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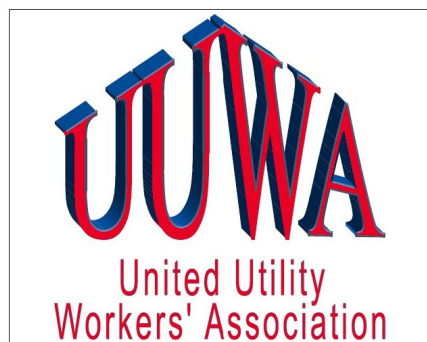
EFFECTIVE JANUARY 1, 2007

BETWEEN

TRANSALTA CORPORATION (TAC)

AND

UNITED UTILITY WORKERS' ASSOCIATION (UUWA)



AGREEMENT

Effective **January 1, 2007 to December 31, 2009**

between

TRANSALTA CORPORATION
hereinafter designated and referred to as the “Company”

and

UNITED UTILITY WORKERS’ ASSOCIATION OF CANADA
hereinafter designated and referred to as the “Association”

TABLE OF CONTENTS

ARTICLE 1 - SPIRIT OF AGREEMENT	1
ARTICLE 2 - RECOGNITION	1
ARTICLE 3 - ASSOCIATION RELATIONSHIPS	2
ARTICLE 4 - MANAGEMENT FUNCTIONS	3
ARTICLE 5 - GRIEVANCES	3
ARTICLE 6 - RESIGNATION, DISCIPLINE AND LAYOFF	5
ARTICLE 7 - PROMOTIONS, TRANSFERS AND JOB POSTINGS	5
ARTICLE 8 - HOURS OF WORK	7
ARTICLE 9 - SHIFT DIFFERENTIAL	7
ARTICLE 10 - OVERTIME	8
ARTICLE 11 - CALL-OUTS	8
ARTICLE 12 - STANDBY	9
ARTICLE 13 - VACATION	9
ARTICLE 14 - HOLIDAYS	9
ARTICLE 15 - EXPENSES	10
ARTICLE 16 - SALARIES, RATES OF PAY AND OTHER PAYMENTS	11
ARTICLE 17 - MATERNITY AND PARENTAL LEAVE	13
ARTICLE 18 - ASSOCIATION LEAVE	13
ARTICLE 19 - TERMINATION OF AGREEMENT	15
PAY CLASSIFICATIONS	
BUSINESS SERVICES	16
OPERATIONAL SERVICES	17
TECHNICAL SERVICES	17
PAY SCHEDULES	
BUSINESS SERVICES	18
OPERATIONAL SERVICES	19
TECHNICAL SERVICES	20
ATTACHMENT 1 - RELOCATION EXPENSES - IN-SCOPE EMPLOYEES	21
ATTACHMENT 2 - THE EFFECT OF LAYOFF ON BENEFITS AND VACATION	22
ATTACHMENT 3 - EXTENSIVE OVERNIGHT ABSENCES	23
LETTER OF UNDERSTANDING RE: JOB SHARING	24
LETTER OF UNDERSTANDING RE: FLEXIBLE HOURS OF WORK AGREEMENTS	25
MEMORANDUM OF AGREEMENT RE: PART-TIME EMPLOYEES	27

ARTICLE 1 - SPIRIT OF AGREEMENT

WHEREAS it is essential to the livelihood and in the best interests of the Company and its employees to direct their respective efforts towards the efficient and economical operation of the Company's business,

THEREFORE, this Agreement recognizes and accepts the principles and spirit of good teamwork, based upon mutual responsibility, respect, confidence, loyalty, integrity and friendliness and,

THIS AGREEMENT further recognizes that all successful employer-employee contacts must be mutually advantageous, fair and just, not more favourable to one than to the other and of the same spirit of cooperation and friendliness in which this Agreement is reached.

ARTICLE 2 - RECOGNITION

- 2.1 The Company recognizes the Association as the exclusive bargaining agent for all Permanent, Term and Probationary employees of the Company that come within the scope of the Association's unit of Certification.
- 2.2 A "Permanent" employee is one who occupies a position permanently established by the Company and has successfully completed a probationary period of six (6) months.
- 2.3 A "Term" employee is one who occupies a position established by the Company for a specified duration and has successfully completed a probationary period of six (6) months.
 - a) The duration of a Term position shall be more than six (6) months and no greater than three years unless otherwise agreed by the Association and the Company.
 - b) The duration of a Term position may be extended by agreement of the Association. For this purpose, a request to extend the duration shall be provided to the Association and affected employee at least thirty (30) days in advance of the expiry of the term.
 - c) The term may be reduced for operational reasons provided the employee receives a minimum of two (2) weeks notice, unless a greater period of notice is required by the Employment Standards Code.
- 2.4 A "Probationary" employee is one who, at commencement of employment with the Company, occupies a Permanent or Term position for a trial period of six (6) months, and whose employment may be terminated at the Company's discretion at any time during this probationary period. A review of such employee's progress shall be made and discussed with the employee before or during the fourth month of employment.

- 2.5 A "Temporary" employee is an employee who is not covered by the terms of this Agreement and is:
- A person who is hired as casual to perform emergency or other work on an irregular basis
 - or
 - A person who is hired to perform work for a period of six (6) months or less.
- 2.6 The Company shall advise the Association, in writing, of all newly hired Terms. The notice shall include the name of the employee, the position, the start date, and the expected duration.
- 2.7 Wherever the singular is used throughout this Agreement, the same shall be construed as meaning the plural where the context or the parties so require.

ARTICLE 3 - ASSOCIATION RELATIONSHIPS

- 3.1 As a condition of continued employment, all employees shall pay each month to the Association monies equal to the established monthly dues of the Association.
- 3.2 The dues referred to in 3.1 shall be deducted monthly from the employee's salary and remitted to the Association within thirty (30) days following the deduction.
- 3.3 The payment of dues does not require the employee to become a member. Should an employee's membership be refused or revoked by the Association, the employee's continued employment shall not be affected.
- 3.4 The Company shall not be liable for any claims that may be made against the Company for amounts deducted in accordance with the above.
- 3.5 The Company shall not discriminate against any employee because of the employee's connection with the Association, or the employee's activities related thereto which are permitted by the Company, sanctioned by the terms of the Collective Agreement or are in accordance with those rights and privileges defined in the Employment Standards Code and the Labour Relations Code, nor shall the Association discriminate against any employee because of the employee's non-membership in the Association.
- 3.6 During the life of this Agreement, the Company shall not cause or direct any lockout of its employees, nor shall the Association cause, permit, or in any way encourage employees to participate in any strike, walkout, slowdown or suspension of work.
- 3.7 The Company shall provide the Association with relevant policies and directives that affect the employees covered by this Agreement.

- 3.8 The Company shall advise the Association or appropriate Job Discipline Representative (JDR) or Unit Coordinator (UC) of all UUWA new hires.
- 3.9 The Association shall provide the Company with a current list, and amendments, containing the name and location of each Association representative employed by the Company.

ARTICLE 4 - MANAGEMENT FUNCTIONS

- 4.1 The Association recognizes the right of the Company to hire, promote, demote, layoff, classify and transfer in accordance with the terms of the Agreement. The Association further recognizes the right of the Company to demote, discipline, suspend and discharge employees for cause. In cases of demotion, discipline, suspension and discharge the employee, if the employee so desires, may request the Association to review the action taken by the Company.
- 4.2 The Association further recognizes the right of the Company to operate and manage its business in all respects in accordance with its commitments and responsibilities. In particular, without restricting the generality of the foregoing, the Association agrees that the Company has the sole authority and is exclusively responsible for assigning and scheduling of work; determining the number of employees needed at any time in any classification and in any section, department or plant; directing its working forces except to the extent that these rights have been specifically limited by this Agreement. The Company also has the right to make and alter from time to time rules and regulations to be observed by the employees. Such rules and regulations shall not be inconsistent with the terms of this Agreement.

