



South Texas Project Electric Generating Station P.O. Box 289 Wadsworth, Texas 77483

February 11, 2010  
NOC-AE-10002519  
File No.: D57, G25  
10 CFR 50.75(h)

U.S. Nuclear Regulatory Commission  
Attention: Document Control Desk  
One White Flint North  
11555 Rockville Pike  
Rockville, MD 20852

South Texas Project  
Units 1 and 2  
Docket Nos. STN 50-498 and STN 50-499  
Supplement 2 to Notice Regarding Withdrawal of Funds from  
Nuclear Decommissioning Trust Subaccounts (TAC# ME0938/ME0939)

- References:
- (1) Letter from G.R. Harrison to NRC Document Control Desk, "Notice Regarding Withdrawal of Funds from Nuclear Decommissioning Trust Subaccounts," dated December 30, 2009 (NOC-AE-09002499) (ML100080191)
  - (2) Letter from G.R. Harrison to NRC Document Control Desk, "Supplement to Notice Regarding Withdrawal of Funds from Nuclear Decommissioning Trust Subaccounts," dated January 21, 2010 (NOC-AE-10002508) (ML100280931)
  - (3) Letter from J.G. Giiter to E.D. Halpin, "Withdrawal of Funds from NRG South Texas Nuclear Decommissioning Trust Subaccounts," (TAC Nos. ME0938 and ME0939) dated January 29, 2010 (ML100270073)

By letter dated December 30, 2009, (reference 1) STP Nuclear Operating Company (STPNOC), acting on behalf of NRG South Texas LP (NRG South Texas), provided Notice of planned withdrawals from NRG South Texas's large component disposal subaccounts in its nuclear decommissioning trust funds (NDTs). This letter is a response to questions provided in reference 3.

This Notice was provided at the request of NRG South Texas to provide the required Trustee's Notice pursuant to the requirements of Section 2.04(d) of the applicable trust agreements. NRG South Texas has not made a formal request to the Trustee requesting withdrawals from the trusts pending expiration of the Notice period without objection by the NRC. Once it is clear that the withdrawals are authorized, *i.e.*, NRC withdraws its objection of January 29, 2010, the required certificate and documentation regarding the Notice to NRC will be provided to the Trustee.

Answers to NRC's specific questions are provided in Attachment 1. In addition, NRG South Texas provides the following updated information regarding the status of its decommissioning trust funds, including an updated calculation of the NRC Minimum "formula amount" for NRG South Texas's 44% share of South Texas Project Electric Generating Station, Units 1 and 2

A 001  
NRG

pursuant to 10 CFR 50.75(c) using the available preliminary data from the Bureau of Labor Statistics for the fourth quarter of 2009 and projected earnings on the reported balances as permitted by 10 CFR 50.75(e)(1)(ii):

	12/31/2009 BALANCE	WITH PROJECTED EARNINGS	NRC MINIMUM
<b>STP1 (44%)</b>	<b>\$118,293,838</b>	<b>\$180,318,955</b>	<b>\$177,949,471</b>
STP1 (30.8%)	\$85,025,689	\$129,607,286	\$124,564,629
STP 1 (13.2%)	\$33,268,150	\$50,711,669	\$53,384,841
<b>STP 2 (44%)</b>	<b>\$151,332,765</b>	<b>\$236,853,127</b>	<b>\$177,949,471</b>
STP2 (30.8%)	\$109,924,229	\$172,044,021	\$124,564,629
STP2 (13.2%)	\$41,408,536	\$64,809,106	\$53,384,841

The above establishes that, based upon total asset balances as of December 31, 2009, the NDTs for NRG South Texas's 44% interests in STP Unit 1 and Unit 2 satisfy the "prepayment" method of decommissioning funding assurance pursuant to 10 CFR 50.75(e)(1)(i), when earnings are credited for the remaining life of the units under the existing licenses and an assumed 7-year period for decontamination. Although there is a small shortfall in the 13.2% subaccount for Unit 1, this is more than offset by surplus in the 13.2% subaccount for Unit 2.

The balances reflected above only include the balances in NRG South Texas's designated subaccounts for basic radiological decommissioning (10 CFR 50.75 amounts), and do not include existing balances for subaccounts in the NDTs designated for spent fuel management or for large component disposal (pre-shutdown decommissioning costs). NRG South Texas continues to plan to use the external sinking fund method, as provided in 10 CFR 50.75(e)(1)(ii), with further contributions being made to the trust fund subaccounts for basic radiological decommissioning, as authorized by current and future orders of the Public Utility Commission of Texas (PUCT). As discussed in further detail in Attachment 1, current ratepayer collections are being used to fund designated subaccounts for large component disposal activities in accordance with a July 13, 2009 Order of the PUCT. Once these subaccounts are funded, NRG South Texas plans to direct further deposits into the subaccounts designated for basic radiological decommissioning in accordance with a PUCT Order dated October 10, 2008.

This letter contains no new commitments.

If NRC requires additional information concerning this request, please contact either Philip L. Walker at (361)972-8392 or me at (361) 972-7280.



George R. Harrison  
General Manager  
Finance and Accounting

- Attachments: (1) Response to NRC Questions  
(2) Decommissioning Funds Collection Agreements

PLW

cc:  
(paper copy)

(electronic copy)

Regional Administrator, Region IV  
U.S. Nuclear Regulatory Commission  
612 East Lamar Blvd., Suite 400  
Arlington, TX 76011-8064

A. H. Gutterman, Esq.  
Morgan, Lewis & Bockius LLP

Mohan C. Thadani  
U. S. Nuclear Regulatory Commission

Mohan C. Thadani  
Senior Project Manager  
U.S. Nuclear Regulatory Commission  
One White Flint North (MS 8B1A)  
11555 Rockville Pike  
Rockville, MD 20852

J. C. Wood, Esq.  
Cox, Smith Matthews

C. Mele  
City of Austin

Senior Resident Inspector  
U.S. Nuclear Regulatory Commission  
P.O. Box 289, Mail Code: MN116  
Wadsworth, TX 77483

E. Alarcon  
J. J. Nesrsta  
K. Pollo  
C. E. Shellman, Esq.  
City Public Service Board

C. M. Canady  
City of Austin  
Electric Utility Department  
721 Barton Springs Road  
Austin, TX 787804

K. T. Howell  
C. Callaway, Esq.  
J. von Suskil  
NRG South Texas LP

The Bank of New York Mellon  
One Mellon Bank Center  
Pittsburgh, PA 15258  
Attention: Trust Officer

Richard A. Ratliff  
Alice Rogers  
Texas Department of State Health Services

**SOUTH TEXAS PROJECT  
UNITS 1 AND 2  
RESPONSE TO NRC QUESTIONS**

- 1. Were any funds transferred from NRC-required decommissioning funds to the subaccount for pre-shutdown large component disposal costs? If so, please provide documentation indicating the amount(s) transferred.***

No funds have been transferred from the NRC-required decommissioning funds to the subaccount for pre-shutdown large component disposal costs. A separate subaccount for basic radiological decommissioning costs (10 CFR 50.75 costs) was created by NRG South Texas, LP (NRG South Texas) pursuant to an Order of the Public Utility Commission of Texas (PUCT), dated October 10, 2008. Pursuant to this same Order, the PUCT also authorized creation and funding of a separate subaccount for spent fuel management costs. Only balances for the subaccount for basic radiological decommissioning costs were reported in the March 31, 2009 report on decommissioning funding submitted by STPNOC on behalf of NRG South Texas. As indicated in the March 31, 2009, report, amounts accumulated for spent fuel management were segregated into the spent fuel management subaccounts as directed by the PUCT Order of October 10, 2008.

