



A PECO Energy/British Energy Company

10 CFR 50.80

AmerGen Energy Company, LLC
965 Chesterbrook Blvd, 63C-3
Wayne, PA 19087-5691

Telephone: 610 640 6600
Fax: 610 640 6611

1940-00-20199
August 15, 2000

U.S. Nuclear Regulatory Commission
ATTN: Samuel J. Collins, Director, Office of Nuclear Reactor Regulation
Washington, DC 20555-0001

Oyster Creek Generating Station
Facility Operating License No. DPR-16
NRC Docket No. 50-219

Subject: Conditions Relating to Decommissioning Trust Agreement

References:

- (1) "Order Approving Transfer of License and Conforming Amendment" and accompanying Safety Evaluation dated June 6, 2000
- (2) Application for Order and Conforming Administrative Amendments for License transfer dated November 5, 1999

Dear Mr. Collins:

In Reference 1, the NRC approved the transfer of the NRC Facility Operating License for the Oyster Creek Nuclear Generating Station to AmerGen. In doing so, NRC reviewed a "form of" Nuclear Decommissioning Master Trust Agreement submitted as Enclosure 7 to Reference 2. Enclosed for your further reference is a copy of AmerGen's executed Nuclear Decommissioning Master Trust Agreement for Oyster Creek.

Consistent with the conditions relating to the trust agreement imposed in Reference 1, and certain requirements of section 468A(e)(4) the Internal Revenue Code, the trust agreement provides for certain limitations on use of funds in the trusts in both Article II of the trust agreement and the "Special Terms of the Qualified Nuclear Decommissioning Reserve Fund" provided in Exhibit "A" (Special Terms) to the trust agreement. Section 2.03 of the trust agreement and Section 3(b) of the Special Terms direct the trustee to pay the administrative costs (including taxes) and other incidental expenses of the qualified and nonqualified trust funds on an ongoing basis.

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certain limitations on use of funds in the trusts in both Article II of the trust agreement and the "Special Terms of the Qualified Nuclear Decommissioning Reserve Fund" provided in Exhibit "A" (Special Terms) to the trust agreement. Section 2.03 of the trust agreement and Section 3(b) of the Special Terms direct the trustee to pay the administrative costs (including taxes) and other incidental expenses of the qualified and nonqualified trust funds on an ongoing basis.

In Reference 1, the NRC provided in Condition 8, that the trust agreement "must provide that no disbursements or payments from the trust shall be made by the trustee unless the trustee has first given the NRC 30-days prior written notice of payment" and "no disbursements or payments from the trust shall be made if the trustee receives prior written notice of objection from the Director, Office of Nuclear Reactor Regulation." This condition is implemented in Section 2.02(b) of the trust agreement.

AmerGen understands that Condition 8 was never intended to govern the payment of administrative costs (including taxes) and other incidental expenses of the funds as specifically permitted under, and made within the limitations imposed by, section 468A(e)(4)(B) of the Internal Revenue Code and the Internal Revenue Service's (IRS) implementing regulations (governing the qualified fund). AmerGen also believes that Condition 8 does not, in fact, operate to impose notification requirements with respect to the administrative costs and incidental expenses of the fund. However, in the event Condition 8 could be interpreted differently, AmerGen hereby gives 30-days prior written notice on behalf of the trustee that the trustee will be directed on an ongoing basis throughout the life of the trusts to use the trust funds for such administrative costs and incidental expenses that are consistent with IRS' requirements.

If you have any questions about this letter, please contact Mr. James A. Hutton at (610) 640-6722.

Sincerely,



James A. Hutton
Director - Licensing

Attachment:

1. Nuclear Decommissioning Master Trust Agreement

cc: Document Control Desk, NRC (3)

NRC Licensing Project Manager - H. N. Pastis, Oyster Creek

S. R. Hom, Esq., OGC, NRC

R. S. Wood NRR, NRC

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NRC Regional Administrator - H. J. Miller, Region I

NRC Resident Inspector - L. Dudes, Oyster Creek

K. Tosch, Director, Bureau of Nuclear Engineering, NJ Dept of
Environmental Protection

File Number 99159

**NUCLEAR DECOMMISSIONING
MASTER TRUST AGREEMENT**

THIS NUCLEAR DECOMMISSIONING MASTER TRUST AGREEMENT, dated as of July 25, 2000 between AmerGen Energy Company, LLC, a limited liability company duly organized and existing under the laws of the State of Delaware, having its principal office at 965 Chesterbrook Blvd., Wayne, Pennsylvania 19087 (the "Company"), and MELLON BANK, N.A., as Trustee, having its principal office at One Mellon Bank Center, Pittsburgh, Pennsylvania 15258 (the "Trustee");

WITNESSETH:

WHEREAS, the Company owns the Oyster Creek Nuclear Generating Station (the "Unit"); and

WHEREAS, the Company desires to appoint Mellon Bank, N.A. as Trustee to maintain pursuant to this Agreement its fund which qualifies as a Nuclear Decommissioning Reserve Fund under the Internal Revenue Code of 1986, as amended, or any corresponding section or sections of any future United States internal revenue statute (the "Code") section 468A and the regulations thereunder (the "Qualified Fund"), and its fund of which does not so qualify (the "Nonqualified Fund"; collectively, the "Funds"), under the laws of the Commonwealth of Pennsylvania.

WHEREAS, the execution and delivery of this Agreement have been duly authorized by the Company and the Trustee and all things necessary to make this Agreement a valid and binding agreement by the Company and the Trustee have been done.

NOW, THEREFORE, THIS AGREEMENT WITNESSETH, that to provide for the maintenance of the Funds and the making of payments therefrom and the performance of the covenants of the Company and the Trustee set forth herein, the Company does hereby sell, assign, transfer, set over and pledge unto the Trustee, and to its successors in the trust and its assigns, all of the Company's right, title and interest in and to any and all cash and property herewith and hereafter contributed to the Funds, subject to the provisions of Article V hereof and Section 4 of the Special Terms of the Qualified Nuclear Decommissioning Reserve Fund, attached hereto as Exhibit A (the "Special Terms").

TO HAVE AND TO HOLD THE SAME IN TRUST for the exclusive purpose of providing funds for the decommissioning of the Unit in order to satisfy the liability in connection therewith, to pay the administrative costs and other incidental expenses of the Funds, and to make certain investments, all as hereinafter provided.

ARTICLE I
Purposes of the Funds; Contributions.

