

Heartland 500 kV Project
Memorandum of Understanding
Between
AltaLink L.P.
and
EPCOR Distribution & Transmission Inc.

This Memorandum of Understanding made effective as of the 23 day of March, 2007.

This Memorandum of Understanding ("MOU"), which when accepted by each party, sets forth the mutual intentions upon which EPCOR Distribution & Transmission Inc. ("EPCOR") and AltaLink, L.P. ("AltaLink") will negotiate diligently and in good faith with the objective of completing the final draft of legally binding, definitive agreements between EPCOR and AltaLink by April 30, 2007, or such other date to which the parties may agree (collectively the "Project Agreement"). This MOU will be effective until replaced by the Project Agreement, an updated MOU or until one of the parties has served written notice to the other that they are terminating this MOU.

The Project Agreement, based upon the terms of this MOU, will detail the parties' respective rights and obligations regarding the joint development, ownership, ongoing operation and maintenance of the transmission project currently known as the Heartland Project (the "Project"). The Project includes twin 500 kV lines to the proposed Heartland substation along routes that will be finalized in accordance with the AEUB regulatory approval process. For greater clarity, the Project does not include development or ongoing operation or maintenance of the proposed Heartland substation.

The parties hereby agree that an underlying principle to be incorporated into the Project Agreement is that they will jointly undertake all activities necessary to successfully bring into service, operate and maintain the Project. In implementing this principle, the parties agree that, as much as is possible, they will present a common face to all stakeholders with the intent of proceeding through the necessary regulatory, design, procurement, construction and ongoing operation activities in as effective and efficient manner as possible. To facilitate the presenting of a common face to stakeholders, the parties' intent is that, where practical, to have each party represented at discussions with various regulatory bodies and to work together in a manner that is not intended to favour any particular route for either of the 500 kV lines when providing input to regulatory and other decision making bodies.

The parties hereby agree that, with respect to transmission builds outside the scope of the Project, the Project Agreement will in no way limit or modify the rights and obligations of either party as to the AESO Direct Assign rules.

1. Formation of a Partnership

The parties hereby agree that the entirety of assets associated with the Project will be owned by a single entity (the "Joint Entity"). The parties' joint objectives and respective rights and

obligations as to the legal structure of the Joint Entity will be defined in the Project Agreement. Notwithstanding the above, the parties agree that the final legal structure of the Joint Entity is subject to further due diligence on the part of each party. The parties agree that defining the legal structure of the Joint Entity with the intent of optimizing their respective tax, legal and regulatory positions is an item of high priority. This includes agreeing as to whether the Joint Entity would become a Transmission Facility Owner.

1.1. Ownership of Project Assets

The parties hereby agree in principle that their respective equity positions in the Joint Entity will be a function of the final routes for the two 500kV lines as determined through the regulatory process. Two route and ownership profiles are presently contemplated. If Route "One", as detailed in Appendix A, is selected as the final route by the AEUB, then the ownership positions will be AltaLink at 50% and EPCOR at 50%. If Route "Two", as detailed in Appendix B, is selected as the final route by the AEUB, then the ownership positions will be AltaLink at 75% and EPCOR at 25%.

The parties hereby agree that, in order to move forward in a coordinated manner with respect to items including working relationships, contracting for services and individual contributions, the default assumption is that the ownership positions will be AltaLink at 50% and EPCOR at 50%. The parties acknowledge and agree that the final determination of the route will be according to the ruling of the relevant regulatory body. If neither Route One nor Route Two is selected as the final route then the parties agree to work in good faith to agree as to an ownership profile reflecting the actual route chosen.

1.2. Agreement on Material Items

The parties agree that the Project Agreement will delineate certain items that will require their mutual consent, not to be unreasonably withheld or delayed, in advance of it representing the position of the Joint Entity. These items are currently viewed to include the following:

- a) Guiding principles and standards with respect to communication and stakeholder consultation;
- b) Guiding principles with respect to regulatory and environmental strategies;
- c) All regulatory, legal and environmental filings;
- d) Final design, budget and costing data;
- e) Selection of consultants with major roles in the Project;
- f) Selection of EPC contractor; and
- g) Route Selection Criteria Matrix

Where practical or possible, details as to each of the above listed items will be agreed to in advance of finalizing the Project Agreement and will be set out in the Project Agreement.

1.3. Management of the Project.

The parties agree that management of the Project by the Joint Entity will be structured as follows.

Steering Committee - formed with equal members, currently contemplated as three, representing each party. This committee will be accountable for monitoring Project process, providing guidance and direction within parameters agreed to by the parties. As an example, this committee will approve Project budgets and schedules and address any subsequent material deviations.

