

TransAlta Power seeks buyers

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CALGARY – TransAlta Power (TSX: [TPW.UN](#)) faces an uncertain future after putting itself on the block, with majority owner TransAlta Corp. (TSX: [TA](#)) denying any intention to buy it, and analysts wondering who else would be interested in being a minority partner.

In a release Tuesday, TransAlta Power said the review is aimed to "consider strategic alternatives" to maximize value for unitholders, a process that includes "seeking proposals from potential buyers."

Parent company TransAlta Corp. added it neither intended to acquire the rest of TransAlta Power, nor sell its indirect interest of 50.01 per cent in TransAlta Cogeneration.

"This is going to be a litmus test potentially on where the company stands in terms of evaluation," said Toronto-based analyst **Darryl McCoubrey** of **Veritas Investment Research**.

He said utility assets are popular because they provide steady cash flows, and TransAlta Power could present an attractive alternative for companies seeking to diversify risk.

Private equity and pension funds might be interested, but the question is what price would they be willing to pay, **McCoubrey** said.

"The cost of developing power plants has gone up considerably, so I'm not quite sure where TransAlta's portfolio would fit into the current market equation."

The power trust's 49.99 per cent of TransAlta Cogeneration represents interests in five gas-fired cogeneration facilities in Ontario, Alberta and Saskatchewan and in a coal-fired, mine-mouth facility in Alberta.

Its power plant in Ottawa faces renewing much higher natural gas contracts this year, and its coal-fueled Sheariness power plant in Alberta is an uneasy fit in a future of tighter environmental regulations, **McCoubrey** said.

The trust fund also could be positioning itself to revert to a corporate structure ahead of income tax changes in 2011.

One possibility is that conflict between its independent board and the manager of the fund, TransAlta Corp. could be motivating the move, an analyst noted.

"They are in a awkward position trying to be independent in an area where somebody else controls the only asset," the analyst said. "They are overseeing an investment where they don't really have any control."

Alternatively, TransAlta simply could be testing market waters, a similar move to renewable energy company Boralex Power Income Fund, which announced in January it could be up for sale, then went silent.

TransAlta Power seemed to back the suggestion, saying Tuesday's announcement was not "in response to any proposed transaction, nor can there be any assurance that it will lead to a transaction."

Units in TransAlta Power were trading up 30 cents to \$8.11 on the Toronto Stock Exchange Tuesday.