Section 1.01. Establishment of the Funds. The Master Trust shall be divided by the Trustee into Funds to be identified as follows:

- (a) Oyster Creek Qualified Fund; and
- (b) Oyster Creek Nonqualified Fund.

The Funds shall be maintained separately at all times in the United States as the Nonqualified Fund and the Qualified Fund pursuant to this Agreement and in accordance with the laws of the Commonwealth of Pennsylvania. The Company intends that the Qualified Fund shall qualify as a Nuclear Decommissioning Reserve Fund under section 468A of the Code. The assets of the Qualified Fund may be used only in a manner authorized by section 468A of the Code and the Treasury Regulations thereunder and this Agreement cannot be amended to violate section 468A of the Code or the Treasury Regulations thereunder. The Trustee shall maintain such records as are necessary to reflect each Fund separately on its books from each other Fund and shall create and maintain such subaccounts within each Fund as the Company shall direct. In performing its duties under this agreement, the Trustee shall exercise the same care and diligence that it would devote to its own property in like circumstances.

Section 1.02. Purposes of the Funds. The Funds are established for the exclusive purpose of providing funds for the decommissioning of the Unit. The Nonqualified Fund shall accumulate all contributions (whether from the Company or others) which do not satisfy the requirements for contributions to the Qualified Fund pursuant to Section 2 of the Special Terms. The Qualified Fund shall accumulate all contributions (whether from the Company or others) which satisfy the requirements of Section 2 of the Special Terms. The Qualified Fund shall also be governed by the provisions of the Special Terms, which provisions shall take precedence over any provisions of this Agreement construed to be in conflict therewith. None of the assets of the Funds shall be subject to attachment, garnishment, execution or levy in any manner for the benefit of creditors of the Company or any other party.

Section 1.03. Contributions to the Funds. The assets of the Funds shall be transferred or contributed by the Company (or by others approved in writing by the Company) from time to time. Cash contributions for the Unit shall be allocated to its Qualified Fund unless the Company designates in writing at the time of payment to which of the Unit's two Funds the payment is allocated. The Company shall have sole discretion as to whether cash payments are allocated to a Qualified Fund or a Nonqualified Fund.

ARTICLE II
Payments by the Trustee

Section 2.01. Use of Assets. The assets of the Funds shall be used exclusively (a) to satisfy, in whole or in part, any expenses or liabilities incurred with respect to the decommissioning of the Unit, including expenses incurred in connection with the preparation for decommissioning, such as engineering and other planning expenses, and all expenses incurred after the actual decommissioning occurs, such as physical security and radiation monitoring expenses (the "Decommissioning Costs"), (b) to pay the administrative costs and other incidental expenses of each Fund, and (c) to invest in publicly-traded securities and investments (including common trust funds) as directed by the investment manager(s) pursuant to Section 3.02(a) or the Trustee pursuant to Section 3.02(b), except that all assets of a Qualified Fund must be invested in Permissible Assets as defined in the Special Terms. Except for investments tied to market indexes or other non-nuclear sector common trust funds or mutual funds, (1) the assets of the Funds shall not be invested in the securities or other obligations of PECO Energy Company or affiliates thereof, or their successors or assigns; (2) investments in any entity owning one or more nuclear power plants is prohibited. Use of the assets of a Qualified Fund shall be further limited by the provisions of the Special Terms. The assets of the Funds shall be used, in the first instance, to pay the expenses related to the decommissioning of the Unit, as defined by the United States Nuclear Regulatory Commission ("NRC") in its regulations and issuances, and as provided in the NRC issued license to operate the Unit and any amendments thereto.

Section 2.02. Certification for Decommissioning Costs.

(a) If assets of the Funds are required to satisfy Decommissioning Costs, the Company shall present a certificate substantially in the form attached hereto as Exhibit B to the Trustee signed by its Chairman of the Board, its President or one of its Vice Presidents and its Treasurer or an Assistant Treasurer, requesting payment from the Fund. Any certificate requesting payment by the Trustee to a third party or to the Company from the Fund for Decommissioning Costs shall include the following:

(1) a statement of the amount of the payment to be made from the Fund and whether the payment is to be made from the Nonqualified Fund, the Qualified Fund or in part from both Funds;

(2) a statement that the payment is requested to pay Decommissioning Costs which have been incurred, and if payment is to be made from the Qualified Fund, a statement that the Decommissioning Costs to be paid constitute Qualified Decommissioning Costs, as defined in the Special Terms;

- (3) the nature of the Decommissioning Costs to be paid;
 - (4) the payee, which may be the Company in the case of reimbursement for payments previously made or expenses previously incurred by the Company for Decommissioning Costs;
 - (5) a statement that the Decommissioning Costs for which payment is requested have not theretofore been paid out of the Funds; and
 - (6) a statement that any necessary authorizations of the NRC and/or any other governmental agencies having jurisdiction with respect to the decommissioning have been obtained.
- (b) No disbursements of payments for decommissioning costs from the Funds shall be made by the Trustee:
- (1) unless the Trustee has first provided thirty (30) days prior notice of such disbursement or payment to the NRC; and
 - (2) if the Trustee receives written notice of an objection from the NRC Director, Office of Nuclear Reactor Regulation.
- (c) The Trustee shall retain at least one copy of such certificates (including attachments) and related documents received by it pursuant to this Article II.
- (d) The Company shall have the right to enforce payments from the Funds upon compliance with the procedures set forth in this Section 2.02.

Section 2.03. Administrative Costs. The Trustee shall pay, as directed by the Company, the administrative costs and other incidental expenses of the Nonqualified Fund, including all federal, state, and local taxes, if any, imposed directly on the Nonqualified Fund or the income therefrom, legal expenses, accounting expenses, actuarial expenses and trustee expenses, from the assets of the Nonqualified Fund and shall pay, as directed by the Company, the administrative costs and other incidental expenses of the Qualified Fund, as defined in the Special Terms, from the assets of the Qualified Fund.

Section 2.04. Payments between the Funds. The Trustee shall make payments (i) from the Qualified Fund to the Nonqualified Fund provided such payments are in cash and are in accordance with Section 4 of the Special Terms or (ii) from the Nonqualified Fund to the Qualified Fund provided such payments are in cash and are in accordance

with the contribution limitations set forth in Section 2 of the Special Terms, as the case may be, upon presentation by the Company of a certificate substantially in the form of Exhibit C hereto executed by the Company instructing the Trustee to make any such payments. The Trustee shall be fully protected in relying upon such certificate.