Project Manager - reporting to the Steering Committee this position will be resourced by AltaLink and will be accountable for completion of plans associated with the Project as agreed to by the parties.

Siting and Regulatory Approvals Manager – reporting to the Project Manager this position will be resourced by AltaLink and will be accountable for completion of all necessary filings. This includes EIA and Facility Application filings in addition to making siting and land right-of-way decisions.

Communications/Stakeholder Consultation Manager – reporting to the Project Manager this position will be resourced by EPCOR and will be accountable for all communications, stakeholder consultations and government relations activities.

Project Co-ordinator - reporting to the Project Manager this position will be resourced by AltaLink and will be responsible for managing the EPC contractor.

Operating Manager – reporting to the Steering Committee, this position will be created when necessary to direct the ongoing operations, maintenance and administration of the Project post-construction. AltaLink will resource this position and provide supporting resources as required to conduct ongoing operations and maintenance of the Project.

In order to support the individual accountable for managing a function, each party will provide the resources necessary to provide input to, manage, or complete, as the case may be, the work associated with that function in the respective parties' operating territories.

Resourcing of the Joint Entity during the permitting and construction phases of the Project is currently contemplated by the parties as detailed in Appendix C.

The parties agree that when a particular function head is resourced from a party then that party has assumed accountability for completion of the deliverables associated with that position.

In order to facilitate a coordinated approach to work currently underway related to the Project, the parties hereby agree that the above referenced structure will, where practical, be employed effective immediately and in advance of execution of the Project Agreement.

1.4. Supply of Services to the Joint Entity

The parties agree that the Joint Entity will have no direct employees other than those that may be required by law. All required services will be provided by the respective parties or contractors.

The parties agree that certain services may be provided to the Project by contractors that are not arms-length to one of the parties. In the event that this occurs, the parties agree that the Project

shall retain the party who is not at arms-length to the contractor to provide the services and then such party may in turn retain the contractor. Any costs not allowed by the regulator as a direct result of this non arms-length relationship would then be wholly the responsibility of the party with the non arms-length relationship. For example, should AltaLink choose to retain SNC-Lavalin ATP Inc. to provide engineering, procurement and construction services for the benefit of the Joint Entity, the Joint Entity shall retain AltaLink to provide such services, and AltaLink may subsequently retain SNC-Lavalin ATP Inc. to provide the services.

2. Sharing of Current and Future Expenses

At present the parties are undertaking work on the Project as the result of Requests for Service from the AESO. These activities will continue and the parties will recover costs for these activities as allowed by the AESO. The parties agree that neither will be responsible for any expenses of the other incurred outside the Joint Entity unless that expense has been pre approved by each party. The parties agree in principle that, within the Joint Entity, expenses pre approved by the Steering Committee will be covered according to each party's respective ownership positions and capitalized as an asset of the Joint Entity as allowed by the respective regulatory bodies. The parties will cooperate to transfer pre approved costs generated in advance of the creation of the Joint Entity into the capital base of the Joint Entity as allowed by the relevant regulatory body. These costs will be shared based on the parties' respective equity positions.

3. Approval to Fund Capital Costs

The parties agree that, at this point in time, their authorizations to commit to the funds necessary to complete the Project are subject to their respective internal approval processes. It is contemplated that the Project Agreement may be executed in advance of either party receiving final internal approval to fund their portion of the Project. If this is the case, the parties agree to work in good faith in order to obtain the internal approvals as necessary to fully fund their portion of the Project. In any case, the parties agree to have all necessary internal approvals in place in advance of submitting the Proposal to Provide Service associated with the Project.

4. Dispute Resolution

The parties agree that the Project Agreement will include a dispute resolution mechanism to address those circumstances where mutual consent is required for a particular item and the parties fail to achieve such consent, as well as provisions dealing with the sale and transfer of interest in the Project and the termination of the Joint Entity.

5. Binding Provisions

Notwithstanding anything else contained in this MOU, the parties agree that the following provisions shall be binding upon the parties and shall survive termination of the MOU:

5.1 Confidentiality

All financial or project information obtained by the parties in relation to the provisions of this MOU and the contents hereof are strictly confidential and the parties covenant not to disclose or allow disclosure of the same to any third party, except as required by a court of competent jurisdiction, or its solicitors, or as required in a regulatory process. As referenced in this clause, third party shall not include directors, officers, employees, representatives, affiliates or other agents of one of the parties who require access to any financial or project information referenced in this

clause in order to complete or evaluate work as a party may require in order to undertake activities associated with transmission facilities in the parties' respective area as determined by AESO Direct Assign rules.