ARTICLE 5 - GRIEVANCES

Should an employee (or group of employees) feel they have been unfairly treated or a dispute arises between the Company and an employee (or group of employees), an earnest effort shall be made to settle the dispute by the individuals involved.

A grievance is a matter concerning differences in interpretation, application, operation or alleged violation of this Agreement. Employees shall have the right to process grievances through the following procedure. Should the Association or the Company wish to initiate a grievance, it shall commence at the Second Step of the grievance procedure.

5.1 First Step

An employee who feels they have a grievance shall discuss the matter with their immediate supervisor within ten (10) working days from the date of the incident prompting the grievance. The employee may request an Association representative be present for this meeting. The supervisor shall answer grievances within five (5) working days of this meeting.

Notwithstanding the above, a selection grievance resulting from a posted position, shall be submitted to the supervisor indicated on the job posting within five (5) working days from the date the employee was notified either verbally or in writing of the selection decision, whichever is earlier. If such notification is verbal it shall be made personally by the supervisor indicated on the job posting. The Association and the supervisor can mutually agree to waive the First Step for a selection grievance.

Agreements or resolutions at Step 1, shall be consistent with the terms of the Collective Agreement, and shall be without prejudice.

5.2 Second Step

If a satisfactory settlement is not reached in the First Step, the employee, through the Association, shall present the grievance in writing to the Director within 5 working days of receipt of the answer from the first step. The Director (or Appointee) shall arrange a meeting with the Association representative, within five (5) working days of receipt of the grievance. The Director (or Appointee) shall answer the grievance in writing to the grievor, with a copy to the Association, within five (5) working days of this meeting.

5.3 Third Step

If a satisfactory settlement is not reached in Step Two, within fifteen (15) working days of receipt of the answer from the Director (or appointee), either the Company or the Association may notify the other party in writing of its desire to submit the difference to arbitration. Each party will assign an appointee to the Arbitration Board. The two (2) appointees so selected shall appoint a third person that shall be the chairperson.

Each party to the differences shall bear the expenses of its respective appointee to the Arbitration Board and the two (2) parties shall bear equally the expense of the Chairperson.

If The parties fail to agree upon a chairperson, either party may request the appointment of a chairperson by the Minister.

5.4 Should the parties agree, any matter may be referred to a single arbitrator whose decision shall be final and binding on the parties.

5.5 The time limits expressed in the foregoing shall be observed by both parties.

However, any one (1) or all of the time limits or steps may be extended or waived by mutual agreement.

ARTICLE 6 – RESIGNATION, DISCIPLINE AND LAYOFF

- 6.1 A permanent employee who wishes to resign shall give two (2) weeks' notice in writing to the employee's supervisor or Department Head.
- 6.2 Employees shall not be disciplined or discharged except for just cause.
- 6.3 A claim by any permanent or term employee that the employee has been discharged without just cause may be the subject of a grievance and dealt with as provided under Article 5, Grievances.
- 6.4 Employees have the right to have an Association representative present at any meeting that is disciplinary in nature.
- 6.5 In situations where employees are disciplined, the Supervisor shall give the employee notice in writing as to the reason(s) for such action, with a copy sent to the Association.
- 6.6
 - a. In the event of a layoff of employees, layoff will be conducted on the basis of overall job performance. Where overall job performance is relatively equal, seniority will be the deciding factor.
 - b. The effect of layoff on benefits and vacation shall be in accordance with Attachment 2 at the back of the Agreement.
- 6.7 When the Company wishes to terminate the services of a permanent employee, as defined in 2.2, due to layoff, such an employee shall be given one (1) month's notice or (1) month's pay in lieu of notice or the employment standard, whichever is greater, except when the employee is discharged for just cause.

ARTICLE 7 - PROMOTIONS, TRANSFERS AND JOB POSTINGS

- 7.1 The Company agrees to fill vacancies firstly from Permanent employees and then from Term employees, whenever qualified personnel are available, subject to the following provisions. In all promotions, voluntary demotions and transfers, the Company shall consider, as related to the vacancy, experience, education, ability and job-performance. Where these qualifications are relatively equal for two (2) or more employees being considered, preference shall be given to the employee with the greater seniority. Employees being considered may be subject to such additional tests or examinations as the Company may require.
- 7.2 The Company shall not necessarily be obliged to consider the transfer, including promotion, of any employee with less than one (1) year of service with the employee's present accountabilities.
- 7.3 Vacancies in all positions within the scope of this Agreement shall be posted for a period of not less than seven (7) working days. No more than two (2) postings shall be required in any one (1) sequence with the

exception that all work leader positions, identified in the salary schedules, will be posted.

Any employee who submitted a bid on a posted position and whose application was not successful shall upon the employee's request be given the reason for not being selected.

7.4 It is agreed that a change in Pay Level for any position does not constitute a vacancy unless there is a change of incumbent.

7.5 When a promotion occurs, the following conditions shall apply:

a. When a promotion occurs, the employee concerned shall be placed in that position within the employee's new pay level which reflects an increase in pay which shall be no less than one (1) step in the level from which the employee was promoted or to the bottom of the new pay level, whichever is the greater.

For example, based on 2007 rates, an employee who is currently in the B2 pay level at Step 4. If the employee is the successful applicant on a B3 level job, the calculation is:

\$21.85 (B2 - Step 4) subtract \$20.65 (B2 - Step 3) which equals \$1.20.

This means the employee must receive at least a \$1.20 increase. In this case the individual would move to \$24.12 (B3 - Step 5).

b. On any promotion in the same pay schedule (a) above shall be adjusted as required so that no promoted employee shall receive less than the employee's immediate subordinate and subject to 16.6 the employee shall not be held at the same rate as the employee's subordinate for more than six (6) months.

7.6 Employees of any related company who are not within the scope of this Agreement shall be considered as external applicants on any postings within the scope of this Agreement. However, upon having attained a position within the scope of this Agreement, any such employee shall be credited with full accumulated seniority which shall be applicable for the purposes of vacation, benefits and pension. Seniority for the purposes of job posting and layoff shall be the time in the position(s) under the scope of this Agreement.

ARTICLE 8 - HOURS OF WORK

The hours of work stated in this Article shall not be construed as a guarantee of any minimum nor as a restriction on any maximum hours to be worked, but serves only as a basis for the calculation of overtime and establishing work schedules.

8.1 a. Day

1. Eight (8) hours shall constitute a regular work day and five (5) days shall constitute a regular work week.
2. Normal office hours shall be from 8.00 a.m. to 5:00 p.m. Monday through Friday with one (1) hour off for lunch. It is agreed that on forty-eight (48) hours notice the Company may change the normal starting time providing the regular hours of work occur between 6:00 a.m. and 6:00 p.m. If mutually agreeable between the Company and an employee, the duration of the lunch period may be varied by up to one-half (1/2) hour.

b. Shift Employees

1. Shifts shall be scheduled and posted by the Company. Eight (8) hours shall constitute a regular shift or work day and forty (40) hours shall constitute an average work week.
2. Normal hours for shifts shall be as follows:
 - A Day Shift - shall be a shift which commences between the hours of 6:00 a.m. and 8:00 a.m.
 - An Evening Shift - shall be a shift which commences between the hours of 3:00 p.m. and 5:00 p.m.
 - A Night Shift - shall be a shift which commences between the hours of 11:00 p.m. and 1:00 a.m.