- 2. The STPNOC letter dated January 21, 2010, stated that the subaccounts be created to "allow NRG South Texas to accumulate segregated funds that can be used to pay for pre-shutdown disposal of [large] components," and that the subaccounts will be funded from ratepayer collections "on a priority basis, until the subaccounts are fully funded." Will the schedule of annual amounts remaining to be collected for items in 10 CFR 50.75(b) and (c), as reported in the decommissioning finding (sic) status report dated March 31, 2009 (ADAMS Accession No. ML090970280), be changed as to timing or amount as a result of placing funds into the large component disposal cost subaccount? If so, please describe the changes to the timing and amounts remaining to be collected.***

Pursuant to its Order dated October 10, 2008, the PUCT authorized annual collections of \$2,633,587 from ratepayers of CenterPoint Energy for NRG South Texas's 30.8% interests in STP Units 1 and 2, and of \$2,192,142 from ratepayers of AEP Texas Central for NRG South Texas's 13.2% interests in STP Units 1 and 2. Approximately 27.5% of these amounts for Unit 1 and approximately 24.3% of the amounts for Unit 2 are earmarked for deposit into the spent fuel management subaccounts, with the remaining amounts, approximately 72.5% and 75.7% for Unit 1 and Unit 2, respectively, to be deposited in the subaccounts for basic radiological decommissioning.

By Order dated July 13, 2009, the PUCT authorized creation of large component disposal subaccounts, to be funded on a priority basis up to \$8,217,033 for NRG South Texas's 44% share of estimated costs for Unit 1, and up to \$7,977,524 for NRG South Texas's 44% share of estimated costs for Unit 2. All current collections from ratepayers are being deposited into the large component disposal subaccounts until each subaccount becomes funded for its proportionate share of these amounts. Once each subaccount is fully funded, the ratepayer proceeds will be deposited into the applicable spent fuel management subaccount and basic radiological decommissioning subaccount in the proportions noted above.

- 3. Please provide copies of the contracts that are relied on to provide financial assurance for decommissioning under the provisions of 10 CFR 50.75(e)(1)(v). Please include the schedule of amounts to be collected for NRC-required decommissioning funds, as authorized by the Public Utilities (sic) Commission of Texas.**

NRG South Texas is not relying upon any contracts for purposes of providing financial assurance using the method authorized by 10 CFR 50.75(e)(1)(v). However, NRG South Texas maintains decommissioning fund collection agreements with CenterPoint Energy and AEP Texas Central. Copies of these agreements are attached. NRG South Texas has reported to NRC regarding the existence of these contracts, as reflected in the STPNOC 10 CFR 50.75(f) submittal of March 31, 2009, in order to provide this further information to the NRC. Please note that NRG South Texas is the successor to the rights and obligations of Texas Genco, LP under the terms of these agreements.

The decommissioning funds collection agreements do not provide for payment of decommissioning costs, *per se*, but rather these agreements provide the terms under which CenterPoint Energy and AEP Texas Central act as NRG South Texas's agents in collecting the amounts authorized by the PUCT. CenterPoint Energy and AEP Texas Central collect the designated amounts from their ratepayers and deposit those amounts into the trust funds maintained by NRG South Texas. NRG South Texas oversees the trusts and provides direction to the trustee regarding administration of the trusts. NRG South Texas is also responsible for overseeing the investments of the trusts. All of these activities are subject to PUCT oversight.

The current schedule of amounts to be collected is described in the answer to question number 2 above. The annual collection amounts are adjusted over time, as new site-specific decommissioning cost estimates are conducted periodically. The PUCT reviews the updated cost estimates and establishes new rates for the annual collections approximately every 3-4 years. Depending upon changes in the cost estimates and the current NDT funding levels at the time that the PUCT conducts its review, the annual collection amounts can be adjusted up or down to assure that appropriate amounts are collected from the ratepayers of CenterPoint Energy and AEP Texas Central, providing assurance that adequate funds will be available to pay the total amount of decommissioning costs, as defined under Texas law. In addition, there likely will be ongoing adjustments to the amounts allocated for the various subaccounts that have been created, based upon the updated estimates for each category of cost relating to the subaccounts and the existing balances at the time PUCT reviews are conducted.

**DECOMMISSIONING FUNDS COLLECTION AGREEMENTS**

**For**

**AEP TEXAS CENTRAL COMPANY and TEXAS GENCO, LP**

**&**

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC and TEXAS GENCO, LP**

**DECOMMISSIONING FUNDS COLLECTION AGREEMENT**

This **DECOMMISSIONING FUNDS COLLECTION AGREEMENT** (this "Agreement") is made as of May 19, 2005 by and between AEP Texas Central Company ("TCC") and Texas Genco, LP ("Purchaser").

**RECITALS**

A. Effective as of even date herewith, pursuant to a separate Purchase and Sale Agreement dated as of September 3, 2004 (the "PSA"), TCC has transferred (i) to Purchaser (the "Sale") all of TCC's right, title and interest in and to Purchaser's Proportionate Share of a 25.2% undivided interest in each of Units 1 and 2 of the South Texas Project Electric Generation Station (the "Plant"); and (ii) to Purchaser's Decommissioning Trust(s) the Transferred Decommissioning Trust(s) Assets and the Decommissioning Collections. It is understood by the parties, however, that the effective time of the transfer to Purchaser of the responsibility for the administration of the Transferred Decommissioning Trust(s) Assets and the Decommissioning Collections in accordance with PUCT Substantive Rule 25.303 has been deferred as provided in Section 6 of this Agreement. Pursuant to the PSA, Purchaser is assuming certain liabilities associated with the Plant, including all responsibility for decommissioning the Plant and for the Transferred Decommissioning Trust(s) Assets and the Decommissioning Collections once remitted to the Purchaser. Capitalized terms used and not otherwise defined herein shall have the meaning ascribed to such terms in the PSA and the rules of interpretation set forth in Section 1.2 of the PSA shall apply to this Agreement.

B. Section 39.205 of the Texas Utilities Code, as amended by the enactment of Texas Senate Bill 7 of the 76th Texas Legislature, was signed into law on June 18, 1999 and became effective on September 1, 1999 (the "Statute"). The Statute provides that after January 1, 2002, costs associated with nuclear decommissioning obligations continue to be subject to cost of service rate regulation and shall be included as a nonbypassable charge to retail customers. In accordance therewith, the final order of the PUCT dated October 5, 2001 in PUCT Docket No. 22352 (the "PUCT Final Order") authorizes TCC to continue to collect nuclear decommissioning costs in a nonbypassable charge to retail customers.

