net Proceeds Outstanding	Carrying Cost of Issue	Average Embedded Cost Rate
1		A		0.00%	0	0	0	0	
2		B		0.00%	0	0	0	0	
3		C		0.00%	0	0	0	0	
4		D		0.00%	0	0	0	0	
5	Sch 2.2	Current Year-End Balance			<u>0</u>	<u>0</u>	0	0	0.00%
6	Sch 2.2	Prior Year-End Balance					0	0	0.00%
7	Sch 2.2	Mid-Year Balance					<u>0</u>	<u>0</u>	<u>0.00%</u>

TransAlta Corporation, as Manager of the TransAlta Generation Partnership
SUMMARY OF OPERATING AND MAINTENANCE EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2018
(\$000s)

Line No.	Description	Cross-Reference	2018 Actual	2017 Actual	Var. Actual to Prior Year	Var. %	Working Paper Reference
Direct Operation and Maintenance							
1	560	Supervision & Engineering	330	390	(59)	-15%	
2	566	O & M Misc Transmission	453	621	(169)	-27%	
3	567	Right of way payments	607	614	(8)	-1%	
4		Total	<u>1,390</u>	<u>1,626</u>	<u>(236)</u>		
Administrative and General expenses							
5	920	Administrative and General Salaries	312	261	51	20%	
6	921	Administration Corporate	92	77	15	20%	
7	923	Outside service employed	57	84	(27)	-32%	
8	924	Insurance Premiums	3	2	1	47%	
9	925	Injuries and damages	-	-	-		
10	928	Commission expenses	-	-	-		
11	930.2	Miscellaneous General Expenses	297	302	(5)	-2%	
12		Total	<u>762</u>	<u>726</u>	<u>36</u>		
Taxes Other Than Income							
13	408.1	Trans. Linear Property Tax	422	482	(60)	-12%	
14		Total Utility Operating and Maintenance Costs	<u><u>2,574</u></u>	<u><u>2,834</u></u>	<u><u>(260)</u></u>		

Totals may not add due to rounding

TransAlta Corporation, as Manager of the TransAlta Generation Partnership
SUMMARY OF DEPRECIATION EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2018
 (\$000s)

Line No.	USA	Description	Cross-Reference	2018 Actual	2017 Actual	Var. Actual to Prior Year	Var. %	Working Paper Reference
1	350.1	Land rights		19	19	0	1%	
2	353.1	System communication & control		95	101	(6)	-6%	
3	353	Station equipment		347	342	5	1%	
4	354	Towers and fixtures		92	99	(7)	-7%	
5	354.01	Towers and fixtures		251	239	12	-	
6	355	Poles and fixtures		322	344	(22)	-6%	
7	356	Overhead conductors and devices		481	364	117	32%	
8		Amortization of Customer Contributions		(2)	(2)	-	0%	
9		Total Utility Depreciation Expense	Sch 1	1,605	1,506	99	7%	

Totals may not add due to rounding

TransAlta Corporation, as Manager of the TransAlta Generation Partnership
CAPITAL ASSETS CONTINUITY SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (\$000s)

CAPITAL ASSETS

Line No.	USA	Property Group	Cross-Reference	Balance at 12/31/2017	2018 Additions	2018 Retirements	2018 Transfers	2018 Adjustments	2018 AFUDC	Balance at 12/31/2018	Working Paper Reference
1	350.1	Land rights		1,054	-	-	-	-	-	1,054	
2	353.1	System communication & control		2,067	174	-	-	-	-	2,241	
3	353	Station equipment		10,916	50	-	-	-	-	10,966	
4	354	Towers and fixtures		4,736	40	-	-	-	-	4,776	
5	354.01	Towers and fixtures		11,411	(3)	-	-	-	-	11,407	
6	355	Poles and fixtures		8,571	1,225	-	-	-	-	9,796	
7	356	Overhead conductors and devices		24,510	443	-	-	-	-	24,953	
8		Subtotal		63,265	1,929	-	-	-	-	65,194	
9		Customer Contributions		(66)		-	-	-	-	(66)	
10		Subtotal		63,199	1,929	-	-	-	-	65,128	
11		Capital Work in Progress (CWIP)	Sch 4.2	-	- ¹	-	-	-	-	-	
12		Total Utility	Sch 2.1	63,199	1,929	-	-	-	-	65,128	