5.2 No Partnership

Unless or until a partnership is formed by the parties, if at all, to carry out the Project, the parties are and will remain independent contractors and nothing contained in this MOU shall be construed to create a partnership between the parties. Except as expressly authorized by this MOU, nothing herein shall be construed to authorize a party to act as the agent of the other party, or to permit any party to act on behalf of or bind the other party.

5.3 Termination of the MOU

If this MOU is terminated by either party in advance of the execution of the Project Agreement, the parties agree that they will work in good faith to share any costs individually incurred that are not recoverable as the result of a Request for Service and which are directly related to work on activities mutually agreed to. In the event of such a termination, the parties also agree to share any information developed for the Project and related to the operating territory of the other party.

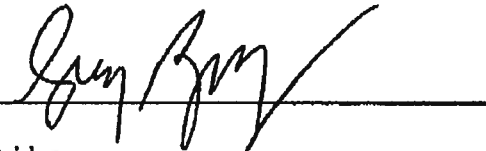
In witness whereof the parties have executed this MOU as of the day and year first above written.

ALTALINK, L.P., on its behalf by its general partner, AltaLink Management Ltd.

Per: 

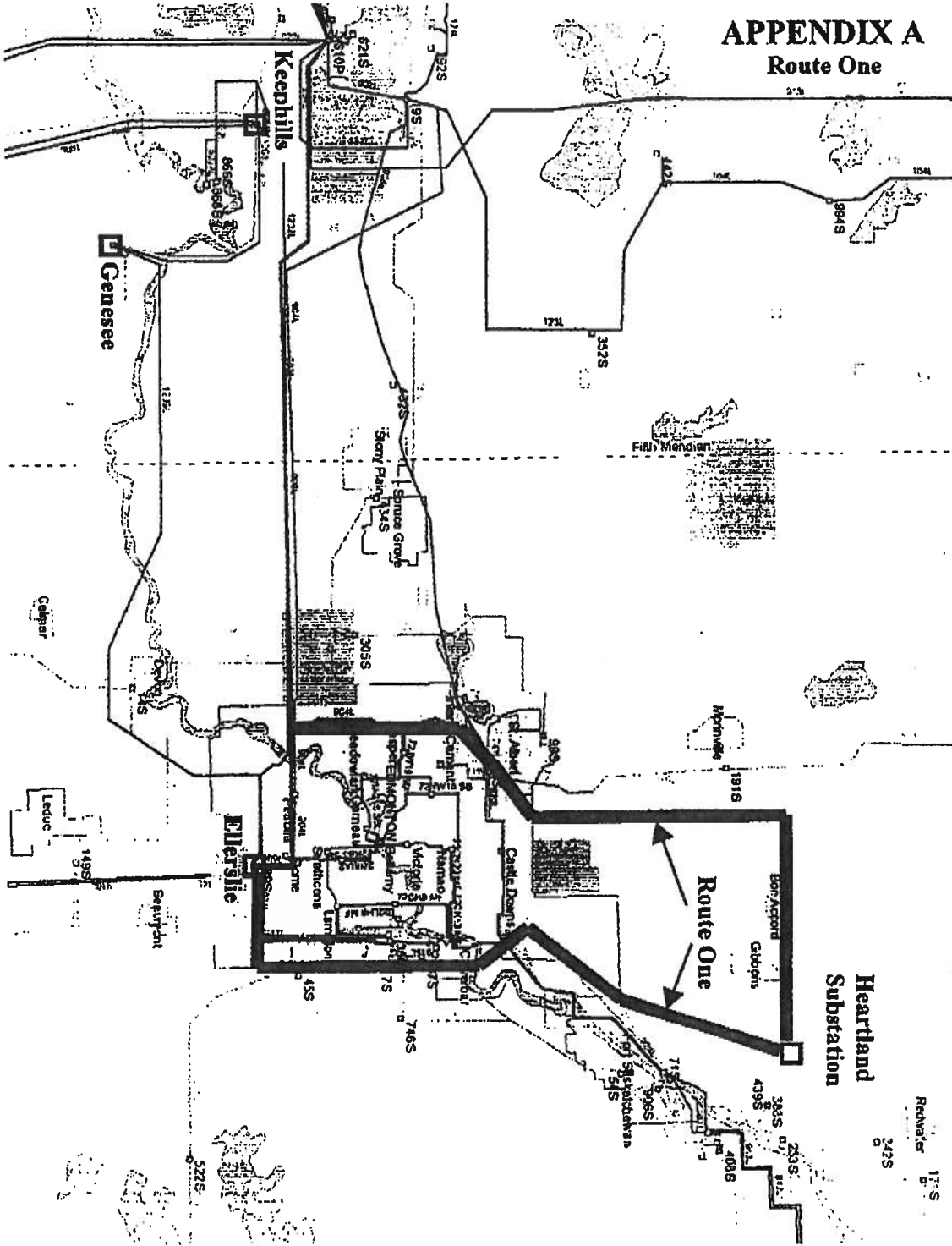
G.D. Lyons
Senior Vice President, Business Development

EPCOR DISTRIBUTION & TRANSMISSION INC.