C. Pursuant to the provisions of the Statute, PUCT Substantive Rule 25.303, the PUCT Final Order and the provisions of this Agreement, TCC is required to collect from its customers the Decommissioning Collections and transfer all Decommissioning Collections to the Purchaser's Decommissioning Trust(s).

D. The PUCT has adopted PUCT Substantive Rule 25.303, superseding PUCT Substantive Rule 25.301 and providing for the responsibilities of power generation companies owning nuclear generating plants (or an interest therein) and their transferees and of the transmission and distribution utilities collecting nuclear decommissioning funds as a nonbypassable charge to retail customers pursuant to Section 39.205 of the Statute.

E. The parties to this Agreement desire to implement the provisions of the Statute, and the New Rule.

The parties, for adequate consideration and intending to be legally bound, hereby agree as follows:

1. Definitions. The following terms when used in this Agreement have the following meanings set forth below:

“Code” means the Internal Revenue Code of 1986, as amended.

“Decommissioning Collections” means the amounts collected by TCC for the future cost of decommissioning Purchaser’s Proportionate Share of the Plant, whether through payment of bundled rates or a separate tariff rider, in respect of periods after the date hereof, including amounts collected through PUCT-approved modifications to the nonbypassable charge, together with the earnings thereon.

“Decommissioning Funds Administration Transfer” means the transfer to Purchaser of the responsibility for the administration of the Transferred Decommissioning Trust(s) Assets and the Decommissioning Collections in accordance with PUCT Substantive Rule 25.303.

“Deferred Decommissioning Funds Administration Transfer Date” shall mean the date on which the Decommissioning Funds Administration Transfer is authorized by applicable Laws, including rules and orders of the PUCT relating to Decommissioning Collections.

“Nonqualified Assets” means Purchaser’s Proportionate Share of the assets held in trust for TCC as nuclear decommissioning trust funds with respect to the Plant that do not qualify under Code Section 468A and, as applicable, contributions and earnings thereon.

“Proportionate Share” means (i) in respect of the ownership interest as a tenant in common in the Plant, a 13.2% undivided ownership interest as a tenant in common in the Plant, unless a CPS Termination Event (as defined in the PSA) shall have occurred, in which case Proportionate Share shall mean a 25.2% undivided ownership interest as a tenant in common in the Plant; and (ii) otherwise, as the context may require, a percentage share equal to 13.2/25.2 (expressed as a percentage) unless there shall have occurred a CPS Termination Event, in which case it shall mean 100%.

“PUCT” means the Public Utility Commission of Texas, and includes any successor thereto.

“Purchaser’s Decommissioning Trust(s)” means nuclear decommissioning trust funds or, as appropriate, individual accounts within such trust funds established by the Purchaser to hold the Transferred Decommissioning Trust(s) Assets and the remitted Decommissioning Collections.

“Qualified Assets” means Purchaser’s Proportionate Share of the assets held in trust for TCC as nuclear decommissioning trust funds with respect to the Plant that qualify as nuclear decommissioning reserve funds under Section 468A of the Code and, as applicable, contributions and earnings thereon.

“Transferred Decommissioning Trust(s) Assets” means all right, title and interest in and to (A) Purchaser’s Proportionate Share of the assets held as Qualified Assets; and (B) Purchaser’s Proportionate Share of the assets held as Nonqualified Assets, together with the earnings thereon.

2. Collections and Remittances.

a. Generally. Subject to and in accordance with the terms and conditions of this Agreement, as and to the extent authorized to do so by applicable Laws as in effect from time to time, including rules and orders of the PUCT relating to Decommissioning Collections, TCC will (a) as collection agent for Purchaser, collect the Decommissioning Collections, and (b) upon and subject to receipt of the Decommissioning Collections, remit all such Decommissioning Collections, on a weekly basis, after receipt, by wire transfer of immediately available funds, to the Purchaser’s Decommissioning Trust(s) in the manner provided in paragraphs b. through d. of this Section 2. Under no circumstances will TCC remit or have any obligation to remit to the Purchaser’s Decommissioning Trust(s) pursuant to subsection c. of this Section 2, any portion of TCC’s rates not actually received and allocable to Decommissioning Collections.

(i) Ongoing remittance. TCC will track, for each billing cycle, the amounts billed pursuant to the nuclear decommissioning (NDC) tariff contained in its non-bypassable transmission and distribution charges approved by the PUCT. Each billing cycle is one business day, so in a typical week the five billing cycles will be summed to calculate the weekly remittance to the Purchaser’s Decommissioning Trust(s). The billed amounts will be deemed to be collected 35 days from the date of the billings, and will form the basis for the estimated collections from customers. TCC will remit the estimated collections, adjusted for the reconciliation of the prior period remittance as discussed below, to the Purchaser’s Decommissioning Trust(s) on a weekly basis unless otherwise provided by the PUCT’s order or Schedule NDC. Approximately 30 days following the date of remittance of the estimated amount, TCC will perform a reconciliation process to determine the amounts actually collected from the customers for each billing cycle. The difference between the billed amounts initially remitted and reconciled collected amounts will be an adjustment to the current billing cycle’s estimated collected amount to determine the amount to be remitted to the trust for the current billing cycle.

(ii) Remittance during transition period. In the event the NDC tariff is not effective prior to the Closing of the Sale, TCC will remit funds to the Purchaser’s Decommissioning Trust(s), on a weekly basis, in accordance

with the provisions of this Agreement. TCC will begin remitting weekly amounts according to the on-going remittance procedure detailed above 35 days following approval of the NDC tariff.