8.2 Once established, work schedules may only be changed by mutual agreement between the Company and an employee, or on four (4) weeks written notice by the Company, with a copy provided to the Association.

ARTICLE 9 - SHIFT DIFFERENTIAL

9.1 Evening Shifts

Employees scheduled to work evening shifts shall receive, in addition to regular pay, **\$1.33** per hour for evening shifts worked.

9.2 Night Shifts

Employees scheduled to work evening shifts shall receive, in addition to regular pay, **\$1.33** per hour for evening shifts worked.

ARTICLE 10 - OVERTIME

- 10.1 Employees shall receive overtime pay at the rate of two (2) times their regular rate of pay for authorized overtime worked outside their scheduled hours of work on a regular work day and for all time worked on scheduled days off and Holidays as specified in Article 14.1 of this Agreement.
- 10.2 Where an employee is required to work overtime and receives less than eight (8) consecutive hours off duty in the nine and one half (9 1/2) hour period immediately prior to the commencement of the employee's regular hours of work, that employee shall continue to be paid at double the employee's regular rate of pay for the hours worked until such time as the employee is relieved from duty for not less than eight (8) consecutive hours. For each case, unless otherwise notified by the Company, the employee will consider them self relieved from duty at the completion of the overtime work. An employee relieved from duty shall be paid at the employee's regular rate of pay for the employee's regular hours of work which fall within this prescribed relief period.
- 10.3 Banked Overtime
- a. An employee may request that the Company deduct any portion of overtime hours and bank such hours in the employee's name.
 - b. An employee may have no more than the equivalent of forty (40) overtime hours (80 regular hours) in their bank at any given time.
 - c. Any hours banked and not taken prior to December 31st in any year, shall be paid out to the employee at the rate at which the hours were banked.
 - d. The use of banked overtime requires approval by the immediate supervisor. Such approval shall not be unreasonably withheld.
- 10.4 When employees are scheduled to work overtime on normally scheduled days off and the scheduled overtime is cancelled by the Company with less than eight (8) hours notice to the employees, the employees shall receive two (2) hours pay at overtime rates.

ARTICLE 11 - CALL-OUTS

- 11.1 An employee who has left the Company workplace and is called out for work shall be paid a minimum of two (2) hours at the applicable overtime rate.
- 11.2 An employee called during the two (2) hours preceding the commencement of their normal work day or shift shall be paid at their applicable overtime rate for the time worked and the time remaining until the start of their work day or shift.

11.3 Employees on standby shall be paid for callouts on the same basis as employees not on standby.

ARTICLE 12 – STANDBY

- 12.1 An employee is on standby when the employee is required to remain available to report for work.
- 12.2 Standby service may be retained as required. Employees held on standby shall be paid for standby services on the following basis:
- \$25.70 per day for scheduled workdays,
 - \$66.64 per day for scheduled days off, including recognized holidays.
- 12.3 Employees on standby shall be available for the full twenty-four (24) hours of each standby day commencing at 6:00 a.m. until 6:00 a.m. the following day.
- 12.4 The company will make reasonable attempts to ensure that stand-by is distributed fairly amongst employees.
- 12.5 No employee shall be required to standby for more than twenty-one (21) consecutive days except by mutual agreement between the Company and the employee concerned. Where there is no agreement to an extension beyond the twenty-one (21) days, the Company will arrange to relieve the employee of standby duties for the following seven (7) days.

ARTICLE 13 – VACATION

Vacation entitlement shall be 4 weeks (160 hours) with pay for every regular employee. Vacation entitlement is earned from January 1 to December 31. Vacation may be taken from the commencement of the entitlement period (calendar year). In the event that an employee ceases employment at some time during the calendar year, the employee shall only be entitled to the pro-rated amount to the date of termination. Employees hired during the calendar year earn vacation on a prorated basis.

Individual Time Off (ITO):

In addition to the 4 weeks vacation each regular employee may take up to 5 paid days off (40 hours) per year. Employees who work a portion of a calendar year are eligible for ITOs on a pro-rated basis.

ARTICLE 14 - HOLIDAYS

- 14.1 The following days will be recognized as paid holidays:
- | | |
|------------------|--|
| - New Year's Day | - Civic Day (generally the 1 st Monday in August) |
| - Family Day | - Labour Day |
| - Good Friday | - Thanksgiving Day |
| - Easter Monday | - Remembrance Day |
| - Victoria Day | - Christmas Day |

- Canada Day
- Boxing Day

14.2 Any additional holidays proclaimed by the Provincial and/or Federal Governments, and generally recognized by industry, will be recognized as paid holidays.

Any additional holidays proclaimed by the Civic Governments, and generally recognized by industry, will be recognized as paid holidays, if approved by the Company.

In the event that the Legislature removes Alberta Family Day as a paid holiday, it will be removed from the above list of holidays.

14.3 The period of time recognized as a holiday is the twenty-four (24) hour period beginning at 00:01H on the day which is observed as the holiday.

14.4 When any of the holidays listed above fall on a Saturday or Sunday, the Company, at its discretion, shall declare either the preceding Friday or the following Monday as the day to be observed. When Christmas Day is observed on a Monday, Boxing Day will be observed on the following Tuesday. Shift employees shall observe the holidays listed in Article 14.1 on the calendar days on which they fall.

14.5 When one of these holidays is observed on an employee's day off, and such day is not worked by the employee, the Company and employee can mutually agree to another day off in lieu of the holiday or if agreement cannot be reached, the employee will receive a regular day's pay.

ARTICLE 15 - EXPENSES

15.1 The payment of expenses to employees is made upon the principle that employees should be reimbursed for reasonable 'out of pocket' expenses so incurred. It is considered that employees should neither lose nor profit from expense allowances. This principle shall be followed in dealing with questions which may arise in connection with expenses.

15.2 While working away from headquarters, employees shall be reimbursed for actual expenses of individual board and lodging. Rooms, as required, shall be arranged for by the employee in charge.

15.3 While working at or out of headquarters (generally within an eight (8) kilometre (five (5) mile) radius or ten (10) minutes one way travel time from permanent headquarters), the employees shall normally provide their own noon meals. However, under special circumstances or job requirements, the employee in charge, at their discretion, may allow the employees to have noon meals at Company expense.

If the employee is working beyond the guide limits stated above and a restaurant is readily available to the job site, the Company shall reimburse the employee for the actual cost of the restaurant meal purchased. If the employee cannot be taken to an eating establishment for a noon meal

because of job requirement or distance involved and is requested to bring a home prepared lunch, the employee shall receive \$5.00 for each lunch supplied.

- 15.4 Transportation between headquarters and the job shall be arranged by the Company.
- 15.5 Transfer expenses shall be paid in accordance with Company relocation policy.
- 15.6 Mileage reimbursement shall be paid in accordance with Company Mileage Reimbursement Rate.
- 15.7 An employee who is required to work away from the employee's headquarters for three (3) or more consecutive nights, shall be paid incidental expenses at \$5.00 per night for all such nights away from headquarters. Exceptions to this include training, seminars and meetings.
- 15.8 Employees who perform work significantly damaging or destructive to clothing shall be provided with, or reimbursed for, coveralls/overalls or smocks/aprons.

ARTICLE 16 - SALARIES, RATES OF PAY AND OTHER PAYMENTS

- 16.1 During the life of this Agreement, the Company agrees to pay the rates in the Pay Schedules which are attached and the Association agrees to the principle of a full day's work for a full day's pay.
- 16.2 Bargaining unit positions shall be evaluated in accordance with the existing job evaluation system. The maintenance of the job evaluation system will be the responsibility of the Company. The Company may alter the existing system or implement a new system with written notice to the Association.