ARTICLE - III **Concerning the Trustee**

Section 3.01. Authority of Trustee. The Trustee hereby accepts the trust created under this Agreement. The Trustee shall have the authority and discretion to manage and control the Funds to the extent provided in this Agreement but does not guarantee the Funds in any manner against investment loss or depreciation in asset value or guarantee the adequacy of the Funds to satisfy the Decommissioning Costs. The Trustee shall not be liable for the making, retention or sale of any asset of a Qualified Fund which qualifies as a Permissible Asset, as defined in the Special Terms, nor shall the Trustee be responsible for any other loss to or diminution of the Funds, or for any other loss or damage which may result from the discharge of its duties hereunder except for any action not taken in good faith.

Section 3.02. Investment of Funds. (a) The Company shall have the authority to appoint one or more investment managers who shall have the power to direct the Trustee in investing the assets of the Funds; provided, however, that the Trustee shall not follow any direction which would result in assets of a Qualified Fund being invested in assets other than Permissible Assets as defined in the Special Terms. Any such investment manager(s) or other person directing investments made in the trust shall adhere to the "prudent investor" standard as specified in 18 C.F.R. 35.32(a)(3) of the Federal Energy Regulatory Commission ("FERC") regulations (the "Prudent Investor Standard"). To the extent that the Company chooses to exercise this authority, it shall so notify the Trustee and instruct the Trustee in writing to separate into a separate account those assets the investment of which will be directed by each investment manager. The Company shall designate in writing the person or persons who are to represent any such investment manager in dealings with the Trustee. Upon the separation of the assets in accordance with the Company instructions, the Trustee, as to those assets while so separated, shall be released and relieved of all investment duties, investment responsibilities and investment liabilities normally or statutorily incident to a trustee; provided, however, that the Trustee shall not be relieved of the responsibility of ensuring that assets of a Qualified Fund are invested solely in Permissible Assets, as defined in the Special Terms. The Trustee shall retain all other fiduciary duties with respect to assets the investment of which is directed by investment managers.

(b) To the extent that the investment of assets of the Funds are not being directed by one or more investment managers under Section 3.02(a), the Trustee shall

hold, invest, and reinvest the funds delivered to it hereunder as it in its sole discretion deems advisable, subject to the restrictions set forth herein for investment of the assets of a Qualified Fund and adherence to the Prudent Investor Standard.

(c) Regardless of the person directing investments, any assets of a Qualified Fund shall be invested solely in Permissible Assets as defined in, and required by, the Special Terms, and shall be accumulated, invested, and reinvested in like manner. Upon the written consent of the Company, the assets of a Qualified Fund relating to a Unit may be pooled with the assets of any other Fund relating to any Unit; provided that the book and tax allocations of the pooling arrangement are made in compliance with Code section 704 (and the Treasury Regulations thereunder) provided further that such pooling arrangement elects to be classified as a partnership for federal income tax purposes.

(d) Notwithstanding any other provision of this Agreement, with respect to the pooling of investments authorized by subparagraph (c) no part of any Fund's (or any subsequent holder's) interest in such pool, nor any right pertaining to such interest (including any right to substitute another entity for the Fund or for any subsequent holder, as holder of investments pooled pursuant to subparagraph (c)) may be sold, assigned, transferred or otherwise alienated or disposed of by any holder of an interest in the pool unless the written consent to the transfer of every other holder of interests in such pool is obtained in advance of any such transfer.

(e) Notwithstanding the provisions of subparagraph (d) of this Section, a Fund's investment in a pooled arrangement may be withdrawn from the pool (but not from the Master Trust, except as otherwise permitted by this Agreement) at any time upon 7 days written notice to the Trustee by the Fund. If the Fund withdraws its entire interest in a pool, the pooled arrangement shall terminate 30 days after notice of final withdrawal has been given by any withdrawing Fund unless a majority in interest of the remaining Funds give their written consent to continue the pool within such 30 day period. If the pooled arrangement terminates, each Fund's assets will be segregated into a separate account under the Master Trust, and no further commingling may occur for a period of at least one year after such termination.

(f) Subparagraphs (c), (d) and (e) apply to transfers of interests within, and withdrawals from, the pooling arrangement. Nothing within these sections shall be interpreted to permit or to limit transfer of interests in, or withdrawals from, a Fund, which transfers and withdrawals are governed by other provisions of this agreement. In addition, the provisions of subparagraphs (c), (d) and (e) shall not limit the Trustee's authority to invest in permissible common or collective trust funds.

Section 3.03. Prohibition Against Self Dealing. Notwithstanding any other provision in this Agreement, the Trustee shall not engage in any act of self dealing as

defined in section 468A(e)(5) of the Code and Treasury Regulations § 1.468A-5(b) or any corresponding future law or Treasury Regulation.

Section 3.04. Compensation. The Trustee shall be entitled to receive out of the Funds reasonable compensation for services rendered by it, as well as expenses necessarily incurred by it in the execution of the trust hereunder, provided such compensation and expenses qualify as administrative costs and other incidental expenses of the Qualified Fund, as defined in the Special Terms, with respect to any payment of compensation and expenses from the Qualified Fund. The Company acknowledges that, as part of the Trustee's compensation, the Trustee will earn interest on balances, including disbursement balances and balances arising from purchase and sale transactions. If the Trustee advances cash or securities for any purpose, including the purchase or sale of foreign exchange or of contracts for foreign exchange, or in the event that the Trustee shall incur or be assessed taxes, interest, charges, expenses, assessments, or other liabilities in connection with the performance of this Agreement, except such as may arise from its own negligent action, negligent failure to act, or willful misconduct, any property at any time held for the Funds or under this Agreement shall be security therefor and the Trustee shall be entitled to collect from the Funds sufficient cash for reimbursement, and if such cash is insufficient, dispose of the assets of the Company held under this Agreement to the extent necessary to obtain reimbursement. To the extent the Trustee advances funds to the Funds for disbursements or to effect the settlement of purchase transactions, the Trustee shall be entitled to collect from the Funds either (i) with respect to domestic assets, an amount equal to what would have been earned on the sums advanced (an amount approximating the "federal funds" interest rate) or (ii) with respect to nondomestic assets, the rate applicable to the appropriate foreign market.

Section 3.05. Books of Account. The Trustee shall keep separate true and correct books of account with respect to each of the Funds, which books of account shall at all reasonable times be open to inspection by the Company or its duly appointed representatives. The Trustee shall, upon written request of the Company, permit government agencies, such as the NRC or the Internal Revenue Service, to inspect the books of account of the Funds. The Trustee shall furnish to the Company by the tenth business day of each month a statement for each Fund showing, with respect to the preceding calendar month, the balance of assets on hand at the beginning of such month, all receipts, investment transactions, and disbursements which took place during such month and the balance of assets on hand at the end of such month. The Trustee agrees to provide on a timely basis any information deemed necessary by the Company to file the Company's federal, state and local tax returns.