ACCUMULATED DEPRECIATION

Line No.	USA	Property Group	Cross-Reference	Balance at 12/31/2017	Depreciation Provision	2018 Retirements	2018 Transfers	2018 Adjustments	2018 AFUDC	Balance at 12/31/2018	Working Paper Reference
1	350.1	Land rights		(821)	(19)	-	-	-	-	(840)	
2	353.1	System communication & control		(760)	(95)	-	-	-	-	(854)	
3	353	Station equipment		(5,342)	(347)	-	-	-	-	(5,689)	
4	354	Towers and fixtures		(4,863)	(92)	-	-	-	-	(4,955)	
5	354.01	Towers and fixtures		(266)	(251)	-	-	-	-	(517)	
6	355	Poles and fixtures		635	(322)	-	-	-	-	313	
7	356	Overhead conductors and devices		(8,125)	(481)	-	-	-	-	(8,605)	
8	108	Salvage (FC: 105,106,109,9999)		2,315	-	178	-	-	-	2,492	
9		Subtotal		(17,226)	(1,607)	178	-	-	-	(18,655)	
10		Customer Contributions		22	2	-	-	-	-	23	
11		Subtotal		(17,204)	(1,605)	-	-	-	-	(18,632)	
12		Capital Work in Progress (CWIP)		-	-	-	-	-	-	-	
13		Total Utility	Sch 2.1	(17,204)	(1,605)	178	-	-	-	(18,632)	

¹ This amount does not represent an addition to Capital Assets. Rather, it is the net increase (decrease) in the CWIP balance as detailed on Schedule 4.2.

Totals may not add due to rounding

TransAlta Corporation, as Manager of the TransAlta Generation Partnership
SUMMARY OF CAPITAL ADDITIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
 (\$000s)

Line No.	Description	Cross-Reference	2018 Actual				2017 Actual				Var. Actual to Prior Year	Var. %	Working Paper Reference		
			Opening CWIP Balance	Cap Expend	Cap Adds	AFUDC	Closing CWIP Balance	Opening CWIP Balance	Cap Expend	Cap Adds				AFUDC	Closing CWIP Balance
	<u>Capital Maintenance</u>														
1	Transmission Planned Maintenance		-	1,669	1,669	-	-	-	554	554	-	-	1,115		
2	Substation Planned Maintenance		-	224	224	-	-	-	-	-	-	-	224		
3	Subtotal		-	1,893	1,893	-	-	-	554	554	-	-	1,340	242%	
4															
	<u>AESO Direct Assignments</u>														
6	Edmonton Region Upgrades		-	36	36	-	-	-	-	-	-	-	36		
7	Blackie 138kV 876L Reconfiguration		-	-	-	-	-	-	-	-	-	-	-		
8	Subtotal		-	36	36	-	-	-	-	-	-	-	36		
9															
10	Total Capital Additions	Sch 4.1	-	1,929	1,929	-	-	-	554	554	-	-	1,376	248%	

Totals may not add due to rounding

TransAlta Corporation, as Manager of the TransAlta Generation Partnership
SUMMARY OF UTILITY INCOME TAX
FOR THE YEAR ENDED DECEMBER 31, 2018
(\$000s)

Line No.	Description	Cross-Reference	2018 Actual	2017 Actual	Var. Actual to Prior Year	Var. %	Working Paper Reference
1	<u>Current Tax</u>						
2	Federal Income Tax						
3	Federal Taxable Income		-	-	-		
4	Income Tax Rate		15.00%	15.00%	0.00%	0%	
5	Total Federal Income Tax		-	-	-		
6	Provincial Income Tax						
10	Provincial Taxable Income		-	-	-		
11	Income Tax Rate**		12.00%	12.00%	0.00%	0%	
12	Total Provincial Income Tax		-	-	-		
13	Total Current Tax		-	-	-		
14	<u>Future Tax</u>						
15	Temporary Differences		-	-	-		
16	Income Tax Rate		-	-	-		
17			-	-	-		
18	Other		-	-	-		
19	Total Future Tax		-	-	-		
20	<u>Other Items</u>						
21	Large Corporations Tax		-	-	-		
22	Preferred Dividend Tax		-	-	-		
23	Total Income Tax deferred from prior year		-	-	-		
24	Total Income Tax deferred to following year		-	-	-		
25	Total Other Items		-	-	-		
26	Total Utility Income Tax	Sch 1	-	-	-		