The Association shall have the right to present modifications to the job evaluation system for consideration by the Company.
- 16.3 The Company shall provide the necessary training in job evaluation to a representative as appointed by the Association.
- 16.4 Upon request, employees shall be provided with a current job description for their position. The Company shall provide the Association with a copy of the current job description for each bargaining unit position.
- 16.5
 - a. When new job classifications are established, the Company shall set and implement the wage rates thereof, and shall notify the Association thereof within fourteen (14) days of the classification being established.
 - b. When significant changes are effected to existing job classifications to the extent that the job requires re-evaluation, or the job is re-

evaluated as a result of the job evaluation maintenance program, the following procedure shall be followed:

1. Where, in the opinion of the Association, a job classification requires re-evaluation, it shall request the Company to proceed with re-evaluation and the Company shall do so within one hundred and twenty (120) days. Upon completion of any evaluation, the Company shall promptly inform the Association of any changes arising therefrom.
 2. Should a request for re-evaluation, resulting from changes in job content be initiated by an employee, or by the Association on the employee's behalf, and the re-evaluation results in a reclassification to a higher pay level, the reclassification shall be retroactive to the date the Company received the "Request for Review" application.
 3. When the Company initiates a re-evaluation of a job and the re-evaluation results in reclassification to a higher pay level as a result of changes in job content, the reclassification shall be retroactive to the date the employee returns the updated job description to the Company after receiving the "Notification of Review" letter.
- c. When a dispute arises between the Association and the Company regarding a job evaluation, a Board of four (4) persons shall be established, within ten (10) working days of receipt by the Company, of the Association's notice of appeal to attempt to resolve the dispute. Two (2) representatives will be appointed by the Company and two (2) representatives will be appointed by the Association, each of the four (4) persons having one (1) equal vote. Every effort should be made to resolve the dispute within ten (10) working days of the Board's appointment. In the event that the dispute remains unresolved, the following method of settlement shall be adopted:
- The Company and the Association shall submit the dispute jointly to two (2) appointees qualified in wage determination and administration, one (1) appointed by the Company and the other by the Association. Such appointees shall meet and hear all pertinent matters and render a decision within fourteen (14) days of their first meeting. In the event that the appointees cannot reach unanimity in their decision, they may appoint a third party of similar qualifications to act as Chairman, such party to be experienced in the field of job evaluation. The unanimous decision of the first two (2) appointees, or a majority decision of the three (3) appointees, shall be final and binding upon both parties.
- d. When a job classification has been evaluated and assigned a tentative rating, the classification shall be reviewed and a rating confirmed within twelve (12) months, provided the classification has been filled by the same employee.

- 16.6 Scheduled increases are intended to be paid for satisfactory progress. In the event that an employee is not making satisfactory progress, one (1) or more increases may be withheld, provided that the employee concerned and the Association are notified in writing by Management of the reason for withholding such increases. Should the employee fail to give satisfactory service following the withholding of an increase, the employee may be demoted or discharged at the discretion of the Company, subject to the provisions of Articles 5 and 6 of this agreement.
- 16.7 An employee temporarily assigned by the supervisor for a period in excess of five (5) continuous working days to a position of higher classification shall, from the first day, be paid at the next higher pay rate applicable to the new classification.
- 16.8 No employee shall be required to take a lesser rate of pay when assigned at the Company's request to temporarily perform the duties of another employee. The foregoing shall not be construed as applying to demotion for just cause or assignment to a lower classification to provide continued employment.
- 16.9 Pyramiding
If two (2) or more premiums are applicable to the same hours worked, an employee shall receive only the highest premium applicable to such hours. For the same hours worked, an employee shall not receive a premium rate under more than one (1) provision of this Agreement unless otherwise specifically provided.
- 16.10 An employee who is required to work at or above a height of twenty-four and four tenths (24.4) meters {eighty (80) feet} free fall above ground level will receive, in addition to their regular rate of pay, a premium of one (1) times their normal straight time rate while so engaged. Premium height pay will be paid for each hour or part of an hour so worked. The provision of Article 16.9 shall not apply to height pay premium.
- 16.11 Sick Pay will be in accordance with the provisions in effect throughout the Company.

ARTICLE 17 - MATERNITY AND PARENTAL LEAVE

- 17.1 Maternity and Parental Leave will be administered in accordance with Company Policy and Procedure.

ARTICLE 18 – ASSOCIATION LEAVE

- 18.1 When it is necessary for an employee to make application for a leave of absence to perform duties for the Association, the application must be made in writing through the Association to the Company. No request for Association Leave will be unreasonably denied. The decision of the

Company shall be final, and shall be communicated to the Association in writing.

- 18.2 During the leave of absence, the employee (or Association) shall be required to pay both the employee's and employer's share of the premiums for applicable benefits. Payment is to be made in advance and shall be based on the earnings being paid by the Union to the employee.
- 18.3 Upon returning from the leave of absence, the employee must accept assignment by the Company to whatever work is available within the scope of this Collective Agreement, within the employee's capabilities, however their rate of pay shall be no less than the current rate of pay for the position held immediately preceding the leave.

ARTICLE 19 - TERMINATION OF AGREEMENT

- 19.1 This Agreement shall be effective from January 1, 2007 and shall remain in full force up to and including December 31, 2009 and shall continue in force thereafter unless in any year not more than one hundred and twenty (120) days, and not less than sixty (60) days before the date of its termination, either party shall furnish the other with notice of intention to amend this Agreement. Both parties agree to commence negotiations within thirty (30) days from date of notice.
- 19.2 If notice to negotiate has been given by either party prior to date of termination, this Agreement shall remain in full force and effect during any period of negotiations, in accordance with the provisions of the Labour Relations Code.
- 19.3 In the event that the Company and the Association wish to alter any Article or Attachment during the term of this Agreement, the parties may, by mutual agreement, negotiate such alterations.
- 19.4 Terms and conditions of this agreement are intended to have effect on the date of ratification or upon formal acceptance by employees represented by the UUWA.

Signed on behalf of
TRANSALTA CORPORATION

Signed on behalf of
UNITED UTILITY WORKERS'
ASSOCIATION OF CANADA

Bruce Smith
Manager, Labour and Employee Relations

Doug Cooper

Rob Colberg
Manager Corporate Finance

Louis Guillemette

Darrel Popowich
IT Manager

Steve Milk

PAY CLASSIFICATIONS

BUSINESS SERVICES

In accordance with Article 15 Business Services may include but is not limited to the following positions:

Level B1

Clerk Typist
Drafting Clerk
Mail Clerk
Plant Clerk I
Receptionist

Level B2

Accounts Payable Clerk I
Administrative Assistant
Communications Coordinator
Plant Clerk II
Land Clerk

Level B3

Accounting Assistant I
Accounts Payable Clerk II
Assistant Buyer
Contracts Assistant
Database Administrator
Mail Clerk Work Leader
Move Coordinator
Property Stores Clerk
Purchasing Assistant
Land Administrator

Level B4

Accounting Assistant II
Accounts Administrator
Capital Planner
Environmental Clerk
Plant Accounting Assistant
Training Coordinator
Tax Associate

Level B5 *

Buyer (Level I & II)
Buyer (Level III or CPP designation)
Cash Management Analyst
Contract Analyst
Payroll Analyst
Credit Analyst
Treasury Analyst
Property Tax Analyst
Process Analyst, Financial

*Positions rated at 236 points and above, and positions assigned by the company.