- b. Charge Not Separately Stated. If the portion of TCC's rates allocable to Decommissioning Collections is not specified in a separate tariff rider, then (i) the amount allocable to Decommissioning Collections shall be determined by TCC based on applicable order of the PUCT or the amounts and methodology approved by the PUCT in TCC's most recent general rate making proceeding until such time as the PUCT shall have established a separately stated tariff rider for Decommissioning Collections, and (ii) TCC shall remit such amount(s) in accordance with such order or approved methodology, whether in equal weekly installments or otherwise. The remittance schedule of Decommissioning Collections authorized pursuant to the PUCT Final Order is set forth in Schedule 1.
  - c. Remittance of Separately Stated Tariff Charges. If the PUCT approves separately stated tariff charges for Decommissioning Collections, commencing on the effective date of such charges, TCC shall remit to the Purchaser's Decommissioning Trust(s) the total amount of Decommissioning Collections estimated to have been received by TCC from or on behalf of customers on a weekly basis or as soon as reasonably practicable, but in no event later than the last Business Day of the week following the week in which such Decommissioning Collections are estimated to have been received.
  - d. Remittance Directly to Trust. Unless and until the PUCT issues an order directing otherwise, TCC will satisfy its remittance obligations under this Agreement by remitting the Decommissioning Collections directly to Purchaser's Decommissioning Trust(s). To the extent any remittance to the Trust(s) consists of any amount not collected from TCC customers, TCC shall concurrently notify Purchaser and the trustee of Purchaser's Decommissioning Trust(s).
3. Collection Agent Only. TCC undertakes to perform as collection agent on behalf of Purchaser the collection duties as are specifically set forth in this Agreement, and no covenants or obligations on the part of TCC shall be implied. Except to the extent resulting from the unexcused failure of TCC to perform its obligations set forth in this Agreement, neither TCC nor any member of the Seller Group shall be responsible for any and all Losses which arise out of or relate to the decommissioning of the Plant, the Transferred Decommissioning Trust Assets or the Decommissioning Collections or the application or sufficiency thereof to defray the cost of decommissioning the Plant, this Agreement or TCC's performance of its obligations under this Agreement, except to the extent resulting from the unexcused failure of TCC to perform its obligations set forth in this Agreement. Prior to remitting the Decommissioning Collections to Purchaser's Decommissioning Trust(s) in accordance with this Agreement, TCC shall hold such Decommissioning Collections as agent for the benefit of Purchaser's Decommissioning Trust(s), it being expressly understood that all Decommissioning Collections are the property of Purchaser's Decommissioning Trust(s).

4. Periodic Proceedings. To the extent required or authorized by, and in accordance with, applicable Laws as in effect from time to time, including rules and orders of the PUCT relating to Decommissioning Collections, TCC shall participate in PUCT proceedings contemplated by subsections (f)(4) and (g)(3) of PUCT Substantive Rule 25.303 and will give Purchaser prior notice of each such filing made pursuant to (g)(3) upon initiation thereof, will not object to Purchaser's timely intervention in each such proceeding, and will support such intervention. To the extent required or authorized by, and in accordance with, applicable Laws as in effect from time to time, including rules and orders of the PUCT relating to Decommissioning Collections, Purchaser shall periodically perform or cause to be performed and filed with the PUCT a study of the cost of decommissioning its Proportionate Share of the STP Interest, together with an updated funding analysis calculating the required annual funding amount necessary to ensure sufficient funds to decommission Purchaser's Proportionate Share of the STP Interest at the end of its useful life. Purchaser will give TCC prior notice of each such filing upon initiation thereof, will not object to TCC's timely intervention in each such proceeding, and will support such intervention if challenged by PUCT Staff or other intervenors.
  
5. Administrative Fee. Unless otherwise expressly provided for herein, TCC shall perform its obligations under this Agreement, including collection of the Decommissioning Collections, without charging Purchaser any administrative or other fees, provided, however, that to the extent Decommissioning Collections authorized by the PUCT specifically include a recovery of administrative or other costs incurred by TCC in connection with its performance of its obligations under this Agreement, TCC may deduct such amount from the Decommissioning Collections before remitting the Decommissioning Collections to the Purchaser's Decommissioning Trust(s). Alternatively, to the extent the Decommissioning Collections remitted to the Purchaser's Decommissioning Trust(s) do not include a recovery of administrative or other costs incurred by TCC in connection with its performance of its obligations under this Agreement and to the extent permitted by the trust agreement governing the Purchaser's Decommissioning Trust(s), such fees to TCC will be paid from the assets of Purchaser's Decommissioning Trust(s). If not otherwise recovered, nothing in this Agreement shall preclude TCC from otherwise seeking, by appropriate proceedings, recovery of its administrative or other costs incurred in connection with its performance of its obligations under this Agreement as part of its rates for transmission or distribution utility service.
  
6. Decommissioning Funds Administration Transfer. During the term of this Agreement, the party or parties responsible for funds administration shall administer the Transferred Decommissioning Trust(s) Assets and the Decommissioning Collections, or cause the same to be administered, in accordance with PUCT Substantive Rule 25.303 and as otherwise expressly set forth in this Agreement. If, prior to the closing of the Sale, the PUCT shall not have authorized the Decommissioning Funds Administration Transfer pursuant to PUCT Substantive Rule 25.303, then notwithstanding anything in this Agreement or the PSA to the contrary, the Decommissioning Funds Administration Transfer shall be deferred and shall not be effected until, and shall be effected upon, the Deferred Decommissioning Funds Administration Transfer Date. Notwithstanding

anything in this Agreement to the contrary, from and after the execution and delivery of this Agreement until the Decommissioning Funds Administration Transfer shall have been effected on the Deferred Decommissioning Funds Administration Transfer Date, with respect only to the Transferred Decommissioning Trust(s) Assets and the Decommissioning Collections, (i) TCC shall continue to administer the Purchaser's Decommissioning Trust(s) in accordance with the provisions of PUCT Substantive Rule 25.303 and other applicable Laws, (ii) Purchaser shall not amend or otherwise modify the trust agreement, a copy of which is attached hereto as Annex 1, governing the Transferred Decommissioning Trust(s) Assets or the Decommissioning Collections without the prior written consent of TCC, which may be withheld in TCC's sole discretion, (iii) Purchaser shall comply with its obligations thereunder and otherwise reasonably cooperate with TCC in connection with TCC's fulfillment of its responsibilities for such administration, and (iv) except as provided in the preceding clause (ii), the obligations of Purchaser under Section 8 of this Agreement, to the extent relating to the responsibility for funds administration in accordance with PUCT Substantive Rule 25.303 shall be suspended. During such time as TCC retains responsibility for such administration, the sole obligation of TCC hereunder or otherwise with respect to the Purchaser's Decommissioning Trust(s) shall be to administer the same, or cause the same to be administered, in accordance with PUCT Substantive Rule 25.303 and as otherwise expressly set forth in this Agreement, and TCC shall have no other liability or obligation relating to Decommissioning of the Plant of any kind whatsoever, all of which liabilities and obligations have been assumed by Purchaser.

7. Post-Decommissioning. To the extent required or authorized by, and in accordance with applicable Laws as in effect from time to time, including rules and orders of the PUCT relating to Decommissioning Collections, Purchaser shall file with the PUCT a request for a final reconciliation proceeding. In connection with any final reconciliation proceeding following completion of decommissioning of the Plant and the payment of all actual Decommissioning Costs, to the extent that the PUCT order in such final reconciliation proceeding authorizes TCC to collect any further Decommissioning Collections, TCC shall collect such amounts and remit such amounts to Purchaser in accordance with and subject to all of the terms and conditions of this Agreement. To the extent that the PUCT order in such final reconciliation proceeding requires a refund to ratepayers of Decommissioning Collections, Purchaser shall comply or shall cause Purchaser's Decommissioning Trust(s) to comply therewith; and TCC shall refund the amount actually received from Purchaser or Purchaser's Decommissioning Trust(s) in the manner determined by the PUCT order.