Section 3.06. Reliance on Documents. The Trustee, upon receipt of documents furnished to it by the Company pursuant to the provisions of this Agreement, shall examine the same to determine whether they conform to the requirements thereof. The

Trustee acting in good faith may conclusively rely, as to the truth of statements and the correctness of opinions expressed in any certificate or other documents conforming to the requirements of this Agreement. If the Trustee in the administration of the Funds, shall deem it necessary or desirable that a matter be provided or established prior to taking or suffering any action hereunder, such matter (unless evidence in respect thereof is otherwise specifically prescribed hereunder) may be deemed by the Trustee to be conclusively provided or established by a certificate signed by the Chairman of the Board, the President or any Vice President of the Company and delivered to the Trustee. The Trustee shall have no duty to inquire into the validity, accuracy or relevancy of any statement contained in any certificate or document nor the authorization of any party making such certificate or delivering such document and the Trustee may rely and shall be protected in acting or refraining from acting upon any such written certificate or document furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee shall not, however, be relieved of any obligation (a) to refrain from self-dealing as provided in Section 3.03 hereof, (b) to ensure that all assets of a Qualified Fund are invested solely in Permissible Assets as defined in the Special Terms or (c) to adhere to the Prudent Investor Standard if acting as manager.

Section 3.07. Liability and Indemnification. The Trustee shall not be liable for any action taken by it in good faith and without gross negligence, willful misconduct or recklessness and reasonably believed by it to be authorized or within the rights or powers conferred upon it by this Agreement and may consult with counsel of its own choice (including counsel for the Company) and shall have full and complete authorization and protection for any action taken or suffered by it hereunder in good faith and without gross negligence and in accordance with the opinion of such counsel, provided, however, that the Trustee shall be liable for direct damages resulting from investing assets of the Qualified Fund in other than Permissible Assets or from self dealing as provided in Section 3.03 hereof. Provided indemnification does not result in self dealing under Section 3.03 hereof or in a deemed contribution to a Qualified Fund in excess of the limitation on contributions under Section 468A of the Code and the Treasury Regulations thereunder, the Company hereby agrees to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without gross negligence, willful misconduct, recklessness or bad faith on the part of the Trustee, arising out of or in connection with its entering into this Agreement and carrying out its duties hereunder, including the costs and expenses of defending itself against any claim of liability, provided such loss, liability or expense does not result from investing assets of a Qualified Fund in other than Permissible Assets as defined in the Special Terms or from self dealing under Section 3.03 hereof, and provided further that no such costs or expenses shall be paid if the payment of such costs or expenses is prohibited by section 468A of the Code or the Treasury Regulations thereunder.

The Trustee shall not be responsible or liable for any losses or damages suffered by the Fund arising as a result of the insolvency of any custodian, subtrustee or subcustodian, except to the extent the Trustee was negligent in its selection or continued retention of such entity. Under no circumstances shall the Trustee be liable for any indirect, consequential, or special damages with respect to its role as Trustee.

Section 3.08. Resignation, Removal and Successor Trustees. The Trustee may resign at any time upon sixty (60) days written notification to the Company. The Company may remove the Trustee for any reason at any time upon thirty (30) days written notification to the Trustee. If a successor Trustee shall not have been appointed within these specified time periods after the giving of written notice of such resignation or removal, the Trustee or Company may apply to any court of competent jurisdiction to appoint a successor Trustee to act until such time, if any, as a successor shall have been appointed and shall have accepted its appointment as provided below. If the Trustee shall be adjudged bankrupt or insolvent, a vacancy shall thereupon be deemed to exist in the office of Trustee and a successor shall thereupon be appointed by the Company. Any successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company an appropriate written instrument accepting such appointment hereunder, subject to all the terms and conditions hereof, and thereupon such successor Trustee shall become fully vested with all the rights, powers, trusts, duties and obligations of its predecessor in trust hereunder, with like effect as if originally named as Trustee hereunder. The predecessor Trustee shall upon written request of the Company, and payment of all fees and expenses, deliver to the successor Trustee the corpus of the Funds and perform such other acts as may be required or be desirable to vest and confirm in said successor Trustee all right, title and interest in the corpus of the Funds to which it succeeds.

Section 3.09. Merger of Trustee. Any corporation or other legal entity into which the Trustee may be merged or with which it may be consolidated, or any corporation or other legal entity resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation or other legal entity to which the corporate trust functions of the Trustee may be transferred, shall be the successor Trustee under this Agreement without the necessity of executing or filing any additional acceptance of this Agreement or the performance of any further act on the part of any other parties hereto.

ARTICLE IV **Amendments**

The Company may revoke this Agreement at any time or may amend this Agreement from time to time, provided such amendment does not cause the Qualified Fund to fail to qualify as a Nuclear Decommissioning Reserve Fund under section 468A of the Code and the Treasury Regulations thereunder. The Qualified Fund is established

and shall be maintained for the sole purpose of qualifying as a Nuclear Decommissioning Reserve Fund under section 468A of the Code and the Treasury Regulations thereunder. If the Qualified Fund would fail to so qualify because of any provision contained in this Agreement, this Agreement shall be deemed to be amended as necessary to conform with the requirements of section 468A and the regulations thereunder. If a proposed amendment shall affect the responsibility of the Trustee, such amendment shall not be considered valid and binding until such time as the amendment is executed by the Trustee. Notwithstanding any provision herein to the contrary, this Agreement cannot be modified in any material respect without first providing 30 days prior written notice to the NRC Director, Office of Nuclear Reactor Regulation.