PAY CLASSIFICATIONS

OPERATIONAL SERVICES

In accordance with Article 15, Operational Services may include but is not limited to the following positions:

Level O1

Shipper/Receiver

Level O2

Plant Stores Clerk

Level O3

Building Maintenance Worker

Level O4

Building Operations Coordinator

Environmental Technologist

Mine Surveyor

Plant Stores Clerk Work Leader

Level O5

Mine Survey Foreman

TECHNICAL SERVICES

In accordance with Article 15, Technical Services may include but is not limited to the following positions:

Level T1

Draftsperson

Audio Visual & Video Conferencing Technologist (from 04)

Level T2 *

Drafting Team Leader

Facilities Planner

Geological Technologist

Hydro Technologist

* Positions rated between 236 – 290 points, and positions assigned by the company.

Business Services Pay Schedule

\$/HR		1	2	3	4	5	6	7	8	9
2007	B1	\$16.06	\$17.39	\$18.73	\$20.07	\$21.43				
	B2	\$18.21	\$19.43	\$20.65	\$21.85	\$23.07	\$24.28			
	B3	\$19.72	\$20.83	\$21.92	\$23.03	\$24.12	\$25.22	\$26.30		
	B4	\$22.27	\$23.33	\$24.41	\$25.47	\$26.52	\$27.58	\$28.63	\$29.70	
	B5	\$26.20	\$27.28	\$28.39	\$29.48	\$30.56	\$31.65	\$32.74	\$33.84	\$34.93
2008	B1	\$16.86	\$18.26	\$19.67	\$21.07	\$22.50				
	B2	\$19.12	\$20.40	\$21.68	\$22.94	\$24.22	\$25.50			
	B3	\$20.71	\$21.87	\$23.02	\$24.18	\$25.33	\$26.48	\$27.62		
	B4	\$23.38	\$24.50	\$25.63	\$26.74	\$27.85	\$28.95	\$30.06	\$31.19	
	B5	\$27.51	\$28.64	\$29.81	\$30.95	\$32.09	\$33.23	\$34.38	\$35.53	\$36.68
2009	B1	\$17.71	\$19.17	\$20.65	\$22.13	\$23.63				
	B2	\$20.07	\$21.42	\$22.77	\$24.09	\$25.44	\$26.77			
	B3	\$21.75	\$22.96	\$24.17	\$25.39	\$26.60	\$27.80	\$29.00		
	B4	\$24.55	\$25.73	\$26.91	\$28.08	\$29.24	\$30.40	\$31.56	\$32.75	
	B5	\$28.88	\$30.08	\$31.30	\$32.50	\$33.70	\$34.89	\$36.10	\$37.31	\$38.51
\$ Semi-Monthly										
2007 40 Hr Week	B1	\$1,392.27	\$1,507.15	\$1,623.99	\$1,739.85	\$1,856.88				
	B2	\$1,577.84	\$1,683.88	\$1,789.92	\$1,894.01	\$1,999.06	\$2,104.12			
	B3	\$1,709.41	\$1,805.64	\$1,899.89	\$1,996.12	\$2,090.37	\$2,185.61	\$2,279.87		
	B4	\$1,930.33	\$2,022.62	\$2,114.91	\$2,207.21	\$2,298.52	\$2,389.84	\$2,481.15	\$2,574.43	
	B5	\$2,270.05	\$2,364.31	\$2,460.53	\$2,554.79	\$2,649.05	\$2,743.31	\$2,837.56	\$2,932.80	\$3,027.06
2008	B1	\$1,461.88	\$1,582.51	\$1,705.19	\$1,826.84	\$1,949.73				
	B2	\$1,656.74	\$1,768.08	\$1,879.42	\$1,988.71	\$2,099.01	\$2,209.32			
	B3	\$1,794.88	\$1,895.92	\$1,994.88	\$2,095.92	\$2,194.89	\$2,294.89	\$2,393.87		
	B4	\$2,026.84	\$2,123.75	\$2,220.66	\$2,317.57	\$2,413.45	\$2,509.33	\$2,605.21	\$2,703.15	
	B5	\$2,383.56	\$2,482.53	\$2,583.56	\$2,682.53	\$2,781.50	\$2,880.48	\$2,979.44	\$3,079.44	\$3,178.42
2009	B1	\$1,534.98	\$1,661.63	\$1,790.45	\$1,918.18	\$2,047.21				
	B2	\$1,739.57	\$1,856.48	\$1,973.39	\$2,088.14	\$2,203.96	\$2,319.79			
	B3	\$1,884.62	\$1,990.72	\$2,094.63	\$2,200.72	\$2,304.63	\$2,409.64	\$2,513.56		
	B4	\$2,128.19	\$2,229.94	\$2,331.69	\$2,433.45	\$2,534.12	\$2,634.80	\$2,735.47	\$2,838.30	
	B5	\$2,502.73	\$2,606.66	\$2,712.74	\$2,816.65	\$2,920.58	\$3,024.50	\$3,128.41	\$3,233.41	\$3,337.34

6 month progression steps.

- Additional pay above B4 Step 8 shall be applied, based on performance and/or market demands, to those individuals deemed appropriate by management. General wage increases shall not necessarily apply to performance pay, however, pay must be at least three percent (3%) higher than Step 8.
- Additional pay above B5 Step 9 shall be applied, based on performance and/or market demands, to those individuals deemed appropriate by management. General wage increases shall not necessarily apply to performance pay, however, pay must be at least three percent (3%) higher than Step 9.

Operational Services Pay Schedule

\$/HR		1	2	3	4	5	6	7
2007	O1	\$16.07	\$17.40	\$18.73	\$20.07	\$21.42		
	O2	\$18.10	\$19.62	\$21.13	\$22.63	\$24.14		
	O3	\$19.91	\$21.25	\$22.58	\$23.89	\$25.23	\$26.55	
	O4	\$22.19	\$23.42	\$24.66	\$25.89	\$27.12	\$28.34	\$29.58
	O5	\$24.60	\$25.94	\$27.32	\$28.68	\$30.05	\$31.42	\$32.79
2008	O1	\$16.88	\$18.27	\$19.67	\$21.07	\$22.49		
	O2	\$19.01	\$20.60	\$22.19	\$23.76	\$25.35		
	O3	\$20.91	\$22.31	\$23.70	\$25.09	\$26.49	\$27.88	
	O4	\$23.30	\$24.59	\$25.89	\$27.19	\$28.48	\$29.76	\$31.05
	O5	\$25.83	\$27.24	\$28.69	\$30.11	\$31.55	\$32.99	\$34.42
2009	O1	\$17.72	\$19.18	\$20.65	\$22.13	\$23.61		
	O2	\$19.96	\$21.63	\$23.30	\$24.95	\$26.62		
	O3	\$21.95	\$23.43	\$24.89	\$26.34	\$27.81	\$29.28	
	O4	\$24.46	\$25.82	\$27.19	\$28.55	\$29.90	\$31.25	\$32.61
	O5	\$27.12	\$28.60	\$30.12	\$31.62	\$33.13	\$34.64	\$36.15
\$ Semi-Monthly								
2007 40 Hr Week	O1	\$1,393.24	\$1,508.07	\$1,623.92	\$1,739.77	\$1,856.63		
	O2	\$1,569.05	\$1,700.13	\$1,831.23	\$1,961.30	\$2,092.40		
	O3	\$1,725.54	\$1,841.39	\$1,956.23	\$2,071.06	\$2,186.91	\$2,301.74	
	O4	\$1,922.69	\$2,029.40	\$2,137.11	\$2,243.81	\$2,350.52	\$2,456.21	\$2,562.91
	O5	\$2,132.03	\$2,248.90	\$2,367.80	\$2,485.68	\$2,604.58	\$2,722.46	\$2,841.35
2008	O1	\$1,462.90	\$1,583.48	\$1,705.12	\$1,826.76	\$1,949.46		
	O2	\$1,647.50	\$1,785.14	\$1,922.80	\$2,059.37	\$2,197.02		
	O3	\$1,811.82	\$1,933.46	\$2,054.04	\$2,174.61	\$2,296.25	\$2,416.83	
	O4	\$2,018.82	\$2,130.87	\$2,243.97	\$2,356.00	\$2,468.04	\$2,579.02	\$2,691.06
	O5	\$2,238.63	\$2,361.34	\$2,486.19	\$2,609.96	\$2,734.81	\$2,858.58	\$2,983.42
2009	O1	\$1,536.04	\$1,662.65	\$1,790.38	\$1,918.10	\$2,046.94		
	O2	\$1,729.87	\$1,874.40	\$2,018.94	\$2,162.34	\$2,306.87		
	O3	\$1,902.41	\$2,030.13	\$2,156.74	\$2,283.34	\$2,411.06	\$2,537.67	
	O4	\$2,119.76	\$2,237.41	\$2,356.17	\$2,473.81	\$2,591.44	\$2,707.97	\$2,825.61
	O5	\$2,350.56	\$2,479.41	\$2,610.50	\$2,740.46	\$2,871.55	\$3,001.51	\$3,132.59