8. Purchaser Covenants.

- a. Purchaser's Decommissioning Trust(s). Except to the extent otherwise provided in this Agreement or PUCT Substantive Rule 25.303, Purchaser will be solely responsible, as between the parties, for Purchaser's Decommissioning Trust(s), the prudent investment and application of the Transferred Decommissioning Trust(s) Assets and the Decommissioning Collections once remitted to Purchaser's Decommissioning Trust(s), the contribution of funds or other assets to Purchaser's Decommissioning Trust(s) once remitted, subject in the case of the

contribution of Decommissioning Collections to TCC's performance of its obligations under this Agreement, and the sufficiency of the contributions of funds or other assets to Purchaser's Decommissioning Trust(s), and TCC shall have no responsibility for or related to any of the foregoing. Purchaser will invest, or will cause to be invested, the Transferred Decommissioning Trust(s) Assets and the Decommissioning Collections in "qualified" nuclear decommissioning funds to the maximum extent permitted by Section 468A of the Code.

- b. Compliance with Laws, etc. Purchaser (i) will comply in all material respects with all applicable Laws as in effect from time to time, including rules and orders of the PUCT relating to the Decommissioning Collections, (ii) will comply, with respect to application and disbursement of the Transferred Decommissioning Trust(s) Assets and the Decommissioning Collections with any and all provisions for decommissioning the Plant set forth in PUCT orders as if Purchaser were an original party to such orders and, if Purchaser is not an electric utility, will comply in this respect with PUCT Substantive Rule 25.303, other PUCT rules and orders and other Laws in effect from time to time that apply to an electric utility owning an interest in a nuclear-fueled generating unit as if Purchaser were an electric utility, (iii) agrees that in no event will Purchaser challenge or cause to be challenged the assertion of jurisdiction by the PUCT over Purchaser with respect to any action to ensure Purchaser's compliance with PUCT Substantive Rule 25.303 or other PUCT rules and orders in effect from time to time to the extent that such PUCT rules and orders relate to Decommissioning Collections or the Transferred Decommissioning Trust(s) Assets, and (iv) will preserve and maintain its corporate existence, rights, franchises and qualifications, except to the extent that the failure to do so would not (A) adversely affect the Purchaser's Decommissioning Trust(s) or the sufficiency of the Transferred Decommissioning Trust(s) Assets and the Decommissioning Collections to discharge the costs of decommissioning the Plant, (B) increase the costs of decommissioning the Plant or (C) adversely affect the ability of Purchaser to perform its obligations under this Agreement.
- c. Further Assurances. Purchaser will fully cooperate with TCC in any and all future proceedings relating to decommissioning of the Plant, no matter whether such proceedings are initiated by TCC, the PUCT, or any other party. To the extent that any periodic adjustment(s) to the amount of Decommissioning Collections authorized to be collected by TCC must be instituted, prosecuted or participated in by Purchaser, Purchaser shall upon the reasonable request of TCC make, support and defend all filings that may be necessary to seek such adjustment(s) sought by TCC.

9. TCC Covenants.

- a. Compliance with Laws, etc. TCC will comply in all material respects with all applicable Laws as in effect from time to time, including rules and orders of the PUCT relating to Decommissioning Collections and its other obligations under

this Agreement, and will preserve and maintain its corporate existence, rights, franchises and qualifications, except to the extent that the failure to do so would not adversely affect the ability of TCC to collect the Decommissioning Collections or to perform its obligations under this Agreement. TCC will take no action that would affect adversely the status of Purchaser's Decommissioning Trust(s) as qualified nuclear decommissioning reserve funds within the meaning of Section 468A of the Code.

b. Further Assurances. TCC will fully cooperate with Purchaser in any and all future proceedings relating to decommissioning of the Plant, no matter whether such proceedings are initiated by TCC, the PUCT, or any other party. To the extent that adjustment(s) to the Decommissioning Collections authorized to be collected by TCC must be instituted and prosecuted by TCC, TCC shall upon the reasonable request of Purchaser make, support and defend all filings that may be necessary to seek such adjustment(s) to the level(s) requested by Purchaser. To the extent that any such proceeding(s) shall be instituted and prosecuted by Purchaser, TCC shall not oppose, directly or indirectly, any adjustment requested by Purchaser.

10. Notices. Notices and all other communications provided to be given hereunder shall be deemed sufficiently given when deposited in the United States mail, postage prepaid, or sent by facsimile and addressed as follows:

If to TCC:

AEP Texas Central Company  
1 Riverside Plaza  
Columbus, Ohio 43215  
Attention: Secretary  
Telephone: 614-716-3305  
Facsimile: 614-716-2014

If to Purchaser:

Texas Genco, LP  
12301 Kurland Drive  
Houston, TX 77034  
Attn: Treasurer  
Telephone: (713) 795-6012  
Facsimile: (713) 795-7444

The parties shall have the right from time to time to change the above addresses by written notice thereof.

11. Counterparts. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute one and the same instrument.

12. Governing Law and Amendment. This Agreement shall be governed by the laws of the State of Texas applicable to contracts made and to be performed exclusively in the State of Texas. This Agreement may be amended only by a writing signed by the parties.
  
13. Term and Assignment. The term of this Agreement shall commence on the closing date of the Sale and continue until no further action on the part of TCC is required to be performed in connection with Sections 2 and 7 of this Agreement. This Agreement shall be binding on and inure to the benefit of the parties and their respective successors and permitted assigns. Neither party may assign its rights, duties or obligations under this Agreement, in whole or in part, without (a) the prior written consent of the other party, and (b) the prior written approval of appropriate regulatory authorities. Purchaser agrees that no assignment (by operation of law or otherwise) of its rights, duties or obligations under this Agreement is permitted except to the extent of and in connection with an assignment of any portion of its interest in the Plant that is permitted under the Second Amended and Restated STP Participation Agreement; and TCC agrees that no assignment (by operation of law or otherwise) of its rights, duties or obligations under this Agreement is permitted except to the extent of and in connection with an assignment or transfer of any portion of its Texas transmission and distribution utility assets; provided that in any such case the permitted assignee shall have expressly assumed the obligations of the assignor under this Agreement.

**Texas Genco, LP,  
a Texas limited partnership**

By: **Texas Genco GP, LLC,  
Its General Partner**

By: *William J. Walker, Jr.*  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**AEP Texas Central Company**

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SCHEDULE 1**

Finding of Fact No. 87 under Section E.9.c. of the Final Order in Docket No. 22352, Application of Central Power and Light Company for Approval of Unbundled Cost of Service Rate Pursuant to PURA § 39.201 and Public Utility Substantive Rule § 25.344, was issued on October 5, 2001, and provides for an annual decommissioning amount of \$8,156,968 to be collected from AEP Texas Central Company's retail customers.

Pursuant to the above Finding of Fact, AEP Texas Central Company will remit the Decommissioning Collections as shown below, in accordance with the terms of the Decommissioning Funds Collection Agreement and applicable Laws.