ARTICLE V

Powers of the Trustee and Investment Manager

Section 5.01. General Powers. The Trustee shall have and exercise the following powers and authority in the administration of the Funds only on the direction of an Investment Manager where such powers and authority relate to a separate account established for an Investment Manager, and in its sole discretion where such powers and authority relate to investments made by the Trustee in accordance with Section 3.02(b):

- (a) to purchase, receive or subscribe for any securities or other property and to retain in trust such securities or other property;
- (b) to sell, exchange, convey, transfer, lend, or otherwise dispose of any property held in the Funds and to make any sale by private contract or public auction; and no person dealing with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity, expediency or propriety of any such sale or other disposition;
- (c) to vote in person or by proxy any stocks, bonds or other securities held in the Funds;
- (d) to exercise any rights appurtenant to any such stocks, bonds or other securities for the conversion thereof into other stocks, bonds or securities, or to exercise rights or options to subscribe for or purchase additional stocks, bonds or other securities, and to make any and all necessary payments with respect to any such conversion or exercise, as well as to write options with respect to such stocks and to enter into any transactions in other forms of options with respect to any options which the Funds have outstanding at any time;

(e) to join in, dissent from or oppose the reorganization, recapitalization, consolidation, sale or merger of corporations or properties of which the Funds may hold stocks, bonds or other securities or in which it may be interested, upon such terms and conditions as deemed wise, to pay any expenses, assessments or subscriptions in connection therewith, and to accept any securities or property, whether or not trustees would be authorized to invest in such securities or property, which may be issued upon any such reorganization, recapitalization, consolidation, sale or merger and thereafter to hold the same, without any duty to sell;

(f) to enter into any type of contract with any insurance company or companies, either for the purposes of investment or otherwise; provided that no insurance company dealing with the Trustee shall be considered to be a party to this Agreement and shall only be bound by and held accountable to the extent of its contract with the Trustee. Except as otherwise provided by any contract, the insurance company need only look to the Trustee with regard to any instructions issued and shall make disbursements or payments to any person, including the Trustee, as shall be directed by the Trustee. Where applicable, the Trustee shall be the sole owner of any and all insurance policies or contracts issued. Such contracts or policies, unless otherwise determined, shall be held as an asset of the Funds for safekeeping or custodian purposes only;

(g) upon authorization of the Company to lend the assets of the Funds and, specifically, to loan any securities to brokers, dealers or banks upon such terms, and secured in such manner, as may be determined by the Trustee, to permit the loaned securities to be transferred into the name of the borrower or others and to permit the borrower to exercise such rights of ownership over the loaned securities as may be required under the terms of any such loan; provided, that, with respect to the lending of securities pursuant to this paragraph, the Trustee's powers shall subsume the role of custodian (the expressed intent hereunder being that the Trustee, in such case, be deemed a financial institution, within the meaning of section 101 (22) of the Bankruptcy Code); and provided, further, that any loans made from the Funds shall be made in conformity with such laws or regulations governing such lending activities which may have been promulgated by any appropriate regulatory body at the time of such loan;

(h) to purchase, enter, sell, hold, and generally deal in any manner in and with contracts for the immediate or future delivery of financial instruments of any issuer or of any other property; to grant, purchase, sell, exercise, permit to expire, permit to be held in escrow, and otherwise to acquire, dispose of, hold and generally deal in any manner with and in all forms of options in any combination.

Settlements of transactions may be effected in trading and processing practices customary in the jurisdiction or market where the transaction occurs. The Company acknowledges that this may, in certain circumstances, require the delivery of cash or

securities (or other property) without the concurrent receipt of securities (or other property) or cash and, in such circumstances, the Company shall have sole responsibility for nonreceipt of payment (or late payment) by the counterparty.

Notwithstanding anything in this Agreement to the contrary, the Trustee shall not be responsible or liable for its failure to perform under this Agreement or for any losses to the Funds resulting from any event beyond the reasonable control of the Trustee, its agents or subcustodians, including but not limited to nationalization, strikes, expropriation, devaluation, seizure, or similar action by any governmental authority, de facto or de jure; or enactment, promulgation, imposition or enforcement by any such governmental authority of currency restrictions, exchange controls, levies or other charges affecting the Funds' property; or the breakdown, failure or malfunction of any utilities or telecommunications systems; or any order or regulation of any banking or securities industry including changes in market rules and market conditions affecting the execution or settlement of transactions; or acts of war, terrorism, insurrection or revolution; or acts of God; or any other similar event. This Section shall survive the termination of this Agreement.

Section 5.02. Specific Powers of the Trustee. The Trustee shall have the following powers and authority, to be exercised in its sole discretion with respect to the Fund:

(a) to appoint agents, custodians, subtrustees, depositories or counsel, domestic or foreign, as to part or all of the Funds and functions incident thereto where, in the sole discretion of the Trustee, such delegation is necessary in order to facilitate the operations of the Funds and such delegation is not inconsistent with the purposes of the Funds or in contravention of any applicable law. To the extent that the appointment of any such person or entity may be deemed to be the appointment of a fiduciary, the Trustee may exercise the powers granted hereby to appoint as such a fiduciary any person or entity. Upon such delegation, the Trustee may require such reports, bonds or written agreements as it deems necessary to properly monitor the actions of its delegate;

(b) to cause any investment, either in whole or in part, in the Funds to be registered in, or transferred into, the Trustee's name or the names of a nominee or nominees, including but not limited to that of the Trustee or an affiliate of the Trustee, a clearing corporation, or a depository, or in book-entry form, or to retain any such investment unregistered or in a form permitting transfer by delivery, provided that the books and records of the Trustee shall at all times show that such investments are a part of the Funds; and to cause any such investment, or the evidence thereof, to be held by the Trustee, in a depository, in a clearing corporation, in book-entry form, or by any other entity or in any other manner permitted by law; provided that the Trustee shall not be

responsible for any losses resulting from the deposit or maintenance of securities or other property (in accordance with market practice, custom, or regulation) with any recognized foreign or domestic clearing facility, book-entry system, centralized custodial depository, or similar organization;

(c) to make, execute and deliver, as trustee, any and all deeds, leases, mortgages, conveyances, waivers, releases or other instruments in writing necessary or desirable for the accomplishment of any of the foregoing powers;

(d) to defend against or participate in any legal actions involving the Funds or the Trustee in its capacity stated herein, in the manner and to the extent it deems advisable;

(e) to form corporations and to create trusts, to hold title to any security or other property, to enter into agreements creating partnerships or joint ventures for any purpose or purposes determined by the Trustee to be in the best interests of the Funds;

(f) to establish and maintain such separate accounts in accordance with the instructions of the as the Company deems necessary for the proper administration of the Funds, or as determined to be necessary by the Trustee;

(g) to hold uninvested cash in its commercial bank or that of an affiliate, as it shall deem reasonable or necessary;

(h) to invest in any collective, common or pooled trust fund operated or maintained exclusively for the commingling and collective investment of monies or other assets including any such fund operated or maintained by the Trustee or an affiliate. The Company expressly understands and agrees that any such collective fund may provide for the lending of its securities by the collective fund trustee and that such collective fund's trustee will receive compensation for the lending of securities that is separate from any compensation of the Trustee hereunder, or any compensation of the collective fund trustee for the management of such collective fund. The Trustee is authorized to invest in a collective fund which invests in Mellon Financial Corporation stock in accordance with the terms and conditions of the Department of Labor Prohibited Transaction Exemption 95-56 (the "Exemption") granted to the Trustee and its affiliates and to use a cross-trading program in accordance with the Exemption. The Company acknowledges receipt of the notice entitled "Cross-Trading Information", a copy of which is attached to this Agreement as Exhibit E;

(i) to invest in open-end and closed-end investment companies, including those for which the Trustee or an affiliate provides services for a fee, regardless of the purposes for which such fund or funds were created, and any partnership, limited or

unlimited, joint venture and other forms of joint enterprise created for any lawful purpose; and

(j) to generally take all action, whether or not expressly authorized, which the Trustee may deem necessary or desirable for the protection of the Funds.