6 month progression steps.

Technical Services Pay Schedule

\$/HR		1	2	3	4	5	6	7	8	9	10	11
2007	T1	\$20.34	\$21.85	\$23.35	\$24.86	\$26.35	\$27.86	\$29.38	\$30.87	\$32.39	\$33.90	
	T2	\$22.74	\$24.27	\$25.78	\$27.30	\$28.82	\$30.32	\$31.84	\$33.34	\$34.87	\$36.38	\$37.91
2008	T1	\$21.36	\$22.94	\$24.52	\$26.10	\$27.67	\$29.25	\$30.84	\$32.41	\$34.00	\$35.60	
	T2	\$23.88	\$25.48	\$27.06	\$28.67	\$30.26	\$31.84	\$33.43	\$35.01	\$36.61	\$38.20	\$39.81
2009	T1	\$22.43	\$24.09	\$25.75	\$27.41	\$29.06	\$30.72	\$32.39	\$34.03	\$35.70	\$37.38	
	T2	\$25.08	\$26.76	\$28.42	\$30.10	\$31.77	\$33.43	\$35.10	\$36.76	\$38.44	\$40.11	\$41.80
\$ Semi-Monthly												
2007 40 Hr Week	T1	\$1,763.15	\$1,893.22	\$2,024.32	\$2,154.39	\$2,284.46	\$2,414.54	\$2,545.63	\$2,675.71	\$2,806.81	\$2,937.90	
	T2	\$1,971.47	\$2,103.58	\$2,233.66	\$2,365.77	\$2,497.87	\$2,627.95	\$2,759.04	\$2,890.13	\$3,022.24	\$3,153.33	\$3,285.44
2008	T1	\$1,851.31	\$1,987.88	\$2,125.53	\$2,262.11	\$2,398.68	\$2,535.27	\$2,672.91	\$2,809.49	\$2,947.15	\$3,084.79	
	T2	\$2,070.04	\$2,208.76	\$2,345.34	\$2,484.06	\$2,622.76	\$2,759.34	\$2,897.00	\$3,034.64	\$3,173.36	\$3,311.00	\$3,449.71
2009	T1	\$1,943.87	\$2,087.27	\$2,231.81	\$2,375.22	\$2,518.62	\$2,662.03	\$2,806.56	\$2,949.97	\$3,094.50	\$3,239.03	
	T2	\$2,173.54	\$2,319.20	\$2,462.61	\$2,608.26	\$2,753.90	\$2,897.31	\$3,041.85	\$3,186.37	\$3,332.02	\$3,476.55	\$3,622.20

6 month progression steps.

- Additional pay above T2 Step 11 shall be applied, based on performance and/or market demands, to those individuals deemed appropriate by management. General wage increases shall not necessarily apply to performance pay, however, pay must be at least three percent (3%) higher than Step 11.

**ATTACHMENT 1 – RELOCATION EXPENSES – IN-SCOPE
EMPLOYEES**

Relocation Expenses will be administered as per Corporate Policies and Procedures.

ATTACHMENT 2 - THE EFFECT OF LAYOFF ON BENEFITS AND VACATION

Purpose

This Attachment will serve to clarify the effect layoff has on an employee's benefit and vacation entitlements. Also provided are details pertaining to the administration of benefits and vacations in this circumstance.

1. Retirement Pension Plan

An employee on layoff will be counseled as to the options available to them.

2. Vacation

When laid off, an employee would be paid out the vacation the employee had not taken and any accumulated vacation pay owing, from their vacation accrual date to the date of the layoff.

3. Other Benefits

A laid off employee's life insurance coverage ceases following 31 days of layoff. If desired, the employee may convert part or all of the employee's coverage to an individual policy within the thirty-one (31) days following layoff.

Eligibility under the Dental Plan and the Short Term and Long Term Disability Plan cease upon layoff. Entitlement to Alberta Health Care and the Voluntary Major Medical Plan benefits continue to the end of the month in which the employee was laid off.

ATTACHMENT 3 - EXTENSIVE OVERNIGHT ABSENCES

The intent of this provision is to recognize and provide additional vacation to compensate for the disruption and inconvenience resulting from extensive occurrences of overnight absences from home.

Overnight absences in excess of twenty (20) per calendar year will be credited towards additional vacation days as described below.

Determining the Amount of Additional Vacation

After reaching twenty (20) nights the employee will be eligible for one additional day vacation for each eight (8) nights absence thereafter. At the end of the calendar year the number of additional vacation days earned will be determined by subtracting twenty (20) from the total overnight absences and dividing by eight (8). Any nights remaining will be carried over to the next year.

For example:

$\frac{67 \text{ absences} - 20}{8} =$ 5 vacation days plus, 7 absences carried over to be credited to next year's total nights absent.

No carryover will occur if the total number of absences is less than twenty (20).

For example:

$\frac{18-20}{8} = 0$ vacation days and 0 carried over.

The maximum number of additional days that can be earned is ten (10). No carryover will be credited to the next year's total nights absent if an employee earns the maximum ten (10) days.

Scheduling Vacations

The additional days earned will be added to the subsequent year's vacation entitlement and will be administered as per the policy for regular vacation, termination payout will also be administered in accordance with the policy for regular vacation.

Some Absences Will Not Be Credited

Only overnight absences resulting from the performance of normal duties will be credited in determining additional vacation. For example, absences due to training or departmental meetings will not be credited.

**LETTER OF UNDERSTANDING
RE: JOB SHARING**

BETWEEN

TRANSALTA CORPORATION

AND THE

UNITED UTILITY WORKERS' ASSOCIATION

Job Share arrangements shall only be implemented with the mutual agreement of the Company, the Association and the employees involved. Such agreement shall be made in writing.

Signed on behalf of
TransAlta Corporation

Signed on behalf of
United Utility Workers' Association

As agreed by the parties on the ____ day of _____, 2007

**LETTER OF UNDERSTANDING
RE: FLEXIBLE HOURS OF WORK AGREEMENTS**

BETWEEN

TRANSALTA CORPORATION

AND

UNITED UTILITY WORKER'S ASSOCIATION

The intent of this Letter of Understanding is to recognize that there are personal and work situations for employees and supervisors alike where mutual advantage may be gained from agreement to modify the hours of work contained in the Collective Agreement. Either employees or supervisors can propose flexible hour arrangements.

