

28 July, 2010

**Letter of Agreement
Restriction on Contracting Out**



The parties intend that the creation of a CST Resource Pool, the introduction of Community Technicians and Combination Technicians, and the agreement respecting Project Term Workforces, will result in a significant, measurable reduction in the number of contractors used within Regional Services. Accordingly, the parties agree as follows:

1. The Company agrees that, once the parties have determined that the CST Resource Pool is fully operational, the Company will reduce the total number of contractors performing CST work by 20% per year for 3 years.
2. This commitment will be measured as follows (presuming that the CST Resource Pool is fully operational):
 - a. the baseline number of contractor FTEs doing CST work will be determined as of September 30, 2010.
 - b. There will be a 20% reduction of that September 30, 2010 baseline by December 31, 2011
 - c. There will be a 20% reduction of that December 31, 2011 number by December 31, 2012.
 - d. There will be a 20% reduction of that December 31, 2012 number by December 31, 2013.

If in any given measurement period these measures are exceeded, the Company and the Council will agree to any necessary adjustments to the targets. However, any such adjustments will still result in a total reduction of 50% between September 30, 2010 and December 31, 2013.

3. The Company recognizes that the reduction should also be reflected in a measure of the annual average number of contractor FTEs doing CST work during the year. Where there is a substantial discrepancy between the annual measures set out above and the annual average measure, the Company and the Council will meet to develop a more adequate means of assessing whether the commitment has been met.
4. In addition, the Company will not increase the ratio of contractor FTEs to employees doing CST, BST, NT, or CT repair work outside of the Ten Cities. This commitment will be measured in the same manner set out above, using the ratio as of September 30, 2010 as a baseline.
5. These commitments will be temporarily waived where the Company requires additional resources in order to prevent or repair a critical loss

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- of service due to an extreme weather event, fire, natural disaster, or other similar circumstance beyond the Company's control.
6. The Company will report to CIF every quarter as to its progress in meeting the commitments in this Letter of Agreement. However, the Council can raise any issues as to the implementation of this Letter of Agreement with the CIF at any time.
 7. In order to determine that the CST Resource Pool is fully operational, the parties will:
 - a. agree on an initial size for the Pool;
 - b. confirm that initial hires into the Pool have reached that number;
 - c. jointly assess whether the Pool is successfully operating according to expectations.
 8. The assessment as to whether the Pool is fully operational will take place no later than September 30, 2011. If by that date the parties do not agree that the Pool is fully operational, they will, within thirty (30) days, identify and resolve any issues preventing the Pool from becoming fully operational, and will ensure that the Pool is fully operational by March 31, 2012. If this extension to March 31, 2012 becomes necessary, the parties will also agree to new timelines for meeting the commitment to reduce the number of contractors.
 9. Notwithstanding anything else in this Letter of Agreement, if the Pool is not fully operational by March 31, 2012, the parties will negotiate in good faith and agree by September 30, 2012, on alternative arrangements which will, in accordance with the intent of this Letter of Agreement, enable the specified contractor reductions to be met.