Totals may not add due to rounding

TransAlta Corporation, as Manager of the TransAlta Generation Partnership
SUMMARY OF CUSTOMERS, ENERGY AND REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018

Line No.	Description	Cross-Ref.	2018 Actual	2018 Approved	2017 Actual	Var. Actual to Approved	Var. %	Var. Actual to Prior Year	Var. %	Working Paper Reference	
	<u>Residential</u>										
1	Customers - Average										
2	Energy Sales (MWh)										
3	Revenue (\$000s)										
4	kWh per Customer										
5	Cents/kWh										
	<u>Commercial</u>										
6	Customers - Average										
7	Energy Sales (MWh)										
8	Revenue (\$000s)										
9	kWh per Customer										
10	Cents/kWh										
	<u>Industrial</u>										
11	Customers - Average										
12	Energy Sales (MWh)										
13	Revenue (\$000s)										
14	Cents/kWh										
	<u>R.E.A. Farm</u>										
15	Customers - Average										
16	Energy Sales (MWh)										
17	Revenue (\$000s)										
18	kWh per Customer										
19	Cents/kWh										
	<u>Company Rural Farm</u>										
20	Customers - Average										
21	Energy Sales (MWh)										
22	Revenue (\$000s)										
23	kWh per Customer										
24	Cents/kWh										
	<u>Street & Space Lights</u>										
25	Energy Sales (MWh)										
26	Revenue (\$000s)										
27	Cents/kWh										
28	Other Revenues/Adjustments										
29	Total Utility Revenue (\$000s)	Sch 1	-	-	-	-	-	-	-		

NOT APPLICABLE TO TRANSALTA

TransAlta Corporation, as Manager of the TransAlta Generation Partnership
EXPLANATION OF TRANSACTIONS WITH AFFILIATED COMPANIES
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (\$000s)

2018 Actual

Line No.	Affiliate	Nature of Service	Cross-Ref.	Amount	Transactions In To XYZ	Transactions Out From XYZ	Var. Actual to Forecast	Var. %	Working Paper Reference
1									
2									
3									
4									
5									
6									
7									
8									
10									
11									
12									

NOT APPLICABLE TO TRANSALTA

2018 Approved

Line No.	Affiliate	Nature of Service	Cross-Ref.	Amount	Transactions In To XYZ	Transactions Out From XYZ
1						
2						
3						
4						
5						

TransAlta Corporation, as Manager of the TransAlta Generation Partnership
SUMMARY OF PAYROLL AND MANPOWER STATISTICS
FOR THE YEAR ENDED DECEMBER 31, 2018
(\$000s)

SALARIES, WAGES AND EMPLOYEE BENEFITS

Line No.	Description	Cross-Reference	2018 Actual	2017 Actual	Var. Actual to Prior Year	Var. %	Working Paper Reference
	<u>Gross Salaries and Wages</u>						
1	Transmission Operations		404	410	(6)	-2%	
2	Salaries and Wages Charged to Utility Operations	Sch 3	404	410	(6)		
	<u>Gross Employee Benefits</u>						
4	Transmission Operations		141	144	(2)	-2%	
5	Benefits Charged to Utility Operations	Sch 3	141	144	(2)		

EMPLOYEE ALLOCATION

Line No.	Description	Cross-Reference	2018 Actual	2017 Actual	Var. Actual to Prior Year	Var. %	Working Paper Reference
	<u>Manpower Statistics</u>						
1	Total Regular Employees (FTEs)		2.7	2.7	-		
2	Total Temporary Employees (FTEs)		-	-	-		
3	Total Contract Staff (FTEs)		-	-	-		
4	Total Manpower		2.7	2.7	-		
	Less:						
5	Allocated to Non-regulated		-	-	-		
6	Total Manpower - Utility Operations		2.7	2.7	-		

(Average numbers for the year)

Totals may not add due to rounding

TransAlta Corporation, as Manager of the TransAlta Generation Partnership
SUMMARY OF RESERVE/DEFERRAL ACCOUNTS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (\$000s)

