

BLATCHFORD RENEWABLE ENERGY UTILITY

Heads of Agreement for a Memorandum Of Understanding (“MOU”)

This Heads of Agreement contains the framework to be agreed to by the City of Edmonton and EPCOR as an initial step in completing the Memorandum of Understanding associated with development of a Renewable Energy Utility for Blatchford.

Intent of MOU:	<p>To detail the principles upon which the parties have reached agreement to evaluate and come to a recommendation as to the regulatory, technical, financial and operational framework of a Renewable Energy Utility (“REU”) that would service Blatchford. This MOU includes the respective roles and responsibilities of the parties in coming to that recommendation. Should City Council support the concept of an REU in conjunction with EPCOR, the parties will work towards entering into a definitive agreement to replace the MOU.</p> <p>The MOU will be non-binding except for the provisions related to recovery of expenses, exclusivity and termination.</p>
Parties:	The City of Edmonton (the “City”) and EPCOR Utilities Inc. or a subsidiary thereof (“EPCOR”)
REU Services:	<p>The REU will provide energy services to Blatchford that aligns with Council’s vision of a carbon neutral development. The scope of these services could include (where not restricted by provincial legislation) the generation of energy necessary to provide the heating, cooling, domestic hot water, and plug load of the development.</p> <p>Energy may be generated through some combination of:</p> <p>On-site thermal energy via a district energy sharing system (“DESS”);</p> <ol style="list-style-type: none"> 1. On or Off-site energy from a renewable generation project; and 2. Other technologies that may be identified over the course of

	this project.
REU Guiding Principles:	<p>The underlying principles for the REU include:</p> <ol style="list-style-type: none"> 1. environmental sustainability with the goal of being carbon neutral through a combination of on-site and off-site infrastructure; 2. affordable user rates, reasonably comparable to what users in an average home would pay in aggregate; 3. a proven and reliable technical solution; and 4. a regulatory structure that will fairly compensate the utility for the risks it incurs and protect ratepayers.
Deliverables:	<ol style="list-style-type: none"> 1. A framework for a renewable energy utility model at Blatchford that is consistent with Edmonton City Council's vision and could include a spectrum of different ownership and governance options. 2. An analysis of different energy generation options, whether on-site or off, specifically focused on minimizing greenhouse gases and optimizing the economics of each.
Deliverable Timeline:	<p>This Heads of Agreement for the MOU will be considered by City Council in July 2016 along with an interim report on Administration's evaluation of EPCOR's off-site renewable model.</p> <p>The Final Report will be completed Q4, 2016. This report will include final recommendation as to the regulatory, technical, financial and operational framework for an REU that would best achieve Council's vision for Blatchford. This includes the final analysis as to the financial, technical, and environmental effectiveness of the selected energy generation options.</p>
Parties Roles & Responsibilities between April 2016 and Delivery of Final Report in Q4 2016:	<p>The Parties will cooperate with each other in the development of project deliverables as well as any communications or government relations initiatives, as directed and or authorized to, relating to the REU or off-site generation options.</p> <p>While the Parties first choice is to complete work using internal resources, the City and EPCOR will contract with consultants as necessary to achieve the deliverables. Each Party will allow the other access to their consultants as well as any technical,</p>

	<p>development absorption forecasts, regulatory, or financial information pertaining to the REU generated to date.</p> <ul style="list-style-type: none"> • For each energy generation option, EPCOR will lead, and the City will have input on development of the: <ul style="list-style-type: none"> ○ recommended technical, regulatory, financial and operational solution; ○ creation of a detailed risk analysis of each option ○ development and on-going refinement of the financial models • The City will lead the development of the Final Report. Every effort will be made to achieve agreement on the contents, however should the parties disagree on any aspect these positions will be shared and presented to City Council. It is understood that the Final Report will likely need to be completed four weeks prior to any Council meeting.
Steering Committee:	<p>The City and EPCOR will form a Steering Committee whose function will include the review and vetting of deliverables, ensuring the Project is meeting agreed upon principles and milestones and approving final recommendations such as the generation options to be analysed.</p> <p>The members of the Committee appointed by the City are:</p> <ul style="list-style-type: none"> • Gary Klassen, Deputy City Manager - Sustainable Development • Todd Burge, CFO and Deputy City Manager - Financial and Corporate Services • Steve Stanley, SVP Commercial Services, EPCOR • Guy Bridgeman, SVP and CFO, EPCOR
Constraining Legislation:	<p>The Parties recognize that the REU will be subject to relevant legislation, including the Municipal Government Act, Electric Utilities Act, Public Utilities Act, and the Fair Trading Act as well as applicable regulations, including the Energy Marketing and Residential Heat Sub-Metering Regulation, Alta. Reg. 246/2005. The Interim Report will include the Parties' view as to how existing legislation would impact the feasibility or operation of a REU.</p>
Recovery of Expenses:	<ol style="list-style-type: none"> 1. Each Party is responsible for its internal expenses 2. Reasonable third-party costs incurred by EPCOR and approved by the City in advance will be recoverable:

	<ul style="list-style-type: none"> a. through a REU tariff if EPCOR participates in either an equity or financing role; or b. from the City if EPCOR does not participate in either an equity or financing role.
Exclusivity:	The City will work exclusively with EPCOR as directed by City Council for the purposes of this evaluation and come to a recommendation as to the regulatory, technical, financial and operational framework of a Renewable Energy Utility (“REU”) that would service Blatchford. Both parties acknowledge that the final outcome or direction from City Council could include engaging or using other utility service providers or models.
Termination:	Either Party can terminate this MOU at its convenience, subject to the Recovery of Expenses as detailed above.
Term:	<p>The term of the MOU will be until the earlier of:</p> <ul style="list-style-type: none"> 1. Termination of the MOU by either Party; 2. A definitive agreement has been executed between the Parties that supersedes this MOU; 3. Meeting the deliverables as detailed above; or 4. August 31, 2017
Confidentiality:	The Parties have entered into a mutual confidentiality agreement