Notwithstanding anything else in this Agreement to the contrary, including, without limitation, any specific or general power granted to the Trustee and to the Investment Managers, including the power to invest in real property, no portion of the Funds shall be invested in real estate (except for investments tied to market indexes or other non-nuclear sector common trust funds or mutual funds). For this purpose "real estate" includes, but is not limited to, real property, leaseholds or mineral interests.

Section 5.03 The powers described in Section 5.02 may be exercised by the Trustee with or without instructions, from the Company or a party authorized by the Company to act on its behalf, but where the Trustee acts on Authorized Instructions, the Trustee shall be fully protected as described in Section 3.07. Without limiting the generality of the foregoing, the Trustee shall not be liable for the acts or omissions of any person appointed under paragraph (a) of Section 5.02 pursuant to Authorized Instructions.

Section 5.04 The assets of the Funds shall not be invested in the securities or other obligations of PECO Energy Company or affiliates thereof, or their successors or assigns as identified by the Company. Except for investments tied to market indexes or other non-nuclear sector mutual funds or common trust funds, the assets of the funds shall not be invested in the securities of any entity owning one or more nuclear power plants, as identified by a source agreed to by the Trustee and the Company.

ARTICLE VI

Termination

The Qualified Fund shall terminate upon the later of (A) the earlier of either (i) substantial completion of decommissioning of their respective Unit, as defined in the Special Terms, or (ii) disqualification of the Qualified Fund by the Internal Revenue Service as provided in Treasury Regulations § 1.468A5(c) or any corresponding future Treasury Regulation or (B) termination by the NRC of the Unit's operating license. The Nonqualified Fund shall terminate upon termination by the NRC of the Unit's license. The Company shall notify the Trustee upon termination of any Fund, and the assets of the terminated Fund shall be distributed to the Company. If a Fund termination occurs before the NRC terminates the Unit's operating license, the Trustee will adhere to Section 5.02(b) of this Agreement.

ARTICLE VII
Miscellaneous

Section 7.01. Binding Agreement. All covenants and agreements in this Agreement shall be binding upon and inure to the benefit of the respective parties hereto, their successors and assigns.

Section 7.02. Notices. All notices and communications hereunder shall be in writing and shall be deemed to be duly given on the date mailed if sent by registered mail, return receipt requested, as follows:

MELLON BANK, N.A.
Trust and Investment Department
Attn: Trust Administration
Room 151-3346
One Mellon Bank Center
Pittsburgh, PA 15258

or at such other address as Mellon Bank, N.A. may have furnished to the other parties in writing by registered mail, return receipt requested.

Section 7.03. Governing Law. The Funds have been established pursuant to this Agreement in accordance with the requirements for a trust under the laws of the Commonwealth of Pennsylvania and this Agreement shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania.

Section 7.04. Counterparts. This Agreement may be executed in several counterparts, and all such counterparts executed and delivered, each an original, shall constitute but one and the same instrument.

Section 7.05. Contractual Income. The Trustee shall credit the Fund with income and maturity proceeds on securities on the contractual payment date net of any taxes or upon actual receipt as agreed between the Trustee and the Company. To the extent the Company and the Trustee have agreed to credit income on the contractual payment date, the Trustee may reverse such accounting entries with back value to the contractual payment date if the Trustee reasonably believes that such amount will not be received by it.

Section 7.06. Contractual Settlement. The Trustee will attend to the settlement of securities transactions on the basis of either contractual settlement date accounting or actual settlement date accounting as agreed between the Company and the Trustee. To the extent the Company and the Trustee have agreed to settle certain securities

transactions on the basis of contractual settlement date accounting, the Trustee may reverse with back value to the contractual settlement date any entry relating to such contractual settlement where the related transaction remains unsettled according to established procedures.

Section 7.07. The Company and the Trustee hereby each represent and warrant to the other that it has full authority to enter into this Agreement upon the terms and conditions hereof and that the individual executing this Agreement on its behalf has the requisite authority to bind the Company and the Trustee to this Agreement.

IN WITNESS WHEREOF, the parties hereto, each intending to be legally bound hereby, have hereunto set their hands and seals as of the day and year first above written.

AMERGEN ENERGY COMPANY, LLC

By: [Signature]
Name: George R. Sincora
Title: Assistant Treasurer

MELLON BANK, N.A.

By: [Signature]
Name: GERARD T. McDERMOTT
Title: VICE PRESIDENT

EXHIBIT "A"

SPECIAL TERMS OF THE QUALIFIED NUCLEAR DECOMMISSIONING RESERVE FUND

The following Special Terms of the Qualified Nuclear Decommissioning Reserve Fund (the "Qualified Fund") (hereinafter referred to as the "Special Terms") will apply for purposes of the Nuclear Decommissioning Trust Agreement (the "Agreement"), dated _____ between AmerGen Energy Company, LLC (the "Company") and MELLON BANK, N.A. (the "Trustee").

Section 1. Definitions. The following terms as used in the Special Terms shall, unless the context clearly indicates otherwise, have the following respective meanings:

(a) "Administrative costs and other incidental expenses of a Qualified Fund" shall mean all ordinary and necessary expenses incurred in connection with the operation of a Qualified Fund, as provided in Treasury Regulations § 1.468A-5(a)(3)(ii)(A) or any corresponding future Treasury Regulation, including without limitation, federal, state and local income tax (including any Final Tax Liabilities), legal expenses, accounting expenses, actuarial expenses and trustee expenses.

(b) "Final Tax Liabilities" shall mean any and all tax liabilities determined to be owing but not paid out of the assets of the Seller's Qualified Fund prior to the transfer of the assets of the Seller's Qualified Fund to the Qualified Fund.