1. Proposals for flexible hours of work will be considered which meet the following conditions of satisfaction:
 - a) Flexible hour agreements will be entered into by employees and supervisors on a voluntary basis.
 - b) In spirit, flexible hours proposals must foresee tangible benefits for the employee and the Company. For example, quality of life of employees, service to customers, quality of work or productivity improvements are tangible benefits where such benefits can be demonstrated.
 - c) All requests to introduce flexible hours of work will receive due consideration from impacted supervisor(s) and employee(s). Where a request is declined, in the spirit of mutual understanding and co-operation, a substantiated explanation will be provided.
 - d) Any agreement to introduce flexible hours of work must include an understanding between the supervisor and employee(s) involved of the hours to be worked, the duration of the agreement and the length of notice required to cancel the agreement. For clarity, the supervisor and employee(s) are encouraged to have a written agreement. The introduction of flexible hours for periods in excess of thirty (30) calendar days shall be in writing, with a copy provided to the Association.
 - e) Either party to a flexible hours of work agreement can end the flexible hours of work agreement provided they give the appropriate notice as per condition 1.d above. Neither party shall be discriminated against for declining to participate in a flexible hours of work agreement or for providing notice to end an agreement.
2. For purposes of Article 10 of the Collective Agreement the agreed upon hours of work shall become the "scheduled hours of work on a work day". Hours worked outside the agreed upon hours shall be overtime.

Signed on behalf of
TransAlta Corporation

Signed on behalf of
United Utility Workers' Association

As agreed by the parties on the ____ day of _____, 2007

**MEMORANDUM OF AGREEMENT
RE: PART-TIME EMPLOYEES**

BETWEEN

TRANSALTA CORPORATION

AND

UNITED UTILITY WORKERS' ASSOCIATION

COLLECTIVE AGREEMENT

The following provisions of the Collective Agreement between TransAlta and the United Utility Workers' Association apply to part-time employees:

Article 1 - Spirit of Agreement - amend by adding as following:

The Company and the Association acknowledge the principle of full-time employment while recognizing the value of flexibility through the inclusion of part-time employees in the Collective Agreement.

Article 2 - Recognition

Clause 2.1 applies

Clause 2.2 - amend by adding as follows:

A "Permanent" employee is a full-time or part-time employee who occupies a position permanently established by the Company and has successfully completed a probationary period equivalent to six (6) months.

A permanent part-time employee is a person who is hired to perform work in a classification covered by this Agreement for an aggregate of not more than nine (9) months for each calendar year of employment. This equates to 1,560 hours per year. Aggregate part-time hours worked will include regular hours worked in an employee's normal position and location. The following hours worked will not be included in the computation of aggregate hours in another position or location; hours to provide coverage for medical purposes; hours on or covering for Association business; hours for training or covering for training purposes.

The Company holds accountability for respecting the part-time hours arrangement. Part-time employees hold accountability for identifying exceptions to aggregate hours. As early as possible, if it appears likely that an assignment may extend beyond an aggregate of nine (9) months in a calendar year, the Company will seek such agreement with the Association. If agreement is not reached, then the Company and the Association share the responsibility to create a mutually acceptable arrangement.

Clause 2.3 applies

Clause 2.4 is amended as follows:

A "Probationary" employee is one who, at commencement of employment with the Company, occupies a Permanent or Term position for a trial period equivalent to six (6) months, and whose employment may be terminated at the Company's discretion at any time during this probationary period. A review of such employee's progress shall be made and discussed with the employee before or during the fourth month of employment or equivalent.

Clause 2.5 applies

Clause 2.6 applies

Article 3 - Association Relationships

Clause 3.1 - amend as follows:

As a condition of employment, all new part-time employees and all part-time employees who have become members of the Association shall pay each month to the Association monies equal to the established monthly dues of the Association.

Clause 3.2 to 3.6 inclusive apply

Article 4 to **Article 6** inclusive apply

Article 7 - Promotions, Transfers and Job Postings

Clause 7.1 - amend by adding a new second paragraph as follows:

The above definition of "vacancies" excludes part-time positions. For part-time positions which exceed the equivalent of six (6) months in a calendar year, employees will be informed of such opportunities through the Personnel Information Bulletin (P.I.B.) system.

Clause 7.2 applies

Clause 7.5 applies

Clause 7.6 - amend by adding new last paragraph as follows:

A permanent part-time employee's change in status to permanent full-time shall not be considered a promotion under this clause.

Article 8 - Hours of Work - amend in its entirety as follows:

Given the Company need for flexibility in scheduling part-time employees to get the work done, hours of work for individual part-time employees may vary.

The intent of this provision is that prior to January 1 of each calendar year, supervisors and individual part-time employees shall hold a conversation to reach general agreement on the hours to be worked over the coming twelve (12) month period. Such agreement shall not be construed as a guarantee of any minimum nor as a restriction to any maximum hours to be worked.

Working hours and lunch periods will generally be aligned with those of the full-time employees in the same work unit. It is understood that part-time employees may work less than full shifts or may work on Saturdays.

Article 9 - Shift Differential applies

Article 10 - Overtime - amend in its entirety as follows:

The intent of this Article is to designate working hours for which overtime rates are paid. Outside of the normal hours of the work unit, (a) hours required to be worked shall be paid as overtime and (b) hours offered on a voluntary basis shall be paid overtime only for those hours which exceed the amount of the applicable daily standard.

Office, Area, and Regional Staff

Part-time employees shall receive overtime pay at the rate of two (2) times their regular rate of pay for authorized overtime worked in excess of eight hours per day, or in excess of 40 hours Monday through Saturday, or on Holidays as specified in Article 13.1 of this Agreement.

Article 11 - Call-Outs - amend by adding as follows:

Part-time employees qualify for this Article if called out for work outside of the normal hours of the work unit.

Article 12 - Standby applies

Article 14 - Holidays

Clause 14.1 - amend by adding new last paragraph as follows:

Part-time employees who would normally work the day on which a holiday falls will be paid what they would have been paid had they worked. Holiday pay for employees who work irregular days will be at the discretion of the Supervisor.

Clauses 14.2 to 14.5 inclusive apply

Article 15 - Expenses applies

Article 16 - Salaries, Rates of Pay and Other Payments

Clause 16.1, Clauses 16.3 to 16.8 inclusive apply

Article 17 – Maternity Leave applies

Article 19 - Termination of Agreement

Clause 19.1 - applies

Clause 19.2 applies

Clause 19.3 applies

Clause 19.4 applies

PAY SCHEDULES apply

ATTACHMENTS

Attachment 1 - applies

Attachment 2 - amend only as follows:

3. - Other Benefits

A laid off part-time employee's life insurance coverage ceases following 31 days of layoff. If desired, the employee may convert part or all of their coverage to an individual policy within the thirty-one (31) days following layoff.

Eligibility under the Dental Plan and the Short Term Disability Plan cease upon layoff. Entitlement to Alberta Health Care and the Voluntary Major Medical Plan benefits continue to the end of the month in which the employee was laid off.

APPENDIX A

- 1. This Letter Agreement is not part of any Collective Agreement between the parties.**

- 2. While the following items are outside the actual scope of any Collective Agreement, they are included here to record solutions, clarifications, intents, and/or guidelines produced during the bargaining process. The Employer and the Association expressly agree that these items are outside the Collective Agreement and are not subject to the Grievance Procedure. Unless otherwise agreed by the parties, this Letter Agreement shall continue in effect for the life of the Collective Agreement. The following items have been agreed upon.**

Contracting Out

3. In addition to the right of the Employer to contract out, contractors may be hired to perform work that otherwise might be considered to fall under the scope of the Association's bargaining rights in the following circumstances:
 - a. when the skills required are considered special, not available internally, or not available for individual hire in the employment market; or
 - b. when the work required is for a short-term or project basis, is to cover peak work loads when sufficient internal resources are not available, or is to replace internal resources which are being used to complete special assignments.
4. If the Employer intends to use contractors in circumstances other than permitted above, it must first consult with the Association and provide the Association with three month's advance notice of implementing the Employer's intention. As part of this consultation, the Employer must allow the Association a reasonable opportunity to ask questions and propose alternatives, although the decision ultimately rests with the Employer.