Per: 

Guy Bridgeman
Senior Vice President, Distribution & Transmission and Energy Services

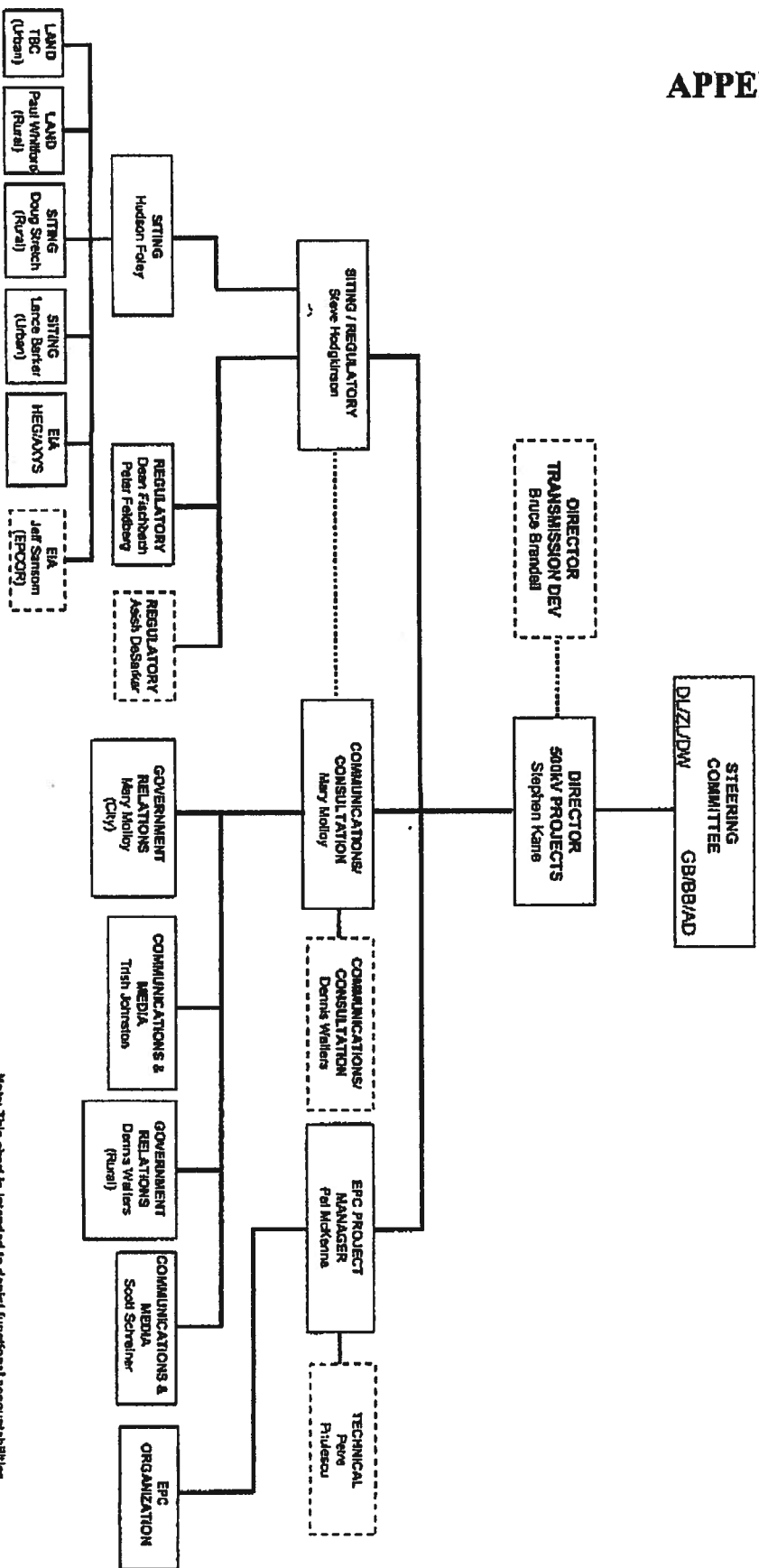
**APPENDIX A
Route One**



17'S
RECORDED
B
3425
G

Heartland 500kV Development Project Organization

APPENDIX C



Note: This chart is intended to depict functional accountability.

Dashed Key
Input interfaces