(c) "Final Tax Refunds" shall mean any and all tax refunds determined to be receivable but not collected by the Seller's Qualified Fund prior to the transfer of the assets of the Seller's Qualified Fund to the Qualified Funds.

(d) "Qualified Decommissioning Costs" shall mean all expenses otherwise deductible for federal income tax purposes without regard to section 280B of the Internal Revenue Code of 1986, as amended, or any corresponding section or sections of any future United States internal revenue statute (the "Code"), incurred (or to be incurred) in connection with the entombment, decontamination, dismantlement, removal and disposal of the structures, systems and components of the Unit(s) when it has permanently ceased the production of electric energy, excluding any costs incurred for the disposal of spent nuclear fuel, as provided in Treasury Regulations § 1.468A-1(b)(5) or any corresponding future Treasury Regulation. Such term includes all otherwise deductible expenses to be incurred in connection with the preparation for decommissioning, such as engineering and other planning expenses, and all otherwise deductible expenses to be incurred with respect to the Unit after the actual decommissioning occurs, such a physical security and radiation monitoring expenses.

(e) "Permissible Assets" shall mean any investment permitted for a qualified nuclear decommissioning reserve fund under section 468A of the Code and the Treasury Regulations thereunder, subject to the restrictions provided in Section 5.04 of the Agreement.

(f) "Seller's Qualified Fund" shall mean the trust established and maintained by Jersey Central Power & Light Company ("JCP&L") that qualified as a nuclear decommissioning reserve fund under Code section 468A related to JCP&L's ownership of the Oyster Creek Nuclear Generating Station.

(g) "Substantial completion of decommissioning" shall mean the date that the maximum acceptable radioactivity levels mandated by the NRC with respect to a decommissioned nuclear power plant are satisfied by the Unit; provided, however, that if the Company requests a ruling from the Internal Revenue Service, the date designated by the Internal Revenue Service as the date on which substantial completion of decommissioning occurs shall govern; provided, further, that the date on which substantial completion of decommissioning occurs shall be in accordance with Treasury Regulations §1.468A-5(d)(2) or any corresponding future Treasury Regulation.

Section 2. Contributions to a Qualified Fund. The assets of the Qualified Fund shall be contributed by the Company (or by others approved by the Company in writing) from time to time in cash. The Trustee shall not accept any contributions for the Qualified Fund other than cash payments with respect to which the Company is allowed a deduction under section 468A(a) of the Code and Treasury Regulations §1.468A-2(a) or any corresponding future Treasury Regulations, except for any Final Tax Refunds. The Company hereby represents that all contributions (or deemed contributions), except for any Final Tax Refunds, by the Company to the Qualified Fund in accordance with the provisions of Section 1.03 of the Agreement shall be deductible under section 468A of the Code and Treasury Regulations §1.468A-2(a) or any corresponding future Treasury Regulation or shall be withdrawn pursuant to Section 4 hereof.

Section 3. Limitation on Use of Assets. The assets of the Qualified Fund shall be used exclusively as follows:

(a) To satisfy, in whole or in part, the liability of the Company for Qualified Decommissioning Costs through payments by the Trustee pursuant to Section 2.02 of the Agreement; and

(b) To pay the administrative costs and other incidental expenses of the Qualified Fund; and

(c) To the extent the assets of the Qualified Fund are not currently required for (a) and (b) above, to invest directly in Permissible Assets.

Section 4. Transfers by the Company. If the Company's contribution (or deemed contribution) excluding any Final Tax Refunds to the Qualified Fund in any one year exceeds the amount deductible under section 468A of the Code and the Treasury Regulations thereunder, the Company may instruct the Trustee to transfer such excess contribution from the Qualified Fund to the Nonqualified Fund, as defined in the Agreement, pursuant to Section 2.04 of the Agreement, provided any such transfer occurs on or before the date prescribed by law (including extensions) for filing the federal income tax return of the Qualified Fund for the taxable year to which the excess contribution relates for withdrawals pursuant to Treasury Regulations §§1.468A-5(c)(2) and 1.468A-2(f)(2) and occurs on or before the later of the date prescribed by law (including extensions) for filing the federal income tax return of the Qualified Fund for the taxable year to which the excess contribution relates or the date that is thirty (30) days after the date that the Company receives the ruling amount for such taxable year for withdrawals pursuant to Treasury Regulations § 1.468A-3(j)(3). If the Company determines that transfer pursuant to this Section 4 is appropriate, the Company shall present a certificate so stating to the Trustee signed by its Chairman of the Board, its President or one of its Vice Presidents and its Treasurer or an Assistant Treasurer, requesting such withdrawal and transfer. The certificate shall be substantially in the form attached as Exhibit C to the Agreement for transfers to the Nonqualified Fund as provided in Section 2.04 of the Agreement and substantially in the form of Exhibit D to the Agreement for withdrawals and transfers by the Company.

Section 5. Taxable Year/Tax Returns. The accounting and taxable year for a Qualified Fund shall be the taxable year of the Company for federal income tax purposes. If the taxable year of the Company shall change, the Company shall notify the Trustee of such change and the accounting and taxable year of the Qualified Fund must change to the taxable year of the Company as provided in Treasury Regulations §1.468A-4(c)(1) or any corresponding future Treasury Regulation. The Company shall assist the Trustee in complying with any requirements under section 442 of the Code and Treasury Regulations §1.442-1. The Company shall prepare, or cause to be prepared, any tax returns required to be filed by the Qualified Fund, and the Trustee shall sign and file such returns on behalf of the Qualified Fund. The Trustee shall cooperate with the Company in the preparation of such returns.

EXHIBIT "B"

**CERTIFICATE FOR PAYMENT
OF DECOMMISSIONING COSTS**

**[Name of Trustee],
as Trustee
[Address]**

This Certificate is submitted pursuant to Section 2.02 of the Nuclear Decommissioning Trust Agreement (the "Agreement"), dated _____, between Mellon Bank, N.A. (the "Trustee") and AmerGen Energy Company, LLC (the "Company"). All capitalized terms used in this Certificate and not otherwise defined herein shall have the meanings assigned to such terms in the Agreement. In your capacity as Trustee, you are hereby authorized and requested to disburse out of the Funds to _____ the amount of \$ _____ from the Qualified Fund and the amount of \$ _____ from the Nonqualified Fund for the payment of the Decommissioning Costs which have been incurred with respect to the **Oyster Creek Nuclear Generating Station**. With respect to such Decommissioning Costs, the Company hereby certifies as follows:

1. The amount to be disbursed pursuant to this Certificate shall be solely used for the purpose of paying the Decommissioning Costs described in Schedule A hereto.
2. None of the Decommissioning Costs described in Schedule A hereto have previously been made the basis of any certificate pursuant to Section 2.02 of the Agreement.
3. The amount to be disbursed from the Qualified Fund pursuant to this Certificate shall be used solely for the purpose of paying Qualified Decommissioning Costs as defined in the Special Terms.
4. Any necessary authorizations of the NRC, or any corresponding governmental authority having jurisdiction over the decommissioning of the Unit have been obtained.