	STP Unit 1	STP Unit 2	Total
<b>Annual Amount</b>	\$1,809,873.58	\$2,462,827.83	\$4,272,701.41
<b>Weekly Amount</b>	\$34,805.26	\$47,362.07	\$82,167.34

**DECOMMISSIONING FUNDS COLLECTION AGREEMENT**

This **DECOMMISSIONING FUNDS COLLECTION AGREEMENT** (this "Agreement") is made as of June 9, 2005 by and between CenterPoint Energy Houston Electric, LLC ("CEHE"), a transmission and distribution utility, and Texas Genco, LP ("Genco"), a power generation company owning an undivided interest in the South Texas Nuclear Project Electric Generating Station ("STP" or the "Plant").

**RECITALS**

A. Effective August 31, 2002 through a series of conveyances, Reliant Energy Incorporated's ("Reliant Energy") thirty and eight-tenths percent (30.8%) undivided interest in STP was transferred and conveyed to Genco (the "Transferee Company"), together with all relevant agreements pertaining to Reliant Energy's decommissioning trust for the Plant, including the trust, investment manager, securities lending, and consulting agreements related to Plant decommissioning trusts previously established by Reliant Energy. The decommissioning trust between Genco and Mellon Bank, N. A., a copy of which is attached hereto as Annex 1 and is referred to as "Genco's Decommissioning Trust," now holds the assets associated with the qualified and non-qualified funds maintained for STP Units 1 and 2, respectively. The term "Decommissioning Trust Assets" means and refers to all assets held in Genco's Decommissioning Trust. Genco has assumed certain liabilities associated with the Plant, including all responsibility for (i) decommissioning the Plant, (ii) periodically conducting studies of the decommissioning costs of STP Units 1 and 2, (iii) performing funding analyses to evaluate the adequacy of its Decommissioning Trust Assets and expected Decommissioning Collections, and (iv) seeking adjustments to the amount of future Decommissioning Collections. Genco further initially shares with CEHE responsibility for joint administration of the Decommissioning Trust Assets and the Decommissioning Collections that have been remitted to Genco's Decommissioning Trust. The term "Decommissioning Collections" means and refers to the amounts that CEHE collects presently and in the future as nuclear decommissioning costs from retail customers, whether by payment made pursuant to bundled rates or separate nonbypassable charges with respect to periods after the date hereof.

B. Section 39.205 of the Texas Utilities Code, as amended by the enactment of Texas Senate Bill 7 of the 76th Texas Legislature, was signed into law on June 18, 1999, and became effective on September 1, 1999 (the "Statute"). The Statute provides that after January 1, 2002, costs associated with nuclear decommissioning obligations continue to be subject to cost of service rate regulation and shall be included as a nonbypassable charge to retail customers. In accordance therewith, the final order of the

Public Utility Commission of Texas (the "PUCT" or "Commission") signed October 3, 2001, in PUCT Docket No. 22355 (the "PUCT Final Order") authorized CEHE to continue to collect nuclear decommissioning costs in a nonbypassable charge to retail customers.

C. Pursuant to the provisions of the Statute, PUCT Substantive Rule 25.303 (the "New Rule"), the PUCT Final Order and the provisions of this Agreement, CEHE is required to collect from retail customers the Decommissioning Collections and transfer all Decommissioning Collections to Genco's Decommissioning Trust. To the extent that certain terms used in this Agreement are defined in the New Rule, but not expressly in this Agreement, the definitions in the New Rule shall apply.

D. The PUCT has adopted the New Rule providing for the responsibilities (i) of power generation companies owning nuclear generating plants (or an interest therein) and their transferees and (ii) of the transmission and distribution utilities collecting nuclear decommissioning funds as a nonbypassable charge to retail customers pursuant to Section 39.205 of the Statute.

E. The parties to this Agreement desire to implement the provisions of the Statute, and the New Rule.

The parties, for adequate consideration and intending to be legally bound, hereby agree as follows:

1. Collections and Remittances.

a. Generally. Subject to and in accordance with the terms and conditions of this Agreement, as and to the extent authorized to do so by applicable laws as in effect from time to time, including rules and orders of the PUCT relating to Decommissioning Collections, CEHE will (a) as collection agent for Genco, collect the Decommissioning Collections, and (b) remit all such Decommissioning Collections in accordance with this section, on a weekly basis by wire transfer of immediately available funds, to Genco or Genco's Decommissioning Trust in the manner provided in subparagraphs b. through d. of this Section 1.

b. Charge Not Separately Stated. If the portion of CEHE's rates allocable to Decommissioning Collections is not specified as separate nonbypassable charges in its tariff, then (i) the amount allocable to Decommissioning Collections shall be determined by CEHE based on an applicable order of the PUCT or the amounts and methodology approved by the PUCT in CEHE's most recent general rate making proceeding until such time as the PUCT shall have established separate nonbypassable charges in CEHE's tariffs for Decommissioning Collections, and (ii) CEHE shall remit such amount(s) in accordance with such PUCT order or approved methodology, whether in equal weekly installments or otherwise. Under no circumstances will CEHE remit or have any obligation to remit to Genco or Genco's Decommissioning Trust any amounts greater than the weekly installments, plus

interest, if remittances are made less frequently than weekly. The amount of weekly remittances, calculated pursuant to the PUCT Final Order, are \$38,759.90 for STP Unit No. 1 and \$17,166.40 for STP Unit No. 2, subject to any adjustments that may be necessary for the aggregate amount remitted in any calendar year to equal the annual amount approved by the PUCT.

c. Remittance of Separately Stated Tariff Charges. If the PUCT approves separately stated tariff charges for Decommissioning Collections, for the initial thirty five days following implementation of such charges, CEHE will remit to Genco's Decommissioning Trust on a weekly basis the levelized amount of Decommissioning Collections calculated as  $1/52^{\text{nd}}$  of the annual amount of nuclear decommissioning cost approved in the PUCT Final Order in Docket No. 22355. Commencing on the thirty-sixth day following implementation of separately stated Tariff charges, CEHE will remit to Genco's Decommissioning Trust the total amount of Decommissioning Collections received by CEHE from or on behalf of retail customers on a weekly basis. Weekly remittances will be made no later than the last Business Day of the week following the week in which such Decommissioning Collections were received. As of the date that remittances commence based on actual collections received by CEHE, CEHE shall have no obligation to remit to Genco's Decommissioning Trust any amounts not actually received by CEHE and allocable to Decommissioning Collections.

d. Remittance Directly to Trust. Unless and until the Commission issues an order directing otherwise, CEHE will satisfy its remittance obligations under this Agreement by remitting the Decommissioning Collections directly to Genco's Decommissioning Trust.

2. Collection Agent. CEHE undertakes to perform as a collection agent on behalf of Genco the collection duties as are specifically set forth in this Agreement, and no other obligations on the part of CEHE shall be implied. Except to the extent resulting from the unexcused failure of CEHE to perform its obligations as the collection agent as set forth in this Agreement, CEHE shall not be responsible for the application or sufficiency of the Decommissioning Trust Assets to defray the cost of decommissioning the Plant. Prior to remitting the Decommissioning Collections to Genco's Decommissioning Trust in accordance with this Agreement, CEHE shall hold such Decommissioning Collections as agent for the benefit of Genco, it being expressly understood that all Decommissioning Collections are the property of Genco's Decommissioning Trust.