Line No.	USA	Description	Cross-Ref.	2018 Actual					2018 Approved					Var. Funding vs. Payments	Var. %	Working Paper Reference
				Opening Balance	Funding/ Adds	Amort.	Payments/ Recoveries	Ending Balance	Opening Balance	Funding/ Adds	Amort.	Payments/ Recoveries	Ending Balance			
<u>List of Deferral Accounts</u>																
1	182.3	Direct Assigned Capital Deferral		-	-	-	-	-	-	-	-	-	-	-	0%	
2	182.3	Property Tax Deferral		(62)	464	-	422	(20)	-	-	-	-	-	(42)	-9%	
3	182.3	Annual Tower Payments Deferral		(158)	507	-	607	(258)	-	-	-	-	-	100	20%	
4		Total Deferral Accounts		<u>(220)</u>	<u>971</u>	<u>-</u>	<u>1,029</u>	<u>(278)</u>						<u>58</u>		
<u>List of Reserve Accounts</u>																
5	228.1	Self Insurance Reserve		-	-	-	-	-	-	-	-	-	-	-		
6	254.1	Hearing Cost Reserve		-	-	-	-	-	-	-	-	-	-	-		
7		Total Reserve Accounts	Sch 11	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		

Totals may not add due to rounding

TransAlta Corporation, as Manager of the TransAlta Generation Partnership
RECONCILIATION OF FINANCIAL REPORTING SCHEDULES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
INCOME STATEMENT ITEMS
(\$000s)

Line No.	USA	Description	Cross-Reference	Transmission Management			2018 Financial Results			
				Report	Adjustments	Utility Total	Distribution	Transmission	Retail	Utility Total
				A	B	C	D	E	F	G
1		Revenues								
2	458	Transmission Tariff		6,108		6,108		6,108		6,108
3	458	Transmission Tariff - other								
4	407	Transmission Tariff - Hearing Cost and Self Insurance								
5	407	Transmission Tariff - deferral			58	58		58		58
6			Sch 1	<u>6,108</u>	<u>58</u>	<u>6,166</u>	<u>-</u>	<u>6,166</u>	<u>-</u>	<u>6,166</u>
7		Operating and Maintenance								
8	560	Supervision & Engineering		261	69	330		330		330
9	566	O & M Misc Transmission		453		453		453		453
10	567	Right of way payments		607		607		607		607
11	920	Administrative and General Salaries		312		312		312		312
12	921	Administration Corporate			92	92				
13	923	Outside service employed		57		57		57		57
14	924	Insurance Premiums		3		3				
15	925	Injuries and damages								
16	928	Commission expenses								-
17	930	Miscellaneous General Expenses		447	(150)	297		297		-
18	408	Trans. Linear Property Tax		821	(399)	422				
19			Sch 1	<u>2,961</u>	<u>(387)</u>	<u>2,574</u>	<u>-</u>	<u>2,574</u>	<u>-</u>	<u>2,574</u>
20		Depreciation and Amortization								
21	403	Depreciation Expense	Sch 4	1,774	(168)	1,605		1,605		1,605
22			Sch 1	<u>1,774</u>	<u>(168)</u>	<u>1,605</u>	<u>-</u>	<u>1,605</u>	<u>-</u>	<u>1,605</u>
23		Interest Expense	Sch 2.3		1,171	1,171		1,171		1,171
24		Allowance for Funds Used During Construction								
25		Income Tax	Sch 5							
26										
27		Net Income (Loss)	Sch 1	<u>1,373</u>	<u>(558)</u>	<u>815</u>	<u>-</u>	<u>815</u>	<u>-</u>	<u>815</u>

Totals may not add due to rounding

TransAlta Corporation, as Manager of the TransAlta Generation Partnership
RECONCILIATION OF FINANCIAL REPORTING SCHEDULES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
BALANCE SHEET ITEMS
(\$000s)