Severance

5. When the Employer terminates the services of a permanent employee due to layoff, such employee shall receive severance pay or termination notice as per the terms and conditions in the Employer Involuntary Termination and Severance Policy (the "Policy"), as amended from time to time and subject to the following.
6. Regardless of any changes which may be made to the Policy, the following severance formula shall be used (instead of any formula within the Policy) when applying the Policy to employees represented by the Association.

Years of Continuous Service	Months of working notice and/or Severance Pay
Less than 1 year (except employees on probation, who will not receive severance pay)	1 month
1 year or more but less than 6 years	1 month per year of service
6 years or more but less than 10 years	6 months plus $\frac{3}{4}$ of a month for each year in excess of 6 years
10 years or more but less than 20 years	9 months plus $\frac{1}{2}$ of a month for each year in excess of 10 years
20 years or more	14 months plus $\frac{1}{4}$ of a month for each year in excess of 20 years
Enhancement based on age	Additional months of notice and/or Severance Pay
45 – 49	$\frac{1}{2}$ month
50 – 54	1 month
55 – 59	1 $\frac{1}{2}$ months
60 or older	2 months

7. Other than in respect to the severance formula, the terms and conditions of the Policy shall apply equally to Association and non-union employees in all respects. Aside from this requirement, the Association agrees that it has no input into or control over the Policy.

8. In the event of a dispute between the parties regarding an employee termination, any legislative severance or notice requirements must still be provided by the Employer to the employee, except where the termination is alleged to be for just cause.

The Employer may require a signed Release from any employee and the Association before providing any severance monies or termination notice in excess of legislative entitlements. The format of the Release shall be as per the attached Schedule 1.

Signed on behalf of
TransAlta Corporation

Signed on behalf of
United Utility Workers' Association

As agreed by the parties on the ___ day of _____, 2007

Schedule 1 – General Release

In consideration of the terms and conditions outlined in the _____, 200__ letter to me from _____

(the “Agreement Letter”), the receipt and sufficiency of which is hereby acknowledged, _____ (the “Releasor”) and the United Utility Workers’ Association (the “Association”) agree as follows:

1. The Releasor hereby releases and forever discharges TransAlta Corporation (the “Employer”), its successors, affiliates, subsidiaries, related entities, personal representatives, shareholders, directors, officers, employees, agents, and assigns (collectively referred to, including the Employer, as the “Released Parties”) from any and all grievances, cause or causes of action, suits, complaints, debts, sums of money, dues, expenses, general damages, special damages, costs, claims, and demands of any and every kind whatsoever, including claims under any provincial or federal legislation, which the Releasor has ever had or now has, or which the Releasor’s respective heirs, executors, administrators, successors, or assigns hereafter may have against any of the Released Parties, for or by reason of any matter, cause, or thing whatsoever existing up to the present time, and in particular, but without in any way restricting the generality of the foregoing, arising out of the Releasor’s employment with the Employer, the termination of such employment, the loss of any medical, disability, insurance, or health plans or benefits under the Agreement Letter, all costs in seeking alternative employment, and all general and special damages which the Releasor might have recovered at law or in equity, or under any statute.
2. Neither the Releasor, the Association, nor anyone on the Releasor’s behalf will bring any grievance, action, suit, or complaint against the Employer or any of the other Released Parties in respect to the termination of the Releasor’s employment or any matter referred to in this Release. The Released Parties are entitled to rely on, and obtain the benefit of, this Release.
3. Neither the payment of any settlement monies nor the acceptance of this Release shall be construed as an admission of liability on the part of the Employer, by whom liability is expressly denied.
4. The Releasor and the Association acknowledge that the consideration herein will operate as a complete discharge of all obligations of the Released Parties to the Releasor at common law and/or pursuant to any statutory requirement.
5. The Releasor and the Association acknowledge that the payments to the Releasor include full compensation and consideration for loss of employment benefits. The Releasor accepts sole responsibility to replace benefits that he/she wishes to continue or exercise conversion privileges where applicable with respect to such benefits. In the event the Releasor becomes disabled, the Releasor covenants not to sue the Employer for insurance or other benefits or loss of same. The

Releasor hereby releases the Employer from any further obligations or liabilities arising from employment benefits, subject to the terms of the Agreement Letter.

6. The Employer may remit tax and other deductions for income tax, Canada Pension Plan contributions, Employment Insurance contributions, and such other items as required by law. The Releasor indemnifies the Employer and agrees to save the Employer harmless against any liability the Employer may have to the Receiver General of Canada or any other authority with respect to withholdings, deductions, or payment of any kind, including income tax, Canada Pension Plan contributions, and Employment Insurance payments.

7. The Releasor has had the opportunity to receive independent advice in respect of this settlement. In accepting this settlement, the Releasor and the Association formed their own judgment on the facts and circumstances and have in no way relied upon any representations or promises by or on behalf of any of the Released Parties or any of their solicitors.

IN WITNESS WHEREOF the Releasor and the Association hereto set their hands and seals this _____ day of _____, 200__.

SIGNED, SEALED AND)
DELIVERED)
in the presence of:) _____
) Employee
_____)
WITNESS)
United Utility Workers' Association
Per: _____

LETTER OUTSIDE OF COLLECTIVE AGREEMENT

RE: GRANDFATHERED VACATION ENTITLEMENT

BETWEEN

TRANSALTA CORPORATION

AND

THE UNITED UTILITY WORKERS' ASSOCIATION

Employees who at the date of ratification have had their vacation entitlement grandfathered as per the Memorandum of Agreement RE: "Grandfathered Vacation Entitlement" (attached), will continue to have their vacation entitlement grandfathered for the life of the Collective Agreement.

The Company and the Association expressly agree that these items are outside of the Collective Agreement and are not subject to the Grievance Procedure. Unless otherwise agreed to by the parties. This letter shall continue in effect for the life of the 2007 to 2009 Collective Agreement.

Signed on behalf of
TransAlta Corporation

Signed on behalf of
United Utility Workers' Association

As agreed by the parties on the ____ day of _____, 2007.

**MEMORANDUM OF AGREEMENT
RE: GRANDFATHERED VACATION ENTITLEMENT**

BETWEEN

TRANSALTA CORPORATION

AND

UNITED UTILITY WORKERS' ASSOCIATION

COLLECTIVE AGREEMENT

Employees, who at the date of ratification, have vacation entitlement that is greater than 4 weeks (20 days) due to years of service will have their current vacation rate grandfathered at their current entitlement.

Employees who currently have earned vacation entitlement of 4 weeks (20 days) and who will be eligible for 5 weeks of vacation entitlement based on years of service in the 2007 calendar year will have vacation entitlement grandfathered at 5 weeks (25 days) on their normal entitlement date of January 1, 2007. Employees who currently have earned vacation entitlement of 5 weeks (25 days) and who will be eligible for 6 weeks of vacation entitlement based on years of service in the 2007 calendar year will have vacation entitlement grandfathered to 6 weeks (30 days) on their normal entitlement date of January 1, 2007.

The Employer and the Association expressly agree that these items are outside the Collective Agreement and are not subject to the Grievance Procedure. Unless otherwise agreed by the parties, this Letter Agreement shall continue in effect for the life of the Collective Agreement.