

February 26, 2009

EPCOR Distribution & Transmission Inc.  
10065 Jasper Avenue  
Edmonton, Alberta  
T5J 3B1

Attention: Senior Vice President, Distribution & Transmission and Energy Services

**Re: Heartland Project Organization**

Dear Guy,

We are writing to confirm recent discussions between AltaLink, L.P. ("AltaLink") and EPCOR Distribution & Transmission Inc. ("EPCOR") for a collaborative approach to continue working together in assisting the AESO with its needs identification for a transmission reinforcement project in the Fort Saskatchewan and Edmonton areas (the "Heartland Project") and to eventually file a permit and licence application to the AUC for the Heartland Project.

AltaLink and EPCOR started working together on the Heartland Project under the terms of a Memorandum of Understanding between them made effective the 23<sup>rd</sup> day of March, 2007 (the "MOU"). On March 7, 2008, AltaLink and EPCOR signed an agreement forming a limited partnership known as Heartland Transmission, L.P. ("HTLP"), with its general partner, Heartland Transmission Management Ltd. It was the intention of the parties that the Heartland Project, if ultimately located substantially in both parties' service areas, would be owned and operated through HTLP. On January 23, 2009, the Alberta Utilities Commission ("AUC") issued Decision 2009-012 denying the exemption applications submitted by both EPCOR and AltaLink in respect of the affiliate relationships between each of the parties and HTLP.

In response to the AUC's decision, the parties have agreed that, pending events which permit HTLP to assume the management and operation of the Heartland Project, continued collaborative efforts on the Heartland Project shall be conducted under the principles set forth herein. The parties have agreed to amend the HTLP agreement (as well as the unanimous shareholders' agreement for Heartland Transmission Management Ltd.) in order to ensure full compliance by each of the parties with their respective inter-affiliate codes of conduct. The parties may consider making future applications to the AUC for the approval of HTLP and/or exemptive relief from the inter-affiliate codes of conduct, if required, at any time before or after a permit and licence has been issued for the Heartland Project by the AUC.

In addition, the parties have agreed that continued efforts on the Heartland Project shall be coordinated as follows:

**Key Principles:**

It is agreed that the parties are operating as independent TFOs working collaboratively on the Heartland Project under the directions received from the AESO in its direction letters to the parties dated December 9, 2008, and any future such direction letters.

**Steering Committee:**

A steering committee shall be formed comprised of equal representatives from each party. The steering committee may delegate the collaborative oversight and management of the Heartland Project to such sub-committees as it feels appropriate and prudent for the ongoing management of the Heartland Project. The initial composition of the steering committee shall be:

Guy Bridgeman  
Bruce Brandell  
Petre Pitulescu  
Dennis Frehlich  
Joe Bronneberg  
Duane Lyons

**Functional Responsibilities:**

The MOU outlined the responsibilities of each of EPCOR and AltaLink over certain functional areas of the Heartland Project. It is the intention of the parties that those specific duties of each of the parties, along with the provisions regarding the supply of services to the Heartland Project and the treatment of current and future expenses and capital costs shall continue to be guided by the principles set out in the MOU unless otherwise modified by the steering committee.

**EPC Agreement:**

The steering committee shall be advised of, and its members shall have a role in, the negotiation of the EPC Agreement regardless of its formal execution date, as much engineering work and long-lead item procurement will have to take place before the facilities application is made to the Alberta Utilities Commission.

**Confidentiality:**

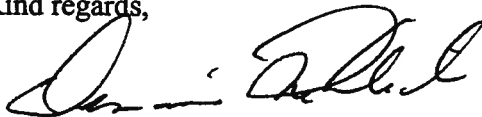
The parties acknowledge that all financial or project information obtained by the parties in relation to ongoing collaboration on the Heartland Project, and the contents hereof, are strictly confidential and the parties covenant not to disclose or allow disclosure of the same to any third party, except as required by a court of competent jurisdiction, a regulatory authority, legislation or by mutual consent. As referenced in this clause, the term "third party" shall not include directors, officers, employees, representatives, affiliates, agents, consultants or advisors of either party ("Representatives") who need access to financial or project information in order to perform work or render services in support of the Heartland Project. Either party may disclose financial or project information to such Representatives provided that such Representatives agree to hold such information in confidence in accordance with this clause.

**No Partnership:**

The parties are independent transmission facilities owners and nothing herein contained shall be construed to create a partnership between the parties. Except as expressly authorized by this letter, 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.

We appreciate your written acknowledgment and agreement to the mutual understandings we have identified in this letter. If you have any further questions or concerns, please do not hesitate to contact me at any time.

Kind regards,



Dennis M. Frehlich, P.Eng  
Executive Vice President & COO

EPCOR Distribution & Transmission Inc. hereby confirms that the provisions of this letter are accurate and acknowledged this 26<sup>th</sup> day of February, 2009.

EPCOR Distribution & Transmission Inc.

Per: \_\_\_\_\_



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