Line No.	USA	Description	Cross-Reference	Transmission Management			Balance as at December 31, 2018			
				Report	Adjustments	Total	Distribution	Transmission	Retail	Total
1		Assets								
2	142	Accounts Receivable		2,512	-	2,512		2,512		2,512
3	101	Property, Plant & Equipment		65,128		65,128		65,128		65,128
4	107	Construction Work In Progress								
5		Total Property		65,128		65,128		65,128		65,128
6	108	Less Accumulated Depreciation		(20,825)	2,193	(18,632)		(18,632)		(18,632)
7		Net Property		44,303	2,193	46,496		46,496		
8										
9		Total Assets		46,815	2,193	49,008		49,008		49,008
10										
11										
12		Liabilities								
13	232	Accounts Payable and Accrued Liabilities		(1)	2,471	2,470		2,470		2,470
14	228.1	Self Insurance Reserve								
15	254.1	Hearing Cost Reserve								
16	182.3	Deferral Accounts			(278)	(278)		(278)		
17	221	Secured Debentures		29,494	-	29,494		29,494		29,494
18		Total Liabilities		29,493	2,193	31,686		31,686		31,686
19										
20										
21		Equity								
22	201-216	Common Shares & Retained Earnings		17,322		17,322		17,322		17,322
23		Total Equity		17,322		17,322		17,322		17,322
24										
25		Total Liabilities & Equity		46,815		49,008		49,008		49,008

Totals may not add due to rounding

**TransAlta Corporation, as Manager of the TransAlta Generation Partnership
Transmission Function
Report of Finances and Operations
Variance Explanations
For the Year Ended December 31, 2018**

Schedule 2.1

- Line 1: Gross Utility Plant in Service Opening Balance variance: -\$0.5M; -0.9%:
The variance in opening balance is a result of the \$0.5M of capital additions offset by the \$1.1M of retirements recorded in 2017, as detailed in lines 1-7 of the Capital Assets Schedule in Schedule 4.1 of the 2017 Report of Finances and Operations.
- Line 2: Gross Utility Plant in Service Closing Balance variance: \$1.9M; 3.0%:
The variance in closing balance is a result of the \$1.9M of capital additions recorded in 2018. Details of the additions are provided in lines 1-7 of the Capital Assets Schedule in Schedule 4.1.
- Line 4: Accumulated Depreciation Opening Balance variance: \$0.3M; 2.0%:
The variance in opening balance is a result of the 2017 depreciation provision of \$1.5M offset by the retirements, salvage and adjustments, totaling \$1.2M. Details of the lines 1-8 of the Accumulated Depreciation Schedule in Schedule 4.1 of the 2017 Report of Finances and Operations.
- Line 5: Accumulated Depreciation Closing Balance variance: \$1.4M; 8.3%:
The variance in closing balance is a result of the 2018 depreciation provision of \$1.6M offset by the retirements, salvage and adjustments, totaling \$0.2M. Details of the depreciation provision and retirements are provided in lines 1-8 of the Accumulated Depreciation Schedule in Schedule 4.1.
- Line 18: Necessary Working Capital variance: \$0.1M; 59.4%:
The variance in working capital is primarily a result of using different working capital parameters, which are impacted by the differing leads and lags as calculated in the respective lead/lag studies. The 2017 interim approved working capital parameters are based on the 2014 approved tariff whereas the 2018 interim working capital parameters are based on the 2016 approved tariff.

Schedule 3

Line 2: USA 566: O&M Fee variance: -\$0.2M; -27%:
The decrease over the prior year is primarily due to receiving a true-up credit adjustment in 2018 related to the prior year, because AltaLink's actual prior year operating costs were less than forecast.

Schedule 4.2

Line 1-12: Capital additions variance: \$1.4M; 248%
The increase in capital additions over the prior year primarily stems from capital maintenance work being delayed from 2017 to 2018 due to other more urgent repair and maintenance priorities for AltaLink.

Schedule 10

Explanation for Adjustments (see Sch.10 for adjustment amounts):

Line 5: Adjustment for the Property Tax and Annual Tower Payments deferral accounts
Line 8: Recognition of the approved corporate overhead allocation
Line 12: Recognition of the approved corporate overhead allocation
Line 17: Adjustment to eliminate ineligible costs
Line 18: Adjustment to eliminate accrued property tax
Line 21: Adjustment to eliminate entries related to IFRS
Line 23: Recognition of 2018 interest expense per debt calculation

Schedule 11

Explanation for Adjustments (see Sch.11 for adjustment amounts):

Line 6: Adjustment to eliminate entries related to IFRS
Line 13&16: Adjustment to match ending deferral account and deemed debt and equity balances.