3. Periodic Proceedings. To the extent authorized by applicable laws as in effect from time to time, including rules and orders of the PUCT relating to Decommissioning Collections, it is recognized that the PUCT Legal and Enforcement Division, the Office of Public Utility Counsel or any affected person may initiate a proceeding to review Genco's trust balances or the amount of Decommissioning Collections. With respect to periods during which CEHE collects Decommissioning

Collections or participates in joint funds administration, CEHE will on its own or upon request by the PUCT:

- (a) file a report, if it has implemented separate nonbypassable charges and makes levelized remittances to Genco's Decommissioning Trust, that will include CEHE's calculation of, in reasonable detail and consistent in all material respects with the requirements of applicable rules and orders of the PUCT in effect from time to time, (i) the amount of Decommissioning Collections actually received by CEHE with respect to such period, (ii) the amount of Decommissioning Collections that the PUCT authorized CEHE to collect as separate nonbypassable charges to customers in such period, and (iii) pursuant to subsection (g)(2)(B)(ii) of the New Rule, the adjustment to the amount of Decommissioning Collections authorized to be charged in the subsequent year (or other period) required to account for the difference between the amount of such Decommissioning Collections actually received and the amount of such Decommissioning Collections authorized to be charged;
- (b) file an application to implement, increase or decrease the separate nonbypassable charges for Decommissioning Collections if either Genco or CEHE shall have received from the PUCT an order either authorizing separate nonbypassable charges, or a *Commission determination that the amount of such charges should be adjusted*. CEHE will pursue each such filing in good faith through the issuance of a final order from the PUCT. CEHE will give notice to Genco of each such proceeding upon initiation thereof, will not object to Genco's timely intervention in each such proceeding, and will support such intervention if challenged by PUCT Staff or other intervenors; and
- (c) participate in any proceedings and cooperate with Genco, for periods during which CEHE performs joint funds administration responsibilities, where Genco or CEHE is called upon to demonstrate that decommissioning funds have been invested prudently and in compliance with Commission Substantive Rule 25.303(e).

Pursuant to applicable laws as in effect from time to time, including rules and orders of the PUCT, Genco (i) has the sole responsibility for performance of any required studies of decommissioning costs associated with the STP, including any associated funding analyses, and (ii) will file an application or otherwise participate in any Commission proceedings addressing such studies or analyses. Furthermore, Genco will participate in any proceedings and cooperate with CEHE during

periods in which Genco and CEHE share joint funds administration responsibilities where Genco or CEHE is called upon to demonstrate that Decommissioning Trust Assets have been prudently invested and in compliance with Substantive Rule 25.303(e).

4. Fees. CEHE shall perform its obligations under this Agreement, including collection of the Decommissioning Collections, without charging Genco any administrative, collection, or other fees, provided, however, that to the extent Decommissioning Collections authorized by the PUCT specifically include a recovery of administrative, collection, or other costs incurred by CEHE in connection with its performance of its obligations under this Agreement, CEHE may deduct such amount from the Decommissioning Collections before remitting the Decommissioning Collections to Genco's Decommissioning Trust. Alternatively to the extent the Decommissioning Collections remitted to Genco's Decommissioning Trust do not include a recovery of administrative, collection, or other costs incurred by CEHE in connection with its performance of its obligations under this Agreement, and to the extent permitted by the trust agreement governing Genco's Decommissioning Trust, Genco, if otherwise agreed to by parties or authorized by the Commission, will use the Decommissioning Trust Assets to pay such fees to CEHE. If not otherwise recovered, nothing in this Agreement shall preclude CEHE from otherwise seeking, by appropriate proceedings, recovery of its administrative, collection, or other costs incurred in connection with its performance of its obligations under this Agreement as part of its rates for transmission or distribution utility service.

5. Decommissioning Funds Administration. The duties of the party or parties responsible for funds administration are those set forth in Substantive Rule 25.303(e) as it may be revised or amended from time to time. If the PUCT shall not have authorized Genco to administer Genco's Decommissioning Trust pursuant to PUCT Substantive Rule 25.303, then the transfer of decommissioning funds administration shall be deferred and shall not be effected until, and shall be effected upon, the Deferred Decommissioning Funds Administration Transfer Date. For purposes of this Agreement, "Deferred Decommissioning Funds Administration Transfer Date" shall mean the date on which the transfer of decommissioning funds administration occurs pursuant to applicable laws, including rules and orders of the PUCT relating to Genco's Decommissioning Trust and/or Decommissioning Collections. From and after the execution and delivery of this Agreement until the Deferred Decommissioning Funds Administration Transfer Date, (i) CEHE and Genco shall jointly administer Genco's Decommissioning Trust in accordance with the provisions of this Agreement and any PUCT decision(s) made pursuant to Substantive Rule 25.303 and other applicable laws and (ii) Genco shall not amend or otherwise modify the trust agreement governing Genco's Decommissioning Trust, or other related agreements, without the prior written consent of CEHE, which CEHE may not unreasonably

withhold. Further, Genco shall comply with its obligations under such trust agreement and related agreements. Moreover, both parties shall otherwise cooperate with each other in connection with the fulfillment of each party's responsibilities for such funds administration. During such time as CEHE and Genco jointly retain responsibility for such administration, funds administration shall be conducted by a Nuclear Decommissioning Trust Investment Committee ("Committee") composed of two officers or representatives from both CEHE and Genco, which Committee will consider, review, and formulate policies regarding the administration and operation of Genco's Decommissioning Trust; and Genco, as the party to its Decommissioning Trust and related agreements will execute the directives of the Committee. The funds administration obligations of CEHE hereunder, or otherwise with respect to Genco's Decommissioning Trust, shall be to administer jointly the same in accordance with PUCT Substantive Rule 25.303(e) and as otherwise expressly set forth in this Agreement. CEHE shall have no other liability or obligation relating to decommissioning of the Plant of any kind whatsoever, all of which liabilities and obligations have been assumed by Genco.

6. Post-Decommissioning. In connection with any final reconciliation proceeding following completion of decommissioning of the Plant and the payment of all actual decommissioning costs, to the extent that the PUCT order in such final reconciliation proceeding authorizes CEHE to collect any further Decommissioning Collections, CEHE shall collect and remit such amounts to Genco in accordance with and subject to all of the terms and conditions of this Agreement; and to the extent that the PUCT order in such final reconciliation proceeding requires a refund to ratepayers of Decommissioning Collections, Genco shall comply or shall cause Genco's Decommissioning Trusts to comply therewith.