IN WITNESS WHEREOF, the undersigned has executed this Certificate in the capacity shown below as of _____, _____.

AMERGEN ENERGY COMPANY, LLC

By: _____

Name:

Title:

Acknowledged by:

MELLON BANK, N.A.

By: _____

Name:

Title:

EXHIBIT "C"

**CERTIFICATE FOR TRANSFER BETWEEN THE QUALIFIED FUND
AND THE NONQUALIFIED FUND**

**[Name of Trustee],
as Trustee**

[Address]

This Certificate is submitted pursuant to Section 2.04 of the Nuclear Decommissioning Trust Agreement the "Agreement"), dated _____, between Mellon Bank, N.A. (the "Trustee") and AmerGen Energy Company, LLC (the "Company"). All capitalized terms used in this Certificate and not otherwise defined herein shall have the meanings assigned to such terms in the Agreement. In your capacity as Trustee, you are hereby authorized and instructed as follows (complete one):

To pay \$ _____ in cash from the Nonqualified Fund to the Qualified Fund; or

To pay \$ _____ in cash from the Qualified Fund to the Nonqualified Fund.

With respect to such payment, the Company hereby certifies as follows:

1. Any amount stated herein to be paid from the Nonqualified Fund to the Qualified Fund is in accordance with the contribution limitations applicable to the Qualified Fund set forth in Section 2 of the Special Terms and the limitations of Section 2.04 of the Agreement.
2. Any amount stated herein to be paid from the Qualified Fund to the Nonqualified Fund is in accordance with Section 4 of the Special Terms. The Company has determined that such payment is appropriate under the standards of Section 4 of the Special Terms.

IN WITNESS WHEREOF, the undersigned has executed this Certificate
in the capacity as shown below as of _____, _____.

AMERGEN ENERGY COMPANY, LLC

By: _____
Name:
Title:

**Acknowledged by:
MELLON BANK, N.A.**

By: _____
Name:
Title:

EXHIBIT "D"

**CERTIFICATE FOR WITHDRAWAL
OF EXCESS CONTRIBUTIONS
FROM QUALIFIED FUND**

**[Name of Trustee],
as Trustee**

[Address]

This Certificate is submitted pursuant to Section 4 of the Special Terms attached as Exhibit A to the Nuclear Decommissioning Trust Agreement (the "Agreement"), dated _____, between Mellon Bank, N.A. (the "Trustee") and AmerGen Energy Company, LLC (the "Company"). All capitalized terms used in this Certificate and not otherwise defined herein shall have the meanings assigned to such terms in the Agreement. In your capacity as Trustee, you are hereby authorized and instructed to pay \$ _____ in cash to the Company from the Qualified Fund. With respect to such payment, the Company hereby certifies that withdrawal and transfer pursuant to Section 4 of the Special Terms is appropriate and that \$ _____ constitutes an excess contribution pursuant to such Section.

IN WITNESS WHEREOF, the undersigned has executed this Certificate in the capacity as shown below as of _____, _____.

AMERGEN ENERGY COMPANY, LLC

By: _____
Name:
Title:

**Acknowledged by:
MELLON BANK, N.A.**

By: _____
Name:
Title:

EXHIBIT "E"

CROSS-TRADING INFORMATION

As part of the cross-trading program covered by the Exemption for the Trustee and its affiliates, the Trustee is to provide to each affected Trust the following information:

I. The existence of the cross-trading program

The Trustee has developed and intends to utilize, wherever practicable, a cross-trading program for Indexed Accounts and Large Accounts as those terms are defined in the Exemption.

II. The "triggering events" creating cross-trade opportunities

In accordance with the exemption three "triggering events" may create opportunities for cross-trading transactions. They are generally the following (see the Exemption for more information):

- A. A change in the composition or weighting of the index by the independent organization creating and maintaining the index;
- B. A change in the overall level of investment in an Indexed Account as a result of investments and withdrawals on the account's opening date, where the Account is a bank collective fund, or on any relevant date for non-bank collective funds; provided, however, a change in an Indexed Account resulting from investments or withdrawals of assets of the Trustee's own plans (other than the Trustee's defined contribution plans under which participants may direct among various investment options, including Indexed Accounts) are excluded as a "triggering event"; or
- C. A recorded declaration by the Trustee that an accumulation of cash in an Indexed Account attributable to interest or dividends on, and/or tender offers for, portfolio securities equal to not more than 0.5% of the Account's total value has occurred.

III. The pricing mechanism utilized for securities purchased or sold

Securities will be valued at the current market value for the securities on the date of the crossing transaction.

Equity securities - the current market value for the equity security will be the closing price on the day of trading as determined by an independent pricing service; unless the security was added to or deleted from an index after the close

of trading, in which case the price will be the opening price for that security on the next business day after the announcement of the addition or deletion.

Debt securities - the current market value of the debt security will be the price determined by the Trustee as of the close of the day of trading according to the Securities and Exchange Commission's Rule 17a-7(b)(4) under the Investment Company Act of 1940.

Debt securities that are not reported securities or traded on an exchange will be valued based on an average of the highest current independent bids and the lowest current independent offers on the day of cross-trading. The Trustee will use reasonable inquiry to obtain such prices from at least three independent sources that are brokers or market makers. If there are fewer than three independent sources to price a certain debt security, the closing price quotations will be obtained from all available sources.

IV. The allocation methods

Direct cross-trade opportunities will be allocated among potential buyers or sellers of debt or equity securities on a prorata basis. With respect to equity securities, please note the Trustee imposes a trivial share constraint to reduce excessive custody ticket charges to participating accounts.

V. Other procedures implemented by the Trustee for its cross-trading practices

The Trustee has developed certain internal operational procedures for cross-trading debt and equity securities. These procedures are available upon request.

Distribution List:

PECO Energy Company

Mr. George Shicora
Mr. Ron Zack
Mr. John Halderman

Mellon Bank

Mr. Bill Nee

Morgan Lewis & Bockius

Mr. John Matthews
Mr. Howard Meyers
Mr. Rich Aldridge