

ASSIGNMENT AND NOVATION AGREEMENT

THIS AGREEMENT made as of the 31st day of August, 2005.

AMONG:

TRANSCANADA ENERGY LTD., a company continued under the laws of Canada and having a place of business in Calgary, Alberta (herein referred to as the "*Assignor*")

-and-

EPCOR REGIONAL POWER SERVICES LIMITED PARTNERSHIP, a corporation incorporated under the laws of Alberta and having a place of business in Edmonton, Alberta (herein referred to as the "*Assignee*")

-and-

TRANSCANADA POWER, L.P., an Ontario limited partnership and having a place of business in Calgary, Alberta (herein referred to as "*Power LP*")

WHEREAS pursuant to Section 2.2 of the Purchase and Sale Agreement (the "*Purchase and Sale Agreement*") dated April 26, 2005 by and between TransCanada PipeLines Limited, the Assignor, TransCanada Power Marketing Ltd. and TC Power Operations Ltd., collectively as sellers, and EPCOR Utilities Inc., 812287 Alberta Ltd., 812269 Alberta Ltd., the Assignee and EPCOR Power Projects (Washington) Inc., collectively as buyers, the Assignor has agreed to sell and convey to the Assignee, and the Assignee has agreed to accept and receive from the Assignor, the Assignor's interest in the Second Amended and Restated Management and Operations Agreement dated effective July 23, 2004 between Power LP and the Assignor (the "*Management and Operations Agreement*") pursuant to which the Assignor agreed to provide all management and operation and maintenance services required in connection with Power LP's business and operation of Power LP's power plants, namely, the Calstock, Nipigon, North Bay, Kapuskasing, and Tunis power plants located in the Province of Ontario, and the Mamquam and Queen Charlotte power plants located in the Province of British Columbia, subject to and in accordance with the terms contained in the Management and Operations Agreement;

AND WHEREAS the Assignor has agreed to assign to the Assignee all of the Assignor's interest in, to and under the Management and Operations Agreement, subject to and in accordance with the terms contained herein;

AND WHEREAS Power LP is willing to consent to the conveyance recited above and to recognize and accept Assignee as a party to the Management and Operations Agreement in the place and stead of Assignor.

NOW, THEREFORE, THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereby respectively covenant and agree as follows:

ARTICLE 1 – DEFINITIONS

- 1.1 Unless otherwise defined, all capitalized terms used herein shall have the same meaning as ascribed to them in the Management and Operations Agreement. In addition:
- (a) "**Agreement**" means this Agreement as it may be amended or supplemented from time to time, and the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this Agreement and not to any particular section or other portion of this Agreement;
 - (b) "**Effective Date**" means 11:59:59 pm on the date of this Agreement; and
 - (c) "**Party**" or "**Parties**" means a person, estate, firm partnership or corporation who or which is now or hereafter becomes bound to this Agreement.
- 1.2 The recitals to this Agreement shall be considered part of this Agreement and are not severable from it.
- 1.3 This Agreement complies with the obligations contained in the Purchase and Sale Agreement and constitutes the entire agreement between the Parties hereto concerning the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, of the Parties, and there are no warranties, representations or other agreements between the Parties in connection with the subject matter hereof, except as specifically set forth in this Agreement and the Purchase and Sale Agreement.
- 1.4 Section headings are not to be considered part of this Agreement and are included solely for convenience of reference and are not intended to be full or accurate descriptions of the contents thereof.

ARTICLE 2 – ASSIGNMENT

- 2.1 The Assignor hereby assigns, transfers, sets over and conveys unto the Assignee, effective as of the Effective Date, all of its rights, benefits, interests and obligations in, to and under the Management and Operations Agreement, subject to the terms, conditions, covenants and provisions of the Purchase and Sale Agreement, in consideration for the Purchase Price and other monies paid pursuant to the Purchase and Sale Agreement.
- 2.2 The Assignee hereby accepts the within assignment and transfer to it of all rights, benefits, interests and obligations of the Assignor to and under the Management and Operations Agreement assigned and conveyed as aforesaid and agrees with the Assignor, from and after the Effective Date, to be bound by and to observe, carry out and perform all covenants, liabilities and obligations of the Assignor under the Management and Operations Agreement to the same extent and with the same force and effect as if it had been a party to the Management and Operations Agreement.
- 2.3 The Assignee hereby releases, as and from the Effective Date, Assignor from its obligations under the Management and Operations Agreement, provided that nothing herein shall release the Assignor from any of its obligations under the Management and Operations Agreement arising or attributable to the period prior to the Effective Date.
- 2.4 The Assignor covenants and agrees with the Assignee that it shall and will, from time to time and at all times hereafter, at the request of the Assignee, execute such further assurances and do all such further acts as may be reasonably required or considered prudent for the purpose of giving full effect to the

assignment of the Management and Operations Agreement from the Assignor to the Assignee as specified herein.