7. Genco Covenants.

a. Genco's Decommissioning Trusts. Prior to the Deferred Decommissioning Funds Administration Transfer Date, Genco will be (i) solely responsible, as between the parties, for the sufficiency of the Decommissioning Collections to be remitted to Genco's Decommissioning Trust, and such other obligations and responsibilities that are assigned to the Transferee Company under the New Rule and (ii) jointly responsible for administration of Genco's Decommissioning Trust Assets, as provided for in this Agreement. Effective as of the Deferred Decommissioning Funds Administration Transfer Date, Genco will be solely responsible, as between the parties, for each of the activities and obligations described in this section; and CEHE shall have no responsibility for any of the activities or obligations described in this section. All assets comprising the Decommissioning Trust Assets and the Decommissioning Collections will be invested as "qualified funds" to the maximum extent permitted by Section 468A of the Code.

b. Compliance with Laws, etc. Genco (i) will comply in all material respects with all applicable laws as in effect from time to time, including rules and orders of the PUCT relating to Decommissioning Collections, (ii) will comply with any and all provisions for decommissioning the Plant set forth in PUCT orders as if Genco were an original party to such orders and, (iii) although Genco is not an electric utility, Genco will comply with PUCT Substantive Rule 25.303, other PUCT rules and orders and other laws in effect from time to time that apply to an electric utility owning an interest in a nuclear-fueled generating unit as if Genco were an electric utility. Genco further agrees that in no event will Genco challenge or cause to be challenged the assertion of jurisdiction by the PUCT over Genco with respect to any action to ensure Genco's compliance with PUCT Substantive Rule 25.303 or other PUCT rules and orders in effect from time to time to the extent that such PUCT rules and orders relate to Decommissioning Collections or the assets comprising Genco's Decommissioning Trust. Moreover, Genco will preserve and maintain its existence, rights, franchises and qualifications, except to the extent that the failure to do so would not (A) adversely affect Genco's Decommissioning Trust or the sufficiency of the Decommissioning Trust Assets and the Decommissioning Collections to discharge the costs of decommissioning the Plant, (B) increase the costs of decommissioning the Plant or (C) adversely affect the ability of Genco to perform its obligations under this Agreement.

c. Further Assurances. Genco will fully cooperate with CEHE in any and all future proceedings relating to decommissioning of the Plant, no matter whether such proceedings are initiated by Genco, CEHE, the PUCT, or any other party. To the extent that any periodic rate adjustments to the amount of Decommissioning Collections authorized to be collected by CEHE must be instituted, prosecuted, or participated in by Genco, Genco shall upon the reasonable request of CEHE make, support and defend all filings that may be necessary to seek such adjustments sought by CEHE.

8. CEHE Covenants.

a. Compliance with Laws, etc. CEHE will comply in all material respects with all applicable laws as in effect from time to time, including rules and orders of the PUCT relating to (i) Decommissioning Collections, including CEHE's responsibilities as a Collecting Utility, (ii) its responsibilities associated with joint funds administration, as provided for in this Agreement, prior to the Deferred Decommissioning Funds Administration Transfer Date, and (iii) its obligation to participate in proceedings of the Commission described in section 3 hereof. Moreover, CEHE will preserve and maintain its existence, rights, franchises and qualifications, except to the extent that the failure to do so would not adversely affect the ability of CEHE to collect the Decommissioning Collections or to perform its obligations under this Agreement.

b. Further Assurances. CEHE will fully cooperate with Genco in any and all future

proceedings relating to decommissioning of the Plant, to the extent of CEHE's responsibilities as a joint fund administrator or a Collecting Utility under the New Rule, no matter whether such proceedings are initiated by Genco, CEHE, the PUCT, or any other party. To the extent that rate adjustments to the Decommissioning Collections authorized to be collected by CEHE are considered, CEHE shall upon the reasonable request of Genco make, support and defend all rate filings that may be necessary to seek such adjustments to the allocation of costs and the design of rates based on the level of funding provided by Genco. Genco shall reimburse CEHE for all documented out of pocket expenses reasonably incurred by CEHE in connection with any such rate filings. To the extent that any such proceeding(s) shall be instituted and prosecuted by Genco, CEHE shall not oppose, directly or indirectly, any adjustment requested by Genco. Notwithstanding any other provision in this Agreement, CEHE shall not be required to initiate or otherwise participate in a general rate proceeding in order to adjust or revise any rates associated with Decommissioning Collections.

9. Notices. Notices and all other communications to be given hereunder shall be deemed sufficiently given when deposited in the United States mail, postage prepaid, or sent by facsimile and addressed as follows:

If to CEHE:

CenterPoint Energy Houston Electric, LLC  
1111 Louisiana Street  
Houston, Texas 77002  
Attention: Office of the Treasurer  
Telephone: 713.207.5782  
Facsimile: 713.207.3301

If to Genco:

Texas Genco, LP  
12301 Kurland Drive  
Houston, Texas 77034  
Attention: Treasurer  
Telephone: 713.795.6012  
Facsimile: 713.795.7444

The parties shall have the right from time to time to change the above addresses by providing written notice thereof to the other party.

10. Counterparts. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall

together constitute one and the same instrument.

11. Governing Law and Amendment. This Agreement shall be governed by the laws of the State of Texas applicable to contracts made and to be performed exclusively in the State of Texas. This Agreement may be amended only by a writing signed by the parties.

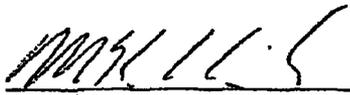
12. Term and Assignment. The term of this Agreement shall commence on the date of an order of the PUCT approving this Agreement and continue until (i) no further action on the part of CEHE is required to be performed in connection with Sections 1 and 6 of this Agreement or (ii) the Deferred Decommissioning Funds Administration Transfer Date, whichever is later. This Agreement shall be binding on and inure to the benefit of the parties and their respective successors and permitted assigns. Neither party may assign its rights, duties or obligations under this Agreement, in whole or in part, without (a) the prior written consent of the other party, and (b) the prior written approval of the appropriate regulatory authorities. Genco agrees that no assignment (by operation of law or otherwise) of its rights, duties or obligations under this Agreement is permitted except to the extent of and in connection with an assignment of any portion of its interest in the Plant that is permitted under the Second Amended and Restated STP Participation Agreement; and CEHE agrees that no assignment (by operation of law or otherwise) of its rights, duties or obligations under this Agreement is permitted except to the extent of and in connection with an assignment or transfer of any portion of its Texas transmission and distribution utility assets; provided that in any such case the permitted assignee shall have expressly assumed the obligations of the assignor under this Agreement.

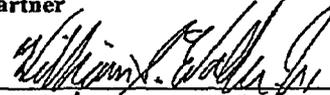
IN WITNESS WHEREOF, the parties have caused this Agreement to be executed, under seal, as of the day and year first above written.

CenterPoint Energy Houston Electric, LLC

Texas Genco, LP

By: Texas Genco GP, LLC, its General Partner

By: 

By: 

Name: Marc Kilbride

Name: William S. Walker, Jr.

Title: Vice President & Treasurer

Title: Vice President &

Asst Sec'y