ARTICLE 3 – NOVATION

- 3.1 Power LP hereby consents to the assignment contemplated in this Agreement and accepts Assignee as a party to the Management and Operations Agreement, and hereby covenants and agrees that as of the Effective Date, Assignee shall be entitled to hold and enforce all of the benefits, rights and privileges of Assignor under the Management and Operations Agreement as if Assignee had been originally named as a party to the Management and Operations Agreement, and from and after the Effective Date, the Management and Operations Agreement shall continue in full force and effect with Assignee substituted as a party thereto in the place and stead of Assignor; provided however that the Assignee shall not be liable for any obligations or liability under the Management and Operations Agreement, which obligations or liability accrued prior to the Effective Date.
- 3.2 As of and from the Effective Date, Power LP hereby expressly releases, relieves and discharges Assignor from all of its covenants, duties, obligations and liabilities arising out of or accruing under the Management and Operations Agreement; PROVIDED however, that nothing herein shall be construed as a release of Assignor from any obligations or liability under the Management and Operations Agreement, which obligations or liability accrued prior to the Effective Date, other than any obligation to give prior notice to Power LP of the proposed disposition by the Assignor to Assignee, and Power LP expressly consents to such disposition and waives any and all prior rights to amend or terminate the Management and Operations Agreement that may have arisen as a result of the Purchase and Sale Agreement.
- 3.3 The Management and Operations Agreement is hereby amended so that:
- (a) in Section 1.1 the following definition is added:

“EPCOR” means EPCOR Utilities Inc.;
 - (b) all references to “TransCanada Power, L.P.”, “TransCanada Power Services Ltd.” and “TCPL” are replaced with the terms, respectively, “EPCOR Power L.P.”, “EPCOR Power Services Ltd.” and “EPCOR”, other than those references to “TCPL” in the definitions of the terms: “Gas Transportation Agreements”, “Operations Agreements”, “Power Sales Contracts” and “Waste Heat Agreements”, and
 - (c) in Section 3.1(t) the reference to “Calgary” shall be changed to “Edmonton”.

ARTICLE 4– GENERAL

- 4.1 Power LP, Assignor and Assignee shall do or cause to be done all such further acts and things and shall execute or cause to be executed all such further deeds, documents and instruments as may be reasonably necessary for the purpose of completing the transactions contemplated by this Agreement.
- 4.2 This Agreement may be amended or varied only by a written instrument signed by Power LP, Assignor and Assignee.
- 4.3 This Agreement shall, in all respects, be subject to and be interpreted, construed and enforced in accordance with the laws in effect in Alberta. Each Party hereby irrevocably attorns to the jurisdiction of the courts of Alberta.

4.4 Any notice or other document required or permitted to be given or delivered by either party pursuant to this Agreement shall be delivered or sent by facsimile transmission to the following address or such other address as shall have been furnished in writing by such original recipient and for the purposes of section 12.6 (Notices) of the Management and Operations Agreement, the addresses of the Assignor and Assignee shall be as follows:

in the case of Assignor:

TransCanada Energy Ltd.
450 – 1st Street S.W.
Calgary, Alberta
T2P 5H1

Attention: Corporate Secretary
Facsimile: (403) 920-2460

in the case of Assignee:

EPCOR Regional Power Services Limited
Partnership
10065 Jasper Avenue
Edmonton, Alberta
T5J 3B1

Attention: Senior Vice President
Facsimile: (780) 412-3192

with a copy to:

EPCOR Utilities Inc.
10065 Jasper Avenue
Edmonton, Alberta
T5J 3B1

Attention: General Counsel
Facsimile: (780) 412-3192

in the case of Power LP:

EPCOR Power L.P.
c/o EPCOR Power Services Ltd.
10065 Jasper Avenue
Edmonton, Alberta
T5J 3B1

Attention: President
Facsimile: (780) 412-3192

with a copy to:

EPCOR Utilities Inc.
10065 Jasper Avenue
Edmonton, Alberta
T5J 3B1

Attention: General Counsel
Facsimile: (780) 412-3192

4.5 The Parties acknowledge that prior to the Effective Date, Power LP means TransCanada Power, L.P. and that after the Effective Date, the name of Power LP is changed to EPCOR Power L.P. and furthermore, that after the Effective Date, the name of TransCanada Power Services Ltd., the general partner of Power LP, will be EPCOR Power Services Ltd.


4.6 Time shall be of the essence in this Agreement.

4.7 This Agreement shall enure to the benefit of and be binding upon the Parties hereto together with their respective heirs, executors, administrators, successors and assigns.

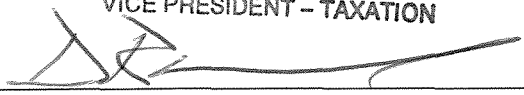
4.8 This Agreement may be executed and delivered (including by facsimile or otherwise) in one or more counterparts, all of which, taken together, shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Party.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

TRANSCANDA ENERGY LTD.




Per: **RON COOK**
VICE PRESIDENT - TAXATION

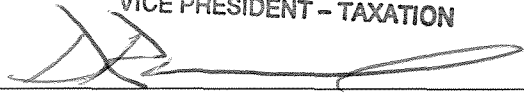


Per: Donald R. Marchand
Vice-President, Finance
and Treasurer

**TRANSCANADA POWER, L.P., by its
general partner, TransCanada Power Services
Ltd.**



Per: **RON COOK**
VICE PRESIDENT - TAXATION



Per: Donald R. Marchand
Treasurer

**EPCOR REGIONAL POWER SERVICES
LIMITED PARTNERSHIP, by its general
partner, EPCOR Regional Power Services Inc.**

Per:

Per:

4.8 This Agreement may be executed and delivered (including by facsimile or otherwise) in one or more counterparts, all of which, taken together, shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Party.

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TRANSCANDA ENERGY LTD.

**TRANSCANADA POWER, L.P., by its
general partner, TransCanada Power Services
Ltd.**

Per:

Per:


Per:

Per:

**EPCOR REGIONAL POWER SERVICES
LIMITED PARTNERSHIP, by its general
partner, EPCOR Regional Power Services Inc.**



Per:



Per: