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 AUTH. NAME: EVERS, K.H. AUTHOR AFFILIATION: Wisconsin Public Service Corp.
 RECIPIENT AFFILIATION: Document Control Branch (Document Control Desk)

SUBJECT: Forwards qualified trust agreement certifying that adequate decommissioning funds available for facility.

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WISCONSIN PUBLIC SERVICE CORPORATION

600 North Adams • P.O. Box 19002 • Green Bay, WI 54307-9002

November 13, 1990

10 CFR 50.33(k)(2)

U. S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, D.C. 20555

Gentlemen:

Docket 50-305
Operating License DPR-43
Kewaunee Nuclear Power Plant
Assurance of Adequate Decommissioning Funds

Reference: K. H. Evers (WPSC) to Document Control Desk (NRC) dated July 26, 1990

On July 26, 1990, photocopies of trust documents for Wisconsin Public Service Corporation, Wisconsin Power and Light Company and Madison Gas and Electric Company (the licensees for the Kewaunee Nuclear Power Plant) were submitted in accordance with 10 CFR 50.33(k)(2) and 10CFR50.75(b). Upon further review of the submittal, we realized that only our nonqualified trust fund agreements were submitted. Attached, for your information, are photocopies of our qualified trust fund agreements.

Please include the attachment to this letter with the information we provided in the above referenced submittal. We apologize for any inconvenience this may have caused.

Sincerely,

K. H. Evers
Manager - Nuclear Power

SLB/jac
Attach.

cc - US NRC - Region III
Mr. Patrick Castleman, US NRC
N 490, Highway 42, Kewaunee, WI 54216-9510

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Attachment

To

Letter from K. H. Evers (WPSC) to Document Control Desk (NRC)

Assurance of Adequate Decommissioning Funds

Copies of Qualified Trust Documents for

Wisconsin Public Service Corporation
Wisconsin Power and Light Company
Madison Gas and Electric Company

50-305 KEWAUNEE

ASSURANCE OF ADEQUATE DECOMMISSIONING FUNDS

REC'D W/LTR DTD 11/13/90...9011190179

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-NOTICE-

WISCONSIN PUBLIC SERVICE CORPORATION
KEWAUNEE NUCLEAR
DECOMMISSIONING TRUST FUND

Dated: July 10, 1987

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TRUST AGREEMENT

AN AGREEMENT, made this 10th day of July, 1987, by and among Wisconsin Public Service Corporation, a Wisconsin corporation (the "Settlor"), and Harris Trust & Savings Bank, an [Illinois] banking corporation having trust powers (hereinafter, together with any successors in office, called the "Trustee").

WHEREAS, the Settlor is the owner of an undivided 41.2% interest in the Kewaunee nuclear power plant (the "Kewaunee Plant");

WHEREAS, the Settlor is subject to regulation by the Public Service Commission of Wisconsin, an agency of the State of Wisconsin created and existing pursuant to Wis. Stat. §15.79 ("PSCW"), the Federal Energy Regulatory Commission ("FERC") and the Nuclear Regulatory Commission ("NRC"), agencies of the United States government created and existing pursuant to 42 USC §§7134 and 7171 and 42 USC §5841 respectively, and the Michigan Public Service Commission, an agency of the State of Michigan created and existing pursuant to MCL §460.1 ("Michigan PSC"); and

WHEREAS, as the result of changes made to the Internal Revenue Code of 1954, as amended, 26 USC §1 et seq., by the Tax Reform Act of 1984, Pub.L.No. 98-369, and as further amended by the Tax Reform Act of 1986, Pub.L.No. 99-514, and redesignated as the Internal Revenue Code of 1986 (the "Code"), certain income tax benefits are available to the Settlor by creating and funding a nuclear decommissioning reserve fund;

NOW, THEREFORE, the Settlor hereby delivers to the Trustee and the Trustee hereby acknowledges receipt of funds in the amount of \$8,897,620.56

TO HAVE AND TO HOLD, such funds and such additional funds as may from time to time be added thereto as provided herein, together with the proceeds and reinvestments thereof (hereinafter collectively called the "Trust Fund") unto the Trustee;

IN TRUST NEVERTHELESS, for the uses and purposes and upon the terms and conditions hereinafter set forth:

FIRST: DEFINITIONS, PURPOSE AND NAME.

1.01 Definitions. As used in this Agreement, the following terms shall have the following meanings (such definitions to be equally applicable to both the singular and plural forms of the terms defined, and to the masculine, feminine or neuter gender as the particular context requires):

"Agreement" and the terms "hereof", "herein", "hereto", and "hereunder", when used in this Trust Agreement, shall mean and include this Trust Agreement as the same may from time to time be amended, modified or supplemented.

"Code" shall have the meaning set forth in the fourth paragraph of this Agreement.

"Committee" shall mean a committee of individuals established and appointed by the Board of Directors of the Settlor, to which such Board has delegated the function of monitoring and evaluating the performance of the Trustee pursuant to and in accordance with the duties, responsibilities, powers and rights granted to such committee by such Board for the purpose of determining from time to time whether the Trustee should be retained or replaced.

"Disbursement Certificate" shall mean a document properly completed and executed by the Settlor and the Project Manager substantially in the form of Exhibit A hereto.

"Excess Contribution" shall have the meaning set forth in section 2.03 hereof.

"FERC" shall have the meaning set forth in the third paragraph of this Agreement.

"Future Orders" shall mean any orders (other than the PSCW Order) of the PSCW, FERC, NRC or Michigan PSC issued in connection with the decommissioning of the Kewaunee Plant.

"IAA" shall mean the Investment Advisers Act of 1940.

"Investment Adviser" shall mean any fiduciary other than a Trustee who: (a) has the power to manage, acquire or dispose of any portion of the Trust Fund; (b) is registered as an investment adviser under the IAA, is a bank as defined in the IAA, or is an insurance company qualified to perform the services described herein; and (c) has acknowledged in writing that he is a fiduciary with respect to the Trust.

"Kewaunee Plant" shall have the meaning set forth in the second paragraph of this Agreement.

"Michigan PSC" shall have the meaning set forth in the third paragraph of this Agreement.

"NRC" shall have the meaning set forth in the third paragraph of this Agreement.

"PSCW" shall have the meaning set forth in the third paragraph of this Agreement.

"PSCW Order" shall mean the Findings of Fact, Conclusions of Law and Amended Order of the PSCW dated December 5, 1985 in connection with Docket No. 05-EI-14.

"Project Manager" shall mean the person who shall exercise general supervision and control of the process of decommissioning the Kewaunee Plant. Such person may, but is not required to, be an employee of the Settlor or of another owner of an interest in the Kewaunee Plant.

"Qualified Costs" shall mean the Settlor's allocable share of costs incurred in the decommissioning of the Kewaunee Plant, to the extent that such costs may be paid out of the Trust Fund pursuant to section 468A of the Code, and any regulations or rulings of the Service issued thereunder.

"Service" shall mean the Internal Revenue Service.

"Settlor" shall have the meaning set forth in the introductory paragraph of this Agreement.

"Trust" shall mean the interest of the Trustee in the Trust Fund created and existing pursuant to the terms of this Agreement.

"Trustee" shall have the meaning set forth in the introductory paragraph of this Agreement.

"Trust Fund" shall have the meaning set forth in the sixth paragraph of this Agreement.

"Withdrawal Certificate" shall mean a document properly completed and executed by the Settlor and the Project Manager substantially in the form of Exhibit B hereto.

1.02 Trust Fund Purposes. The purpose of this Trust is to provide funds for the contemplated decommissioning of the Kewaunee Plant, to comply with the PSCW Order, to constitute a nuclear decommissioning reserve fund within the meaning of Section 468A of the Code, any applicable successor provision and the regulations thereunder, and to comply with any Future Orders. To fulfill this purpose, the Trustee will cause its officers and employees to thoroughly familiarize themselves with the terms of the PSCW Order, any Future Orders (as they are issued) and this Agreement and will take all

actions necessary to ensure that the terms and conditions of such documents are fully effectuated.

1.03 Name of Trust. The funds received by the Trustee from the Settlor (together with any additional funds contributed by the Settlor and the proceeds and reinvestments thereof) shall be known as the "Wisconsin Public Service Corporation Kewaunee Nuclear Decommissioning Trust Fund."

SECOND: DISPOSITIVE PROVISIONS. The Trustee shall manage, invest and reinvest and, after payment of the expenses described in Section 4.01 hereof, distribute the Trust Fund as follows:

2.01 Payment of Nuclear Decommissioning Costs. The Trustee shall make payments of the Qualified Costs in accordance with the following procedures:

(a) Project Manager. The Settlor shall promptly notify the Trustee of the selection and appointment of the Project Manager. The Trustee shall have no duty to inquire into or investigate the continued authority of such person to act as the Project Manager until the Settlor has given the Trustee written notice of the termination of the Project Manager's authority.

(b) Disbursements to Third Parties. The Trustee shall make payments of Qualified Costs to any person (other than the Settlor) for goods provided or labor or other services rendered to the Settlor in connection with the decommissioning of the Kewaunee Plant upon receipt of a Disbursement Certificate.

(c) Reimbursement to the Settlor. The Trustee shall make payments to the Settlor in reimbursement of Qualified Costs actually incurred by the Settlor and paid by the Settlor to any other person upon receipt of a Withdrawal Certificate.

Notwithstanding the foregoing, no payment may be made by the Trustee without the prior approval of the PSCW in such form as the PSCW may from time to time require.

2.02 Additions to Trust Estate. From time to time prior to the termination of this Trust, the Settlor may make, and the Trustee shall accept, additional contributions

of money to the Trust Fund to satisfy the purpose of this Trust as set forth in Section 1.02.

2.03 Subsequent Adjustments. The Trustee and the Settlor understand and agree that the contributions made by the Settlor to the Trust Fund from time to time may exceed the amount permitted to be paid into the Trust Fund pursuant to Section 468A of the Code and any regulations thereunder based upon changes in estimates, subsequent developments or any other event or occurrence which could not reasonably have been foreseen by the Settlor at the time such contribution was made (any such excess being hereinafter referred to as an "Excess Contribution"). Upon the written certification of the Settlor, setting forth the amount of the Excess Contribution and that such Excess Contribution is attributable solely to a decrease in the Settlor's cost of service for ratemaking purposes for a taxable year, the Trustees shall pay such amount to the Settlor together with any income accrued thereon. Upon the written certification of the Settlor, setting forth the amount of the Excess Contribution and that such Excess Contribution is attributable solely to a decrease in the Settlor's ruling amount, as defined in Section 468A(d)(2) of the Code, the Trustee shall pay such amount (together with any income accrued thereon) to the Trustee of the Wisconsin Public Service Corporation Kewaunee Nuclear Decommissioning Nonqualified Trust Fund created and existing pursuant to an agreement dated July 10, 1987 by and among the Settlor and the trustee named therein. In any other case, the amount of any Excess Contribution (together with any income accrued thereon) shall be paid to the person or persons specified by the Settlor in a written certification to the Trustee. In all cases, distributions of any Excess Contribution shall not be made unless, in the opinion of legal counsel to the Trustee, such distribution will not result in disqualification of the Trust Fund from the application of section 468A of the Code or constitute a violation of the PSCW Order or any Future Order.

2.04 No Transferability of Interest in the Trust. The interest of the Settlor in the Trust is not transferable, whether voluntarily or involuntarily, by the Settlor nor subject to the claims of creditors of the Settlor; provided, however, that any creditor of the Settlor as to which a Disbursement Certificate has been properly completed and submitted to the Trustee may assert a claim directly against the Trust Fund in an amount not to exceed the amount specified on such Certificate.

2.05 Time of Termination of Trust. This Trust shall terminate upon the earliest to occur of the following events:

(a) The substantial completion of the nuclear decommissioning of the Kewaunee Plant, as defined in Section 468A(e)(7) of the Code, any applicable successor provisions, and any regulations thereunder;

(b) The disqualification of the Trust Fund from the application of Section 468A of the Code, whether pursuant to an administrative action on the part of the Service or the decision of any court of competent jurisdiction, but in no event earlier than the date on which all available appeals have been either prosecuted or abandoned and the period of time for making any further appeals has elapsed; or

(c) To the extent provided in regulations promulgated under the authority of Section 468A of the Code, upon the disposition by the Settlor of any interest in the Kewaunee Plant.

2.06 Distribution of Trust Fund upon Termination. Upon termination of this Trust, the Trustee shall liquidate the assets of the Trust and thereupon distribute the entire remaining Trust Fund, including all accrued, accumulated and undistributed net income, to the Settlor; provided, however, that no such distribution shall be made unless either (a) an order of the PSCW has been issued which specifically authorizes such distribution or (b) the Trustee has received an opinion of counsel to the effect that no such order is necessary to authorize such distribution; a copy of said opinion shall be delivered to the Secretary of the PSCW by the Settlor sixty (60) days before any such distribution is made.

2.07 Alterations and Amendments. The Trustee and the Settlor understand and agree that modifications or amendments may be required to this Agreement from time to time to effectuate the purposes of this Trust and to comply with any Future Orders, changes in tax laws, regulations or rulings (whether published or private) of the Service and any similar state taxing authority, and any other changes in the laws applicable to the Settlor or the Kewaunee Plant. The Settlor and the Trustee may alter or amend this Agreement to the extent necessary or desirable to effectuate such purposes or to comply with such changes. The Secretary of the PSCW shall be notified of all such changes by the Settlor. The Trustee shall have no duty to inquire or make any investigation as

to whether any proposed amendment, modification or alteration is consistent with this Section 2.07, but the Trustee may decline to adopt such amendment, modification or alteration upon the advice of legal counsel for the Trustee.

2.08 No Authority to Conduct Business. The purpose of this Trust is limited to the matters set forth in Section 1.02 above. This Agreement shall not be construed to confer upon the Trustees any authority to conduct business. The object of this Trust is limited to the matters set forth in Section 1.02, specifically, and there is no objective to carry on any business or divide the gains therefrom.

THIRD: TRUSTEES. The appointment of any successor Trustee, provisions governing resignation and compensation of the Trustee, and the general rules governing the relationship of the Trustee and any interested or third parties are as follows:

3.01 Designation and Qualification of Successor Trustees. The Settlor has appointed a corporate fiduciary having all requisite corporate power and authority to act as the sole original Trustee. At any time during the term of this Trust, the Settlor shall have the right to remove the corporate Trustee acting hereunder and appoint another qualified corporation as a successor Trustee upon thirty (30) days' notice in writing to the Trustee, or upon such shorter notice as may be acceptable to the Trustee. In the event that any corporate trustee shall (i) become insolvent or admit in writing its insolvency, (ii) be unable or admit in writing its inability to pay its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) have an involuntary petition in bankruptcy filed against it, (v) commence a case under or otherwise seek to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law, statute, or proceeding, or (vi) resign, the Trustee shall cease to act and the Settlor shall appoint a successor Trustee. In the event of any such removal or resignation, the Trustee shall have the right to have its accounts settled as provided in Section 3.07 hereof. Any successor to the Settlor, as provided herein, shall have the same right to remove and to appoint any Trustee.

Any successor Trustee shall qualify by a duly acknowledged acceptance of this Trust, delivered to the Settlor. Upon acceptance of such appointment by the successor Trustee, the Trustee shall assign, transfer and pay over to

such successor Trustee the funds and properties then constituting the Trust Fund. Any successor Trustee shall have all the rights, powers, duties and obligations herein granted to the original Trustee.

If for any reason the Committee cannot or does not act in the event of the resignation or removal of the Trustee, as provided above, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor trustee. Any expenses incurred by the Trustee in connection therewith shall be deemed to be an expense of administration payable in accordance with Section 4.01 hereof.

The Settlor shall notify the Secretary of the PSCW of any changes of Trustee.

3.02. Exoneration From Bond. No bond or other security shall be exacted or required of any Trustee appointed by this Agreement or pursuant to Section 3.01 in any jurisdiction. The Trustee may acquire and pay from the Trust Fund any accident, liability, or other insurance, bonds, etc., that it may deem prudent in the administration of this Trust, including insurance protecting the Trustee itself from liability to third persons or to the Settlor.

3.03 Resignation. The Trustee or any successor Trustee hereof may resign and be discharged as Trustee at any time without prior application to or approval by or order of any court by a duly acknowledged instrument, which shall be delivered to the Settlor and the Secretary of the PSCW by the Trustee not less than thirty (30) days prior to the effective date of the Trustee's resignation or upon such shorter notice as may be acceptable to the Committee.

3.04 Compensation. The Trustee shall be entitled to compensation from the Trust Fund at such rates as may be approved in writing from time to time by the Settlor. The Trustee shall be entitled to be reimbursed from the Trust Fund for out-of-pocket expenses incurred in connection with the administration of this Trust.

3.05 Rules of Trust. The Trustee and the Committee shall determine the rules by which they shall perform their respective duties.

3.06 Transactions With Third Parties. No person or organization dealing with the Trustee hereunder shall be required to inquire into or to investigate its authority

for entering into any transaction or to see to the application of the proceeds of any such transaction.

3.07 Accounts. The Trustee shall present financial statements to the Settlor and the Secretary of the PSCW on a quarter-annual basis, or at such other frequency as the Committee shall from time to time require. The financial statements shall show the financial condition of the Trust Fund, including, without limitation, income and expenses of the Trust for the quarter. Once each year, the financial statements shall be audited by independent certified public accountants employed by the Trustee, subject to the limitations contained in Section 4.08. The Settlor shall have the right to object to any of the Trustee's audited financial statements. If the Settlor desires to object to the Trustee's financial statements it shall deliver notice of its objection to the Trustee in writing within ninety (90) days from the day the Trustee shall mail or deliver such audited financial statements to the Settlor. If no written objection is made within that time, the presentation of the financial statements to the Settlor shall release and discharge the Trustee with respect to all acts or omissions to the date of said annual financial statements; provided, however, that nothing contained herein shall be deemed to relieve the Trustee of any liability which may be imposed pursuant to Section 3.09 hereof.

3.08 Tax Returns and Other Reports. The Settlor shall prepare or cause to be prepared such income or franchise tax returns or other reports as may be required from time to time. The Trustee shall provide to the Settlor all statements, documents, lists or other information reasonably requested by the Settlor for the purpose of preparing such returns and reports. The Trustee shall also sign all such returns and reports and file them or cause them to be filed with the appropriate government agencies or authorities.

3.09 Liability. The Trustee shall not be liable for any acts, omissions or defaults of any agent (other than its officers and employees) or depository appointed or selected with reasonable care. The Trustee shall be liable only for such Trustee's own acts or omissions (and those of its officers and employees) occasioned by the willfulness or gross neglect of such Trustee (and that of its officers and employees). The Trustee shall not be liable in regard to the exercise or nonexercise of any powers and discretions properly delegated pursuant to the provisions of the Agreement.

Notwithstanding the foregoing, the Trustee (and not the Trust) shall be liable for any tax imposed pursuant

to section 4951 of the Code, as such section is made applicable to the Trust, the Trust Fund or the Trustee, and any applicable successor provision.

3.10 Indemnity of Trustee. The Settlor agrees to indemnify and hold harmless the Trustee from any and all liability arising out of this Trust and this Agreement excepting only such liability as may be imposed on the Trustee pursuant to Section 3.09 hereof.

3.11 Changes in Law, Future Orders, Etc. The Settlor shall promptly advise the Trustee in writing of the existence of any Future Orders and of any changes in federal or state laws or regulations having the effect of imposing new or different responsibilities upon the Trustee under this Agreement.

3.12 Appointment of Investment Adviser. The Committee shall have the right from time to time to appoint and remove an Investment Adviser and to direct the segregation of any part or all of the Trust Fund into one or more accounts, to be known as "investment adviser accounts" and if it does so, it shall appoint an individual, partnership, association or corporation as investment adviser to manage the portion of the Trust Fund so segregated. Written notice of any such appointment and/or removal shall be given to the Trustee and the Investment Adviser so appointed. As long as the Investment Adviser is acting, the Investment Adviser shall have full authority to direct the Trustee with respect to the acquisition, retention, management, disposition of the assets from time to time comprising the investment adviser account being managed by the Investment Adviser and the voting of the proxies thereon, and the Trustee shall have no duty or obligation to review the assets from time to time comprising such investment adviser account, to make any recommendations with respect to the investment, reinvestment or retention thereof, nor with respect to the voting of proxies thereon, nor to determine whether any direction from the Investment Adviser is proper or within the terms of this Agreement, except that the Trustee shall review the list of assets in each investment adviser account on a monthly basis and if, in the Trustee's opinion, a holding may not be in compliance with the permitted investments under §4.03 of this Trust, the Trustee shall notify the Investment Adviser and the Committee.

The Trustee shall have no liability or responsibility to the Settlor or the Trust for acting on the direction of, or for failure to act in the absence of directions from, the Investment Adviser for any investment adviser account unless the Trustee's act or failure to act constitutes a breach or violation of the provisions of the preceding paragraph of this

Section 3.12. The Trustee may assume that any investment adviser account previously established and the appointment of any Investment Adviser for that account continues in force until receipt of written notice to the contrary from the Settlor. Pending receipt of directions from the Investment Adviser, any cash received by the Trustee from time to time for any investment adviser account may be retained by the Trustee, in its discretion, in cash for not more than three (3) banking days, without any liability for interest. In addition, the Settlor will indemnify the Trustee and hold it harmless from any liability or expense in connection with or arising out of (i) any action taken or omitted or any investment or disbursement of any part of the Trust Fund made by the Trustee at the direction of the Investment Adviser or any inaction with respect to the Trust Fund in the absence of directions from the Investment Adviser unless the Trustee's act or omission constitutes a breach or violation of the provisions of this Section 3.12, or (ii) any action taken by the Trustee pursuant to a notification of an order to purchase or sell securities issued by an Investment Adviser directly to a broker or dealer under a power of attorney.

3.13 Notification of Maturities, Etc. Upon receipt of information from an issuer or other source regarding maturities, calls, redemptions or other events or impending changes affecting Trust Fund assets, Trustee will exercise its best efforts to notify the Investment Adviser and in consultation with the Investment Adviser will promptly take appropriate action with respect to the affected Trust Fund asset.

FOURTH: TRUSTEE'S POWERS. The Trustee shall have, with respect to the Trust Fund, the following powers, all of which powers are fiduciary powers to be exercised in a fiduciary capacity and in the best interests of this Trust and the beneficiaries thereof, and which are to be exercised as the Trustee, acting in such fiduciary capacity, in its discretion, shall determine, except that the Trustee shall not act in its discretion but only at the direction of an appointed Investment Adviser in the exercise of those powers given in §§4.02, 4.03, 4.04, 4.05 and 4.11 with respect to the acquisition, retention, management, and disposition of the assets of an investment adviser account, and, except as otherwise provided, which are intended in no way to limit the general powers of the office, namely:

4.01 Payment of Expenses of Administration. To incur and pay any and all charges, taxes and expenses upon or connected with this Trust or the Trust Fund in the discharge of their fiduciary obligations under this Agreement, but only to the extent that such amount may be incurred and paid from the Trust Fund without causing the Trust Fund to

become disqualified from the application of Section 468A of the Code or any applicable successor provisions.

4.02 Preservation of Principal. Except as provided in Section 4.03, to at all times hold, manage and invest the assets of this Trust in a manner designed to maximize and preserve the income and principal of this Trust for the purposes of this Trust.

4.03 Investment of Trust Estate. Pending use of the Trust Fund for the purposes of this Trust, to invest and reinvest all or any part of the Trust Fund, including any undistributed income therefrom; provided, however, that no such investment or reinvestment may be made by the Trustee:

(a) unless such investment is permitted to be made by sections 501(c)(21)(B)(ii) and 468A(e)(4)(C) of the Code, the regulations thereunder, and any applicable successor provisions;

(b) in any bank, savings and loan association or other financial institution whose deposits are not insured by the Federal Deposit Insurance Corporation, the Federal Savings & Loan Insurance Corporation, or other comparable federal or state agency; or

(c) which would contravene any Future Order in effect at the time such investment or reinvestment is made.

In all cases, however, the total investments must be sufficiently liquid to enable the Trust to fulfill the purposes of the Trust and to satisfy obligations as they become due. Nothing in this Section 4.03 shall be construed as authorizing the Trustee to carry on any business or to divide the gains therefrom. The sole purpose of this Section 4.03 is to authorize the investment of the Trust Fund (or any part thereof), as may be reasonably prudent pending use of the Trust Fund for the purposes of this Trust.

4.04 Management of Trust Estate. Without any business objective, and as may be incidental or advisable in connection with the purposes of this Trust as set forth in Section 1.02, to sell, exchange, partition or otherwise dispose of all or any part of the Trust Fund at public or private sale, without prior application to or approval by or order of any court, upon such terms and in such manner and at such prices as they shall determine; to modify, renew or extend mortgages, bonds, notes or other obligations or any installment of principal thereof or any interest due thereon

and to waive any defaults in the performance of the terms and conditions thereof; and to execute and deliver any and all bills of sale, assignments, bonds or other instruments in connection with these powers, all at such times, in such manner and upon such terms and conditions as they may deem expedient. The Trustee's determinations of manner of sales, terms, prices, and the exercise of other powers granted herein, if reasonably made, are not to be questioned. No person dealing with the Trustee shall be bound to review, analyze, or investigate the application of any consideration or proceeds of sales.

Notwithstanding anything contained in this Agreement to the contrary, the Trustee may not authorize or carry out any sale, exchange or other transaction which would constitute an act of "self-dealing" within the meaning of section 4951 of the Code, as such section is made applicable to the Trust by section 468A(e)(5) of the Code, any regulations thereunder, and any applicable successor provision.

4.05 Extension of Obligations and Negotiation of Claims. Subject to the limitations contained in Sections 4.03 (regarding prohibited investments) and 4.04 (regarding self-dealing), to renew or extend the time of payment of any obligation, secured or unsecured, payable to or by this Trust, for as long a period or periods of time and on such terms as they shall determine; and to adjust, settle, compromise and arbitrate claims or demands in favor of or against this Trust, including claims for taxes, upon such terms as they deem advisable.

4.06 Registration of Securities. To hold any stocks, bonds, securities and/or other property in the name of a nominee, in a street name, or by other title-holding device, without indication of trust.

4.07 Location of Assets. To keep any property belonging to the Trust Fund at any place in the United States.

4.08 Retention and Removal of Professional Services. To employ attorneys, accountants, and custodians as it shall deem advisable and to make such payments thereof as it shall deem reasonable for the implementation of the purposes of this Trust. The Trustee shall have the absolute right to dismiss any such agent, employee or professional for any reason or for no reason.

Notwithstanding anything to the contrary contained in the foregoing paragraph: (a) the Trustee shall employ the firm of attorneys selected by the Settlor or otherwise acting

as the principal legal counsel of the Settlor; provided, however, that the Trustee shall not be obligated to employ such legal counsel with respect to any actual or threatened lawsuit, controversy or other proceeding in which the interests of the Trustee and the Settlor are adverse to each other; and (b) the Trustee's selection of an accounting firm shall be subject to the prior consent of the Settlor, which consent shall not be unreasonably withheld.

4.09 Delegation of Ministerial Powers. To delegate to other persons such ministerial powers and duties as they may deem to be advisable.

4.10 Powers of Trustee to Continue Until Final Distribution. To exercise any of such powers after the date on which the principal and income of the Trust Fund shall have become distributable and until such time as the entire principal of, and income from, the Trust Fund shall have been actually distributed by the Trustee. It is intended that distribution of the Trust Fund will occur as soon as possible upon termination of the Trust, subject, however, to the limitations contained in Sections 2.05 and 2.06.

4.11 Discretion in Exercise of Powers. To do any and all other acts which they shall deem proper to effectuate the powers specifically conferred upon them by this Trust Agreement, provided, however, that the Trustee may not do any act or participate in any transaction which would:

(a) Disqualify the Trust Fund from the application of section 468A of the Code;

(b) Contravene any provision of this Agreement; or

(c) Violate the terms and conditions of the PSCW Order, any Future Order or any other law, regulation, or ruling applicable to the Trust, the Settlor or the Trustee.

FIFTH: MISCELLANEOUS. Definitions applicable to this Agreement and miscellaneous provisions are as follows:

5.01 Headings. The section headings set forth in this Agreement and the Table of Contents are inserted for convenience of reference only and shall be disregarded in the construction or interpretation of any of the provisions of this Agreement.

5.02 Particular Words. Any word contained in the text of this Agreement shall be read as the singular or plural and as the masculine, feminine or neuter as may be applicable or permissible in the particular context. Unless otherwise specifically stated, the word "person" shall be taken to mean and include an individual, partnership, association, trust, company or corporation.

5.03 Severability of Provisions. If any provision of this Agreement or its application to any person or entity or in any circumstances shall be invalid and unenforceable, the application of such provision to persons and in circumstances other than those as to which it is invalid or unenforceable and the other provisions of this Agreement, shall not be affected by such invalidity or unenforceability.

5.04 Form and Content of Communications. The names of the members of the Committee and of any person authorized to act on its behalf shall be certified, with the specimen signature of such person, to the Trustee by the Settlor. Until appropriate written evidence to the contrary is received by the Trustee, it shall be fully protected in relying upon and acting in accordance with any written notice, instruction, direction, certificate, resolution or other communication believed by it to be genuine and to be signed and/or certified by any proper person, and the Trustee shall be under no duty to make any investigation or inquiry as to the truth or accuracy of any statement contained therein. Until notified in writing to the contrary, the Trustee shall have the right to assume that there has been no change in the identity or authority of any person previously certified to it hereunder.

5.05 Delivery of Notices Under Agreement. Any notice required by this Agreement to be given to the Settlor or the Trustee shall be deemed to have been properly given when mailed, postage prepaid, by registered or certified mail, to the person to be notified as set forth by the Settlor at the time of making its contributions. The Settlor may change that address by delivering notice thereof in writing to the Trustee. Any notice required by this Agreement to be delivered to any other person or entity shall be deemed to have been properly delivered when mailed, postage prepaid, by registered or certified mail, to the person to be notified at the last known address of such person or entity, according to the records of the one giving the notice.

5.06 Successors and Assigns. Subject to the provisions of Sections 2.04 and 3.01, this Agreement shall be binding upon and inure to the benefit of the Settlor,

the Trustees and their respective successors, assigns, personal representatives, executors and heirs.

5.07 Counterparts of Agreement. This Agreement has been executed for the convenience of the parties hereto in counterparts, any one of which for all purposes shall be deemed to have the status of an executed original.

5.08 Governing Jurisdiction. This Trust is a Wisconsin trust and all questions pertaining to its validity, construction and administration shall be determined in accordance with the laws thereof.

5.09 Miscellaneous. The Trust shall operate on an accounting year which coincides with the calendar year, January 1 through December 31.

5.10 Disbursement/Withdrawal Certificate. No provision of this Agreement shall be construed or applied so as to require the preparation of a Disbursement Certificate or a Withdrawal Certificate to authorize the payment of compensation to the Trustee under Section 3.04 or of the expenses of administration under Section 4.01 hereof.

IN WITNESS WHEREOF, the undersigned, as Settlor, and the undersigned, as Trustee, have as of the day and year first above written, set their hands and seals to this Agreement, consisting of a Title Page, a Table of Contents, an Introduction, Article FIRST, Definitions, Purpose and Name, Article SECOND, Dispositive Provisions, Article THIRD, General Provisions Relating to Trustees, Article FOURTH, Trustee's Powers,

Article FIFTH, Definitions and Miscellaneous Provisions,
Exhibits A and B annexed hereto, and Acknowledgments.

WISCONSIN PUBLIC SERVICE CORPORATION

By J. H. Litcher Senior Vice President-
Finance
Title

Attest: G. B. Stone Treasurer and
Assistant Secretary
Title

HARRIS TRUST & SAVINGS BANK

By David R. Waight
~~Trust Officer~~
Assistant Vice President

STATE OF ILLINOIS)
)
COUNTY OF COOK) SS.

I, BLANCHE O. HURT, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that DANIEL R. WRIGHT, who is personally known to me to be the person who executed the foregoing and annexed Trust, personally appeared before me in the aforesaid jurisdiction, and as Asst. Vice President of Harris Trust & Savings Bank, and by virtue of the power and authority in him vested, acknowledged the same to be the act and deed of Harris Trust & Savings Bank and be executed the same as such.

July Given under my hand and seal this 10th day of July, 1987.

[NOTARIAL SEAL]

Blanche O. Hurt
Notary Public, State of ~~Wisconsin~~ Illinois
My commission expires 1/26/90.

DISBURSEMENT CERTIFICATE

The undersigned, duly authorized officers of Wisconsin Public Service Corporation, a Wisconsin corporation (the "Settlor") and _____, a _____ corporation ("Project Manager"), and, in such capacity, being authorized and empowered to execute and deliver this certificate, hereby certify to the Trustee of the Wisconsin Public Service Corporation Kewaunee Nuclear Decommissioning Trust Fund, pursuant to Section 2.01 of that certain Trust Agreement, dated as of _____, 1987, between the Trustee and the Settlor (the "Agreement"; all capitalized terms used below, but not being expressly defined, having the same meanings given to such terms in the Agreement) as follows:

(1) there is due and owing to each payee ("Payees") [all]-or-[a portion of] the invoiced cost to the Settlor for goods or services provided in connection with the decommissioning of the Kewaunee Plant as evidenced by the Invoice Schedule (with supporting exhibits) attached as Exhibit 1 hereto;

(2) all such amounts due and owing to the Payees constitute Qualified Costs; and

(3) all conditions precedent to the making of this withdrawal and disbursement set forth in any agreement between such Payee and the Settlor have been fulfilled.

Accordingly, request is made that you permit the withdrawal of \$ _____ from the Trust Fund in order to permit payment of such sum to be made to Payees for such purpose. You are further requested to disburse such sum, once withdrawn, directly to such Payees in the following manner: [DESCRIBE: JOINT PAYEE CHECK, WIRE TRANSFER, ETC.] on or before _____, 19__.

We recognize and agree that you shall not be obligated to make any such disbursement to any Payee unless and until you receive written releases, in form satisfactory to you, of any liens, security interests or claims of such Payee against the Settlor or its property.

WITNESS my hand this ____ day of _____, 19__.

[PROJECT MANAGER]

By _____
Duly Authorized Officer

WISCONSIN PUBLIC SERVICE
CORPORATION

By _____
Duly Authorized Officer

WITHDRAWAL CERTIFICATE

The undersigned, duly authorized officers of Wisconsin Public Service Corporation, a Wisconsin corporation (the "Settlor") and _____, a _____ corporation (the "Project Manager") and, in such capacity, being duly authorized and empowered to execute and deliver this certificate, hereby certify to the Trustee of the Wisconsin Public Service Corporation Kewaunee Nuclear Decommissioning Trust Fund, pursuant to Section 2.01 of that certain Trust Agreement, dated as of _____, 1987, between the Trustee and the Settlor (the "Agreement"; all capitalized terms used below, but not being expressly defined, having the same meanings given to such terms in the Agreement) as follows:

(1) there is due and owing to the Settlor [all] or [a portion of] the invoiced cost to the Settlor for goods or services provided in connection with the decommissioning of the Kewaunee Plant as evidenced by the Invoice Schedule (with supporting exhibits) attached as Exhibit 1 hereto;

(2) all such amounts have been paid by the Settlor and constitute Qualified Costs; and

(3) all conditions precedent to the making of this withdrawal and disbursement and the payment by the Settlor of the Qualified Costs set forth in any agreement between such payee of the Settlor and the Settlor have been fulfilled.

Accordingly, request is made that you permit the withdrawal of \$ _____ from the Trust Fund in order to permit payment of such sum to be made to the Settlor for such purpose. You are further requested to disburse such sum, once withdrawn, directly to the Settlor in the following manner: [DESCRIBE: CHECK, WIRE TRANSFER, ETC.] on or before _____, 19__.

We recognize and agree that you shall not be obligated to make any such disbursement to the Settlor unless and until you receive written releases, in form satisfactory to you, of any liens, security interests or claims of the payee as to which such disbursement is being made against the Settlor or its property.

WITNESS my hand this ____ day of _____, 19__.

WISCONSIN PUBLIC SERVICE CORPORATION

By _____
Duly Authorized Officer

[PROJECT MANAGER]

By _____
Duly Authorized Officer

TRUST AGREEMENT

between

MADISON GAS AND ELECTRIC COMPANY

and

FIRST WISCONSIN NATIONAL BANK OF MADISON

(Qualified Trust)

Dated January 19, 1988

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EXHIBITS

Exhibit A - Disbursement Certificate

Exhibit B - Withdrawal Certificate

TRUST AGREEMENT

AN AGREEMENT, made this 19th day of January, 1988, by and among Madison Gas and Electric Company, a Wisconsin corporation (the "Settlor"), and First Wisconsin National Bank of Madison, a national banking association, having trust powers (hereinafter, together with any successors in office, called the "Trustee").

WHEREAS, the Settlor is the owner of an undivided 17.8 percent interest in the Kewaunee Nuclear Power Plant (the "Kewaunee Plant");

WHEREAS, the Settlor is subject to regulation by the Public Service Commission of Wisconsin ("PSCW"), an agency of the State of Wisconsin created and existing pursuant to Wis. Stat. Section 15.79, the Federal Energy Regulatory Commission ("FERC") and the Nuclear Regulatory Commission ("NRC"), agencies of the United States government created and existing pursuant to 42 USC Sections 7134 and 7171 and 42 USC Section 5841, respectively; and

WHEREAS, as a result of changes made to the Internal Revenue Code of 1954, as amended, 26 USC Section 1 et seq., by the Tax Reform Act of 1984, Pub.L.No. 98-369, and as further amended by the Tax Reform Act of 1986, Pub.L.No. 99-514, and redesignated as the Internal Revenue Code of 1986 (the "Code"), certain income tax benefits are available to the Settlor by creating and funding a nuclear decommissioning reserve fund;

NOW, THEREFORE, the Settlor shall deliver to the Trustee and, upon receipt, the Trustee shall acknowledge receipt of funds for the initial funding of the Trust;

TO HAVE AND TO HOLD, such funds and such additional funds as may from time to time be added thereto as provided herein, together with the proceeds and reinvestments thereof (hereinafter collectively called the "Trust Fund") unto the Trustee;

IN TRUST NEVERTHELESS, for the use and purposes and upon the terms and conditions hereinafter set forth:

ARTICLE I. DEFINITIONS, PURPOSES AND NAME

1.1 Definitions. As used in this Agreement, the following terms shall have the following meanings (such definitions to be equally applicable to both the singular and plural forms of the terms defined and to the masculine, feminine, or neuter gender as the particular context requires):

"Agreement" and the terms "hereof," "herein," "hereto," and "hereunder," when used in this Trust Agreement, shall mean and include this Trust Agreement as the same may from time to time be amended, modified, or supplemented.

"Code" shall have the meaning set forth in the fourth paragraph of this Agreement.

"Committee" shall mean a committee of not more than three (3) individuals established and appointed by the board of directors of the Settlor, to which such board has delegated the function of monitoring and evaluating the performance of the Trustee, to appoint and remove the Investment Adviser and to segregate any part or all of the Trust Fund into one or more investment adviser accounts as such accounts are defined in Section 3.11 hereof.

"Disbursement Certificate" shall mean a document properly completed and executed by the Settlor and the Project Manager substantially in the form of Exhibit A hereto.

"Excess Contribution" shall have the meaning set forth in Section 2.3 hereof.

"FERC" shall have the meaning set forth in the third paragraph of this Agreement.

"Future Orders" shall mean any orders (other than the PSCW Order) of the PSCW, FERC, or NRC issued in connection with the decommissioning of the Kewaunee Plant.

"IAA" shall mean the Investment Advisers Act of 1940.

"Investment Adviser" shall mean any fiduciary who: (a) has the power to manage, acquire, or dispose of any portion of the Trust Fund; (b) is registered as an investment adviser under the IAA, is a bank as defined in the IAA or is an insurance company qualified to perform the services described herein; and (c) has been appointed as an Investment Adviser under Section 3.11 below and has accepted such appointment in writing. Such term may include the Trustee if the Trustee has become an Investment Adviser hereunder.

"Kewaunee Plant" shall have the meaning set forth in the second paragraph of this Agreement.

"NRC" shall have the meaning set forth in the third paragraph of this Agreement.

"PSCW" shall have the meaning set forth in the third paragraph of this Agreement.

"PSCW Order" shall mean the Findings of Fact, Conclusions of Law, and Amended Order of the PSCW dated December 5, 1985, in connection with Docket No. 05-EI-14.

"Project Manager" shall mean the person who shall exercise general supervision and control of the process of decommissioning the Kewaunee Plant. Such person may, but is not required to, be an employee of the Settlor or of another owner of an interest in the Kewaunee Plant.

"Qualified Costs" shall mean the Settlor's allocable share of costs incurred in the decommissioning of the Kewaunee Plant, to the extent that such costs may be paid out of the Trust Fund pursuant to Section 468A of the Code, and any regulations or rulings of the Service issued thereunder.

"Service" shall mean the Internal Revenue Service.

"Settlor" shall have the meaning set forth in the introductory paragraph of this Agreement.

"Trust" shall mean the interest of the Trustee in the Trust Fund created and existing pursuant to the terms of this Agreement.

"Trustee" shall have the meaning set forth in the introductory paragraph of this Agreement.

"Trust Fund" shall have the meaning set forth in the sixth paragraph of this Agreement.

"Withdrawal Certificate" shall mean a document properly completed and executed by the Settlor and the Project Manager substantially in the form of Exhibit B hereto.

1.2 Trust Fund Purposes. The purpose of this Trust is to provide funds for the contemplated decommissioning of the Kewaunee Plant, to comply with the PSCW Order, to constitute a nuclear decommissioning reserve fund within the meaning of Section 468A of the Code, any applicable successor provision and the regulations thereunder, and to comply with any Future Orders. To fulfill this purpose, the Trustee agrees that the Trust shall be subject to the terms of the PSCW Order, any Future Orders (as they are issued), and this Agreement and, at the direction of the Settlor with regard to documents other than this Agreement, will take all actions necessary to ensure that the terms and conditions of such documents are fully effectuated.

1.3 Name of Trust. The funds received by the Trustee from the Settlor (together with any additional funds contributed by the Settlor and the proceeds and reinvestments thereof) shall be known as the "Madison Gas and Electric Company Kewaunee Nuclear Decommissioning Trust Fund."

ARTICLE II. DISPOSITIVE PROVISIONS

The Trustee shall manage, invest, and reinvest and, after payment of the expenses described in Section 4.1 hereof, distribute the Trust fund as follows:

2.1 Payment of Nuclear Decommissioning Costs. The Trustee shall make payments of the Qualified Costs in accordance with the following procedures:

(a) Project Manager. Upon the selection and appointment of the Project Manager, the Settlor shall promptly notify the Trustee of said selection and appointment. The Trustee shall have no duty to inquire into or investigate the continued authority of such person to act as the Project Manager until the Settlor has given the Trustee written notice of the termination of the Project Manager's authority.

(b) Disbursements to Third Parties. The Trustee shall make payments of Qualified Costs to any person (other than the Settlor) for goods provided or labor or other services rendered to the Settlor in connection with the decommissioning of the Kewaunee Plant upon receipt of the Disbursement Certificate.

(c) Reimbursement to the Settlor. The Trustee shall make payments to the Settlor in reimbursement of Qualified Costs actually incurred by the Settlor and paid by the Settlor to any other person upon receipt of a Withdrawal Certificate.

The Trustee shall be under no duty to inquire into the correctness or accuracy of matters contained in a Disbursement Certificate or Withdrawal Certificate unless representatives of the Trustee then approving any withdrawal or disbursement based on such certificate have actual knowledge of the falsity of any statements made therein.

2.2 Additions to Trust Estate. From time to time prior to the termination of this Trust, the Settlor may make, and the Trustee shall accept, additional contributions of money to the Trust Fund to satisfy the purpose of this Trust as set forth in Section 1.2. The making of a contribution by the Settlor shall constitute the certification of the Settlor that the contribution meets the requirements of the PSCW Order, any Future Orders, and the Code, and that all necessary consents and approvals to such contribution have been obtained.

2.3 Subsequent Adjustments. The Trustee and the Settlor understand and agree that the contributions made by the Settlor to the Trust Fund from time to time may exceed the amount permitted

to be paid into the Trust Fund pursuant to Section 468A of the Code and any regulations thereunder based upon changes in estimates, subsequent developments, or any other event or occurrence which could not reasonably have been foreseen by the Settlor at the time such contribution was made (any such excess being hereinafter referred to as an "Excess Contribution"). Upon the written certification of the Settlor, setting forth the amount of the Excess Contribution and that such Excess Contribution is attributable solely to a decrease in the Settlor's cost of service for ratemaking purposes for a taxable year, and upon receipt of the opinion of legal counsel described below, the Trustee shall pay such amount to the Settlor together with any income accrued thereon. Upon the written certification of the Settlor, setting forth the amount of the Excess Contribution and that such Excess Contribution is attributable solely to a decrease in the Settlor's ruling amount, as defined in Section 468A(d)(2) of the Code, and upon receipt of the opinion of legal counsel described below, the Trustee shall pay such amount (together with any income accrued thereon) to the Trustee of the Madison Gas and Electric Company Kewaunee Nuclear Decommissioning Nonqualified Trust Fund created and existing pursuant to an agreement dated January 19, 1988, by and among the Settlor and the Trustee named therein. In any other case, the amount of any Excess Contribution (together with any income accrued thereon) shall be paid to the person or persons specified by the Settlor in a written certification to the Trustee and upon receipt by the Trustee of the opinion of legal counsel described below. In all cases, distributions of any Excess Contribution shall not be made unless Settlor furnishes Trustee with an opinion of legal counsel to the effect that such distribution will not result in disqualification of the Trust Fund from the application of Section 468A of the Code or constitute a violation of the PSCW Order or any Future Order and that all necessary consents and approvals to such distribution have been obtained.

2.4 No Transferability of Interest in the Trust. The interest of the Settlor in the Trust is not transferable, whether voluntarily or involuntarily, by the Settlor nor subject to the claims of creditors of the Settlor; provided, however, that any creditor of the Settlor as to which a Disbursement Certificate has been properly completed and submitted to the Trustee may assert a claim directly against the Trust Fund in an amount not to exceed the amount specified on such Disbursement Certificate and further, not to exceed the amount of the Trust Fund available to pay costs other than amounts then owing the Trustee under Section 3.4 hereof.

2.5 Time of Termination of Trust. This Trust shall terminate upon the earliest to occur of the following events:

(a) The substantial completion of the nuclear decommissioning of the Kewaunee Plant as defined in Section 468A(e)(7) of the Code, any applicable successor provisions, and any regulations thereunder as evidenced to the Trustee by the written certification of Settlor:

(b) The disqualification of the Trust Fund from the application of Section 468A of the Code, whether pursuant to an administrative action on the part of the Service or the decision of any court of competent jurisdiction, but in no event earlier than the date on which all available appeals have been either prosecuted or abandoned and the period of time for making any further appeals has elapsed; or

(c) To the extent provided in regulations promulgated under the authority of Section 468A of the Code, upon the disposition by the Settlor of any interest in the Kewaunee Plant.

2.6 Distribution of Trust Fund Upon Termination. Upon termination of this Trust, the Trustee shall liquidate the assets of the Trust and thereupon distribute the entire remaining Trust Fund, including all accrued, accumulated, and undistributed net income, to the Settlor; provided, however, that no such distribution shall be made unless either (a) an order of the PSCW which specifically authorizes such distribution is in effect, as evidenced to the Trustee by the written certification of Settlor, and which certification specifies further that all necessary consents and approvals to such distribution have been obtained or (b) the Settlor has furnished Trustee with an opinion of counsel to the effect that no such order is necessary to authorize such distribution and that all necessary consents and approvals to such distribution have been obtained; a copy of said opinion shall be delivered to the Secretary of the PSCW by the Settlor 60 days before any such distribution is made.

2.7 Alterations and Amendments. The Trustee and the Settlor understand and agree that modifications or amendments may be required to this Agreement from time to time to effectuate the purposes of this Trust and to comply with the PSCW Order, any Future Orders, changes in tax laws, regulations or rulings (whether published or private) of the Service and any similar state taxing authority, and any other changes in the laws applicable to the Settlor or the Kewaunee Plant. The Settlor and the Trustee may alter or amend this Agreement to the extent necessary or desirable to effectuate such purposes or to comply with such changes. The Secretary of the PSCW shall be notified of all such changes by the Settlor. The Trustee shall have no duty to inquire or make any investigation as to whether any proposed amendment, modification, or alteration is consistent with this Section 2.7, and, in any event, the Trustee may decline to adopt such amendment, modification, or alteration (1) upon the advice of legal counsel for the Trustee or, (2) if such amendment materially increases the expenses or responsibilities of the Trustee and no adequate provision has been made to compensate the Trustee for such increase, or (3) if the Trustee is unable in good faith with reasonable effort, to comply with its amended duties.

2.8 No Authority to Conduct Business. The purpose of this Trust is limited to the matters set forth in Section 1.2 above. This Agreement shall not be construed to confer upon the Trustees any authority to conduct business. The object of this Trust is limited to the matters set forth in Section 1.2, specifically, and there is no objective to carry on any business or divide the gains therefrom.

ARTICLE III. GENERAL PROVISIONS RELATING TO TRUSTEES

The appointment of any successor Trustee, provisions governing resignation and compensation of the Trustee, and the general rules governing the relationships of the Trustee and the Settlor and any interested or third parties are as follows:

3.1 Designation and Qualification of Successor Trustees. The Settlor has appointed a corporate fiduciary having all requisite corporate power and authority to act as the sole original Trustee. At any time during the term of this Trust, the Settlor shall have the right to remove the corporate Trustee acting hereunder and appoint another qualified corporation as a successor trustee upon seven (7) days' notice in writing to the Trustee, or upon such shorter notice as may be acceptable to the Trustee. In the event that any corporate trustee shall (i) become insolvent or admit in writing its insolvency, (ii) be unable to or admit in writing its inability to pay its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) have an involuntary petition in bankruptcy filed against it, (v) commence a case under or otherwise seek to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law, statute, or proceeding, or (vi) resign, the Trustee shall cease to act and the Settlor shall appoint a successor Trustee. Any successor to the Settlor, as provided herein, shall have the same right to remove and to appoint any Trustee.

Any successor Trustee shall qualify by a duly acknowledged acceptance of this Trust, delivered to the Settlor. Upon acceptance of such appointment by the successor Trustee, the Trustee shall assign, transfer, and pay over to such successor Trustee the funds and properties then constituting the Trust Fund. Any successor Trustee shall have all the rights, powers, duties, and obligations herein granted to the original Trustee.

Any successor Trustee shall be under no obligation to inquire into or seek an audit or court approval of the administration or accounts of any predecessor and shall be free of liability for the acts or omissions of such predecessors.

If for any reason the Settlor cannot or does not act in the event of the resignation or removal of the Trustee, as provided above, the Trustee may apply to a court of competent

jurisdiction for the appointment of a successor Trustee. Any expenses incurred by the Trustee in connection therewith shall be deemed to be expenses of administration payable in accordance with Section 4.1 hereof.

The Settlor shall notify the Secretary of the PSCW of any changes of Trustee.

3.2 Exoneration From Bond. No bond or other security shall be exacted or required of any Trustee appointed by this Agreement or pursuant to Section 3.1 in any jurisdiction. Notwithstanding that the Trustee is indemnified against liability by the Settlor to the extent set forth in Section 3.4 below and that the Trustee assumes no obligations or liabilities of any kind to any third parties except for those specifically set forth in this Agreement, the Trustee may, but shall not be obliged to, acquire and pay from the Trust Fund any accident, liability, or other insurance, bonds, etc., that it may deem prudent in the administration of this Trust, including insurance protecting the Trustee itself from liability to third persons or to the Settlor.

3.3 Resignation. The Trustee or any successor Trustee hereof may resign and be discharged as Trustee at any time without prior application to or approval by or order of any court by a duly acknowledged instrument, which shall be delivered to the Settlor and the Secretary of the PSCW by the Trustee not less than thirty (30) days prior to the effective date of the Trustee's resignation unless shorter notice is acceptable to the Settlor or unless it is determined that the Code, the PSCW Order, or any Future Orders would require the Trustee to, within a shorter period, take action or assume responsibility not specifically described in this Agreement which materially increases the expenses or responsibilities of the Trustee and, in addition in the latter case, either no adequate provision has been made to compensate the Trustee for such increase, or the Trustee is unable, in good faith with reasonable effort, to comply with such responsibilities.

3.4 Compensation and Reimbursement. The Trustee shall be entitled to compensation from the Trust Fund at such rates as may be approved in writing from time to time by the Settlor. The Trustee shall be entitled to be reimbursed from the Trust Fund for out-of-pocket expenses, including, but not limited to expenses of agents, auditors, and counsel, incurred in connection with the administration of this Trust. Such compensation or reimbursement determined to be not a proper charge to the Trust Fund shall be the obligation of the Settlor. The Settlor agrees to indemnify the Trustee for, and to hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on the Trustee's part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers

or duties hereunder, and also including any tax incurred as a result of the Trustee's engaging in a transaction constituting "self-dealing" within the meaning of Sections 468A and 4951 of the Code except transactions in which the other party is the Trustee or an affiliate of the Trustee of the type described in such Code sections. Notwithstanding anything to the contrary, neither the Settlor nor the Trust Fund shall be required to indemnify or hold harmless the Trustee for legal fees or other litigation expenses arising out of a dispute, controversy, claim, or lawsuit to the extent they result from the Trustee or the Settlor seeking to enforce the performance by the other of its duties hereunder.

3.5 Rules of Trust. The Trustee and the Committee shall determine the rules by which they shall perform their respective duties.

3.6 Transactions With Third Parties. No person or organization dealing with the Trustee hereunder shall be required to inquire into or to investigate its authority for entering into any transaction or to see to the application of the proceeds of any such transaction.

3.7 Financial Statements. The Trustee shall present financial statements to the Settlor on a monthly basis, or at such other less frequent interval as the Committee shall from time to time require. The financial statements shall show the financial condition of the Trust Fund, including, without limitation, income and expenses of the Trust for the period since the preceding statement. Once each year, the financial statements shall be audited by independent certified public accountants employed by the Trustee, subject to the limitations contained in Section 4.8. The Trustee shall mail or deliver such audited financial statements to the Settlor.

3.8 Tax Returns and Other Reports. The Trustee shall prepare or cause to be prepared such income or franchise tax returns or other reports as are directed by the Settlor and which may be required from time to time. The Trustee shall provide to the Settlor all statements, documents, lists, or other information reasonably requested by the Settlor. The Trustee shall also sign all such returns and reports which require the Trustee's signature and at the Settlor's direction file them or cause them to be filed with the appropriate government agencies or authorities.

3.9 Liability. The Trustee shall not be liable for any acts, omissions, or defaults of any agent (other than its officers and employees) or depository appointed or selected with reasonable care. If the Trustee employs an agent or depository, specifically for purposes of providing services related to the Trust Fund, and other than a securities broker, the Trustee shall disclose to such agent or depository that it is employed on behalf of the Trust Fund. Subject to Section 3.13(b) hereof, the Trustee shall be liable for such Trustee's own acts or omissions (and those of its

officers and employees) occasioned by the willful misconduct or negligence of such Trustee (and that of its officers and employees).

Notwithstanding the foregoing limitation on the Trustee's liability, the Trustee (and not the Trust) shall be liable for any tax imposed pursuant to Section 4951 of the Code, as such section is made applicable to the Trust, the Trust Fund, or the Trustee, and any applicable successor provision.

3.10 Future Orders. The Settlor shall promptly advise the Trustee in writing of the existence of any Future Orders having the effect of imposing new or different responsibilities upon the Trustee under this Agreement.

3.11 Appointment of Investment Adviser. The Committee shall have the right from time to time to appoint and remove one or more Investment Advisers and to direct the segregation of any part or all of the Trust Fund into one or more accounts, to be known as "investment adviser accounts" and if it does so, it shall appoint an individual, partnership, association, or corporation as Investment Adviser to manage the portion of the Trust Fund so segregated. Written notice of any such appointment and/or removal shall be given to the Trustee and the Investment Adviser so appointed. The appointment shall be accomplished using an investment adviser agreement signed by Settlor and the Investment Adviser and acknowledged by the Trustee. Furnishing an executed counterpart of such an Agreement to all parties shall constitute adequate written notice of appointment. As long as the Investment Adviser is acting, the Investment Adviser shall have full authority to direct the Trustee with respect to the acquisition, retention, management and disposition of the assets from time to time comprising the investment adviser account being managed by the Investment Adviser and the voting of the proxies thereon, and the Trustee shall have no duty or obligation to review the assets from time to time comprising such investment adviser account, to make any recommendations with respect to the investment, reinvestment, or retention thereof, nor with respect to the voting of proxies thereon, nor to determine whether any direction from the Investment Adviser is proper or within the terms of this Agreement.

The Trustee shall have no liability or responsibility to the Settlor or the Trust for acting on the direction of, or for failure to act in the absence of directions from, the Investment Adviser for any investment adviser account. The Trustee may assume that any investment adviser account previously established and the appointment of any Investment Adviser for that account continues in force until receipt of written notice to the contrary from the Settlor. Pending receipt of directions from the Investment Adviser, any cash received by the Trustee from time to time for any investment adviser account may be retained by the Trustee, in its discretion, in cash for not more than three (3) banking days, without any liability for interest. In addition, the

Settlor will indemnify the Trustee and hold it harmless from any liability or expense in connection with or arising out of (i) any action taken or omitted or any investment or disbursement of any part of the investment adviser account made by the Trustee at the direction of the Investment Adviser or any inaction with respect to the investment adviser account in the absence of directions from the Investment Adviser, or (ii) any action taken by the Trustee pursuant to a notification of an order to purchase or sell securities issued by an Investment Adviser directly to a broker or dealer under a power of attorney.

3.12 Notification of Maturities, Etc. Upon receipt of information from an issuer or other source regarding maturities, calls, redemptions, purchase offers, stock dividends, or other events or impending changes affecting Trust Fund assets, Trustee will exercise its best efforts to notify the Investment Adviser.

3.13 Certain Duties and Responsibilities of the Trustee.

(a) In the absence of bad faith on its part, the Trustee may conclusively rely upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Agreement; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement.

(b) No provision of this Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

1. this Subsection shall not be construed to limit the effect of Subsection (a) of this section;

2. the Trustee shall not be liable for any error of judgment made in good faith by a responsible officer of Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts or was otherwise negligent in making the judgment;

3. no provision of this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnify against such risk or liability is not reasonably assured to it.

(c) Whether or not therein expressly so provided, every provision of this Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this section.

3.14 Certain Rights of Trustee. Except as otherwise provided in Section 3.13 hereof;

(a) Any request or direction of the Settlor mentioned herein shall be sufficiently evidenced by a written request or direction signed, prepared or furnished by an authorized representative of Settlor or a verbal or telephonic request or order confirmed within a reasonable time by such a written request or direction, and any action of the board of directors of Settlor may be sufficiently evidenced by a certificate of the Settlor's secretary or assistant secretary;

(b) Whenever in the administration of this Agreement the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon the certificate of an authorized representative of Settlor;

(c) The Trustee may consult with counsel and the written advice of such counsel or any opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(d) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of the Settlor pursuant to this Agreement, unless such Settlor shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(e) In any case where the Settlor has the right to select counsel, auditors, or other agents or depositories the Trustee shall be under no obligation to inquire into such selection or the qualifications of the persons so selected.

ARTICLE IV. TRUSTEE'S POWERS

The Trustee shall have, with respect to the Trust Fund, the following powers, all of which powers are fiduciary powers to be exercised in a fiduciary capacity and in the best interests of this Trust and the beneficiaries thereof, and which are to be exercised as the Trustee, acting in such fiduciary capacity, in its discretion, shall determine, except that the Trustee shall not act in its discretion but only at the direction of an appointed Investment Adviser in the exercise of those powers given in Sections 4.2, 4.3, 4.4, 4.5, and 4.11 with respect to the acquisition, retention, management, and disposition of the assets of an investment adviser account, and, except as otherwise provided, which are intended in no way to limit the general powers of the office, namely:

4.1 Payment of Expenses of Administration. To incur and pay any and all charges, taxes, and expenses upon or connected with this Trust or the Trust Fund in the discharge of its fiduciary obligations under this Agreement, but to charge said amounts to the Trust Fund only to the extent that such amounts are directed to be paid from the Trust Fund by the Settlor or may be incurred and paid from the Trust Fund without causing the Trust Fund to become disqualified from the application of Section 468A of the Code or any applicable successor provisions.

4.2 Preservation of Principal. Subject to Section 4.3, to at all times hold, manage, and invest the assets of the Trust in a manner designed to prudently maximize and preserve the income and principal of this Trust for the purposes of this Trust.

4.3 Investment of Trust Estate. Pending use of the Trust Fund for the purposes of this Trust, to invest and reinvest all or any part of the Trust Fund, including any undistributed income therefrom; provided, however, that no such investment or reinvestment may be made by the Trustee:

(a) In any investments not permitted under Sections 501(c)(21)(B)(ii) and 468A(e)(4)(C) of the Code, the regulations thereunder, and any applicable successor provisions;

(b) In any bank, savings and loan association, or other financial institution whose deposits are not insured by the Federal Deposit Insurance Corporation, the Federal Savings & Loan Insurance Corporation, or other comparable federal or state agency; or

(c) Which would contravene any Future Order in effect at the time such investment or reinvestment is made and previously furnished to the Trustee with reference to the Trust.

Any investment or reinvestment made by the Trustee at the direction of the Settlor or an Investment Adviser may be presumed by the Trustee to comply with (a), (b), and (c), above. Notwithstanding any duty the Trustee may have to invest funds in income producing assets, if, within three (3) days after the Trustee's written request of the Settlor the Settlor has not furnished a description of one or more types of investments which comply with (a), (b), and (c), above then the Trustee may hold funds in cash until such a description is furnished.

In all cases, however, the total investments must be sufficiently liquid to enable the Trust to fulfill the purposes of the Trust and to satisfy obligations as they become due as communicated to Trustee by Settlor. Nothing in this Section 4.3 shall be construed as authorizing the Trustee to carry on any business or to divide the gains therefrom. The sole purpose of this Section 4.3 is to authorize the investment of the Trust Fund (or any part thereof), as may be prudent pending use of the Trust Fund for the purposes of this Trust.

In addition to the foregoing, if at any time an Investment Adviser has not been effectively appointed for any part of the Trust Fund, then the Trustee, at its option may exercise the same rights and powers with regard to such part, subject to the direction of the Settlor, as an Investment Adviser would exercise if an Investment Adviser had been effectively appointed. Such rights and powers will be determined by reference to any investment adviser agreement then in effect or, if none, to the one most recently in effect.

4.4 Management of Trust Estate. Without any business objective, and as may be incidental or advisable in connection with the purposes of this Trust as set forth in Section 1.2, to sell, exchange, partition, or otherwise dispose of all or any part of the Trust Fund at public or private sale, without prior application to or approval by or order of any court, upon such terms and in such manner and at such prices as the Trustee shall determine; to modify, renew, or extend mortgages, bonds, notes, or other obligations or any installment of principal thereof or any interest due thereon and to waive any defaults in the performance of the terms and conditions thereof; and to execute and deliver any and all bills of sale, assignments, bonds, or other instruments in connection with these powers, all at such times, in such manner and upon such terms and conditions as they may deem expedient. The Trustee's determinations of manner of sales, terms, prices, and the exercise of other powers granted herein, if reasonably made, are not to be questioned. No person dealing with the Trustee shall be bound to review, analyze, or investigate the application of any consideration or proceeds of sales.

Notwithstanding anything contained in this Agreement to the contrary, the Trustee may not unless directed by or consented to by the Settlor after disclosure to the Settlor authorize or

carry out any sale, exchange, or other transaction between the Trust Fund and the Trustee or any affiliate of Trustee of the kind described in Code Section 4951(e)(4) except the payment of compensation and expenses pursuant to Section 3.4 hereof and the investment in bank accounts pursuant to Section 4.3(a) hereof or unless such transaction is not an act of "self-dealing" within the meaning of Section 4951 of the Code, as such section is made applicable to the Trust by Section 468A(e)(5) of the Code, any regulations thereunder, and any applicable successor provision. Trustee shall not cause the Trust Fund to engage in any act of self-dealing with Settlor or any such affiliate of Settlor unless Settlor directs the Trustee to take such action. In that regard Settlor agrees to furnish the Trustee with the identity of all persons who are "disqualified persons" within the meaning of said Section 4951 by reason of their affiliation with the Settlor.

4.5 Extension of Obligations and Negotiation of Claims.

Subject to the limitations contained in Sections 4.3 (regarding prohibited investments) and 4.4 (regarding self-dealing), to renew or extend the time of payment of any obligation, secured or unsecured, payable to or by this Trust, for as long a period or periods of time and on such terms as they shall determine; and to adjust, settle, compromise, and arbitrate claims or demands in favor of or against this Trust, including claims for taxes, upon such terms as they deem advisable.

4.6 Registration of Securities. To hold any stocks, bonds, securities, and/or other property in the name of a nominee, in a street name, or by other title-holding device, without indication of trust.

4.7 Location of Assets. To keep any property belonging to the Trust Fund at any place in the United States.

4.8 Retention and Removal of Professional Services. To employ attorneys, accountants, and custodians as it shall deem advisable and to make such payments thereof as it shall deem reasonable for the implementation of the purposes of this Trust. The Trustee shall have the absolute right to dismiss any such agent, employee, or professional for any reason or for no reason.

Notwithstanding anything to the contrary contained in the foregoing paragraph: (a) the Trustee shall employ the firm of attorneys in good faith selected by the Settlor or otherwise acting as the principal legal counsel of the Settlor; provided, however, that the Trustee shall not be obligated to employ such legal counsel with respect to any actual or threatened lawsuit, controversy, or other proceeding or issue in which the interests of the Trustee and the Settlor are adverse to each other; and (b) the Trustee's selection of an accounting firm shall be subject to the prior consent of the Settlor, which consent shall not be unreasonably withheld.

4.9 Delegation of Ministerial Powers. To delegate to other persons such ministerial powers and duties as they may deem to be advisable.

4.10 Powers of Trustee to Continue Until Final Distribution. To exercise any of such powers after the date on which the principal and income of the Trust Fund shall have become distributable and until such time as the entire principal of, and income from, the Trust Fund shall have been actually distributed by the Trustee. It is intended that distribution of the Trust Fund will occur as soon as possible upon termination of the Trust, subject, however, to the limitations contained in Sections 2.5 and 2.6.

4.11 Discretion in Exercise of Powers. To do any and all other acts which they shall deem proper to effectuate the powers specifically conferred upon them by this Trust Agreement, provided, however, that this section shall not authorize the Trustee to do any act or participate in any transaction which would:

(a) Disqualify the Trust Fund from the application of Section 468A of the Code;

(b) Contravene any provision of this Agreement; or

(c) Violate the terms and conditions of the PSCW Order, any Future Order, or any other law, regulation, or ruling applicable to the Trust, the Settlor, or the Trustee.

ARTICLE V. MISCELLANEOUS PROVISIONS

Miscellaneous provisions applicable to this Agreement are as follows:

5.1 Headings. The section headings set forth in this Agreement and the Table of Contents are inserted for convenience of reference only and shall be disregarded in the construction or interpretation of any of the provisions of this Agreement.

5.2 Particular Words. Any word contained in the text of this Agreement shall be read as the singular or plural and as the masculine, feminine, or neuter gender as may be applicable or permissible in the particular context. Unless otherwise specifically stated, the word "person" shall be taken to mean and include an individual, partnership, association, trust, company, or corporation.

5.3 Severability of Provisions. If any provision of this Agreement or its application to any person or entity or in any circumstances shall be invalid and unenforceable, the application of such provision to persons and in circumstances other

than those as to which it is invalid or unenforceable and the other provisions of this Agreement, shall not be affected by such invalidity or unenforceability.

5.4 Form and Content of Communications. The names of the members of the Committee and of any person authorized to act on its behalf shall be certified, with the specimen signature of such person, to the Trustee by the Settlor. Until appropriate written evidence to the contrary is received by the Trustee, it shall be fully protected in relying upon and acting in accordance with any written notice, instruction, direction, certificate, resolution, or other communication believed by it to be genuine and to be signed and/or certified and/or presented by any proper person, and the Trustee shall be under no duty to make any investigation or inquiry as to the facts or matters contained therein but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it sees fit. Until notified in writing to the contrary, the Trustee shall have the right to assume that there has been no change in the identity or authority of any person previously certified to it hereunder.

5.5 Delivery of Notices Under Agreement. Any notice required by this Agreement to be given to the Settlor or the Trustee shall be deemed to have been properly given when mailed, postage prepaid, by registered or certified mail. Notice to the Settlor shall be given to any authorized member of the Committee as set forth by the Settlor at the time of making its contributions. The Settlor may change that address by delivering notice thereof in writing to the Trustee. Any notice required by this Agreement to be delivered to any other person or entity shall be deemed to have been properly delivered when mailed, postage prepaid, by registered or certified mail, to the person to be notified at the last known address of such person or entity, according to the records of the one giving the notice.

5.6 Successors and Assigns. Subject to the provisions of Sections 2.4 and 3.1, this Agreement shall be binding upon and inure to the benefit of the Settlor, the Trustees, and their respective successors, assigns, personal representatives, executors, and heirs.

5.7 Counterparts of Agreement. This Agreement has been executed for the convenience of the parties hereto in counterparts, any one of which for all purposes shall be deemed to have the status of an executed original.

5.8 Governing Jurisdiction. This Trust is a Wisconsin trust and all questions pertaining to its validity, construction, and administration shall be determined in accordance with the laws thereof.

5.9 Miscellaneous. The Trust shall operate on an accounting year which coincides with the calendar year, January 1 through December 31.

5.10 Disbursement/Withdrawal Certificate. No provision of this Agreement shall be construed or applied so as to require the preparation of a Disbursement Certificate or a Withdrawal Certificate to authorize the payment of compensation to the Trustee under Section 3.4 or the expenses of administration under Section 4.1 hereof.

IN WITNESS WHEREOF, the undersigned, as Settlor, and the undersigned, as Trustee, have as of the day and year first above written, set their hands and seals to this Agreement, consisting of a Title Page; a Table of Contents; an Introduction; Article I, Definitions, Purpose and Name; Article II, Dispositive Provisions; Article III, General Provisions Relating to Trustees; Article IV, Trustee's Powers; Article V, Miscellaneous Provisions; Exhibits A and B annexed hereto; and Acknowledgments.

MADISON GAS AND ELECTRIC COMPANY

By *Donald J. Helfrecht*
Donald J. Helfrecht
Chairman and Chief Executive Officer

Attest *Dale W. St. John*
Dale W. St. John
Secretary and Director -
Risk Management

FIRST WISCONSIN NATIONAL BANK
OF MADISON

By *Frederik W. Jensen*
Frederik W. Jensen
Vice President and Trust Officer

Attest *Robert L. Webster*
Robert L. Webster
Vice President

STATE OF WISCONSIN)
COUNTY OF Dane) ss

I, Gary J Walter, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Donald J Hellock and Vale W St John, who are personally known to me to be the persons who executed the foregoing and annexed Trust, personally appeared before me in the aforesaid jurisdiction, and as Chairman of CEC and Secretary and Director, of Risk Management, of Madison Gas and Electric Company, and by virtue of the power and authority in them vested, acknowledged the same to be the act and deed of Madison Gas and Electric Company and they executed the same as such.

Given under my hand and seal this 19th day of January, 1988.

Gary J Walter
Notary Public, State of Wisconsin
My commission: is permanent

STATE OF WISCONSIN)
COUNTY OF Dane) ss

I, Jami McNamee a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Frank W. Jensen and Robert L. Webster who are personally known to me to be the persons who executed the foregoing and annexed Trust, personally appeared before me in the aforesaid jurisdiction, and as Vice President and Vice President of First Wisconsin National Bank of Madison, and by virtue of the power and authority in them vested, acknowledged the same to be the act and deed of First Wisconsin National Bank of Madison, and they executed the same as such.

Given under my hand and seal this 19th day of January, 1988.

Jami McNamee
Notary Public, State of Wisconsin
My commission: 12/2/91

EXHIBIT A

DISBURSEMENT CERTIFICATE

The undersigned, duly authorized officers of Madison Gas and Electric Company, a Wisconsin corporation (the "Settlor") and _____, a _____ corporation (the "Project Manager"), and, in such capacity, being authorized and empowered Trustee of the Madison Gas and Electric Company Kewaunee Nuclear Decommissioning Trust Fund, pursuant to Section 2.1 of that certain Trust Agreement, dated as of _____, 1988, between the Trustee and the Settlor (the "Agreement") all capitalized terms used below, but not being expressly defined, having the same meanings given to such terms in the Agreement) as follows:

(1) There is due and owing to each Payee ("Payees") [all] or [a portion of] the invoiced cost to the Settlor for goods or services provided in connection with the decommissioning of the Kewaunee Plant as evidenced by the Invoice Schedule (with supporting exhibits) attached as Exhibit 1 hereto;

(2) All such amounts due and owing to the Payees constitute Qualified Costs; and

(3) All conditions precedent to the making of this withdrawal and disbursement set forth in any agreement between such Payee and the Settlor have been fulfilled.

(4) No Payee is a "disqualified person" within the meaning of Sections 468A and 4951 of the Code by reason of an affiliation with Settlor or, if any are, then the payment constitutes compensation or payment or reimbursement of expenses which are reasonable and necessary to carry out the purpose of the Trust and is not excessive.

(5) The payment of the amounts owing has been approved by the PSCW, which approval is currently in effect, and meets the requirements of the PSCW Order, any Future Orders, and the Code, and all necessary consents and approvals for such payment have been obtained.

Accordingly, you are directed to permit the withdrawal of \$ _____ from the Trust Fund in order to permit payment of such sum to be made to Payees for such purpose. You are further directed to disburse such sum, once withdrawn, directly to such Payees in the following manner: [DESCRIBE: JOINT PAYEE CHECK, WIRE TRANSFER, ETC.] on or before _____, 19__.

Although you are under no obligation to make any further inquiry or investigation or to obtain any further documentation,

it is understood that you may, in your discretion, elect to withhold any such disbursement to any Payee unless and until you receive written releases, in form satisfactory to you, of any liens, security interests, or claims of such Payee against the Settlor or its property as you may, in your discretion, require.

WITNESSES my hand this _____ day of _____, 1988.

[PROJECT MANAGER]

By _____
Duly Authorized Officer

MADISON GAS AND ELECTRIC COMPANY

By _____
Duly Authorized Officer

EXHIBIT B

WITHDRAWAL CERTIFICATE

The undersigned, duly authorized officers of Madison Gas and Electric Company, a Wisconsin corporation (the "Settlor") and _____, a _____ corporation (the "Project Manager") and, in such capacity, being duly authorized and empowered to execute and deliver this certificate, hereby certify to the Trustee of the Madison Gas and Electric Company Kewaunee Nuclear Decommissioning Trust Fund, pursuant to Section 2.1 of that certain Trust Agreement, dated as of _____, 1988, between the Trustee and the Settlor (the "Agreement"; all capitalized terms used below, but not being expressly defined, having the same meanings given to such terms in the Agreement) as follows:

(1) There is due and owing to each Payee ("Payees") [all] or [a portion of] the invoiced cost to the Settlor for goods or services provided in connection with the decommissioning of the Kewaunee Plant as evidenced by the Invoice Schedule (with supporting exhibits) attached as Exhibit 1 hereto;

(2) All such amounts due and owing to the Payees constitute Qualified Costs;

(3) All conditions precedent to the making of this withdrawal and disbursement set forth in any agreement between such Payee and the Settlor have been fulfilled.

(4) No Payee is a "disqualified person" within the meaning of Sections 468A and 4951 of the Code by reason of an affiliation with Settlor or, if any are, then the payment constitutes compensation or payment or reimbursement of expenses which are reasonable and necessary to carry out the purpose of the Trust and is not excessive.

(5) The payment of the amounts owing has been approved by the PSCW, which approval is currently in effect, and meets the requirements of the PSCW Order, any Future Orders, and the Code, and all necessary consents and approvals for such payment have been obtained.

Accordingly, you are directed to permit the withdrawal of \$ _____ from the Trust Fund in order to permit payment of such sum to be made to Payees for such purpose. You are further directed to disburse such sum, once withdrawn, directly to such Payees in the following manner: [DESCRIBE: JOINT PAYEE CHECK, WIRE TRANSFER, ETC.] on or before _____, 1988.

Although you are under no obligation to make any further inquiry or investigation, or to obtain any further documentation, it is understood that you may, in your discretion, elect to withhold any such disbursement to the Settlor unless and until you receive written releases, in form satisfactory to you, of any liens, security interests or claims of the Payee as to which such disbursement is being made against the Settlor of its property as you may, in your discretion, require.

WITNESSES my hand this _____ day of _____,
1988.

[PROJECT MANAGER]

By _____
Duly Authorized Officer

MADISON GAS AND ELECTRIC COMPANY

By _____
Duly Authorized Officer

WISCONSIN POWER AND LIGHT COMPANY
KEWAUNEE NUCLEAR
DECOMMISSIONING QUALIFIED TRUST FUND

Dated: November 11, 1987

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TRUST AGREEMENT

An AGREEMENT, made this 11th day of November, 1987, by and among Wisconsin Power and Light Company, a Wisconsin corporation (the "Settlor"), and Marshall & Selsley Company, a Wisconsin corporation having trust powers (hereinafter, together with any successors in office, called the "Trustee").

WHEREAS, the Settlor is the owner of an undivided forty-one percent (41%) interest in the Kewaunee nuclear power plant (the "Kewaunee Plant");

WHEREAS, the Settlor is subject to regulation by the Public Service Commission of Wisconsin, an agency of the State of Wisconsin created and existing pursuant to Wis. Stat. §15.79 ("PSC"), the Federal Energy Regulatory Commission ("FERC"), and the Nuclear Regulatory Commission ("NRC"), agencies of the United States government created and existing pursuant to 42 USC §§7134 and 7171 and 42 USC §5841 respectively.

WHEREAS, as the result of changes made to the Internal Revenue Code of 1954, as amended, 26 USC §1 et. seq. (the "Code") by the Tax Reform Act of 1984, Pub.L.No. 98-369, certain income tax benefits are available to the Settlor by creating and funding a nuclear decommissioning reserve fund;

NOW, THEREFORE, the Settlor hereby delivers to the Trustee and the Trustee hereby acknowledge receipt of funds in the amount of \$7,431,524⁰⁰;

TO HAVE AND TO HOLD, such funds and such additional funds as may from time to time be added thereto as provided herein, together with the proceeds and reinvestments thereof (hereinafter collectively called the "Trust Fund") unto the Trustee;

IN TRUST NEVERTHELESS, for the uses and purposes and upon the terms and conditions hereinafter set forth:

1. DEFINITIONS, PURPOSE AND NAME

a. **Definitions.** As used in this Agreement, the following terms shall have the following meanings (such definitions to be equally applicable to both the singular and plural forms of the terms defined, and to the masculine, feminine, or neuter gender as the particular context requires):

"Agreement" and the terms "hereof", "herein", "hereto" and "hereunder", when used in this Trust Agreement, shall mean and include this Trust Agreement as the same may from time to time be amended, modified, or supplemented.

"Code" shall have the meaning set forth in the fourth paragraph of this Agreement.

"Committee" shall mean a committee of not more than three individuals established and appointed in the manner prescribed by the Board of Directors of the Settlor, to which such Board has delegated the function of monitoring and evaluating the performance of the Trustee pursuant to and in accordance with the duties, responsibilities, powers and rights granted to such committee by such Board for the purpose of determining from time to time whether the Trustee should be retained or replaced.

"Disbursement Certificate" shall mean a document properly completed and executed by the Project Manager substantially in the form of Exhibit A hereto.

"Excess Contribution" shall have the meaning set forth in Section 2.c. hereof.

"FERC" shall have the meaning set forth in the third paragraph of this Agreement.

"Future Orders" shall mean any orders (other than the PSC Order) of the PSC, FERC, IRS, or NRC issued in connection with the decommissioning of the Kewaunee Plant.

"Kewaunee Plant" shall have the meaning set forth in the second paragraph of the Agreement.

"NRC" shall have the meaning set forth in the third paragraph of this Agreement.

"PSC" shall have the meaning set forth in the third paragraph of this Agreement.

"PSC Order" shall mean the Findings of Fact, Conclusions of Law and Amended Order of the PSC dated December 5, 1985 in connection with Docket No. 05-EI-14.

"Project Manager" shall mean the person or entity who shall exercise general supervision and control of the process of decommissioning the Kewaunee Plant. Such person may, but is not required to, be an employee of the Settlor or of another owner of an interest in the Kewaunee Plant.

"Qualified Costs" shall mean the Settlor's allocable share of costs incurred in the decommissioning of the Kewaunee Plant, to the extent that such costs may be paid out of the Trust Fund pursuant to Section 468A of the Code, and any regulations or rulings of the Service issued thereunder.

"Service" shall mean the Internal Revenue Service.

"Settlor" shall have the meaning set forth in the introductory paragraph of this Agreement.

"Trust" shall mean the interest of the Trustee in the Trust Fund created and existing pursuant to the terms of this Agreement.

"Trustee" shall have the meaning set forth in the introductory paragraph of this Agreement.

"Trust Fund" shall have the meaning set forth in the sixth paragraph of this Agreement.

"Withdrawal Certificate" shall mean a document properly completed and executed by the Settlor and the Project Manager substantially in the form of Exhibit B hereto.

b. **Trust Fund Purposes.** The purpose of this Trust is to provide available funds for the decommissioning of the Kewaunee Plant, to comply with the PSC Order, to constitute a nuclear decommissioning reserve fund within the meaning of Section 468A of the Code, any applicable successor provision and the regulations thereunder, and to comply with any Future Orders.

c. **Name of Trust.** The funds received by the Trustee from the Settlor (together with any additional funds contributed by the Settlor and the proceeds and reinvestments thereof) shall be known as the "Wisconsin Power and Light Company Kewaunee Nuclear Decommissioning Qualified Trust Fund."

2. **DISPOSITIVE PROVISIONS.** The Trustee shall manage, invest and reinvest and, after payment of the expenses described in Section 4.a. hereof, distribute the Trust Fund as follows:

a. **Payment of Nuclear Decommissioning Costs.** The Trustee shall make payments of the Qualified Costs in accordance with the following procedures:

1) **Project Manager.** The Settlor shall promptly notify the Trustee of the selection and appointment of the Project Manager. The Trustee shall have no duty to inquire into or investigate the continued authority of such person to act as the Project Manager until the Settlor has given the Trustee written notice of the termination of the Project Manager's authority.

2) **Disbursements to Third Parties.** The Trustee shall make payments of Qualified Costs to any person (other than the Settlor) for goods provided or labor or other services rendered to the Settlor in connection with the decommissioning of the Kewaunee Plant upon receipt of a Disbursement Certificate.

3) **Reimbursement to the Settlor.** The Trustee shall make payments to the Settlor in reimbursement of Qualified Costs or Federal and State Income Taxes actually incurred by the Settlor and paid by the Settlor to any other person upon receipt of a Withdrawal Certificate.

Notwithstanding the foregoing, no payment may be made by the Trustee without the prior approval of the PSC.

b. **Additions to Trust Estate.** From time to time prior to the termination of this Trust, the Settlor may make, and the Trustee shall accept, additional contributions of money to the Trust Fund to satisfy the purpose of this Trust as set forth in Section 1.b.

c. **Subsequent Adjustments.** The Trustee and the Settlor understand and agree that the contributions made by the Settlor to the Trust Fund from time to time may exceed the amount permitted to be paid into the Trust Fund pursuant to Section 468A of the Code and any regulations thereunder based upon changes in estimates, subsequent developments, or any other event or occurrence which could not reasonably have been foreseen by the Settlor at the time such contribution was made (any such excess being hereinafter referred to as an "Excess Contribution"). Upon the written certification of the Settlor, setting forth the amount of the Excess Contribution and that such Excess Contribution is attributable solely to a decrease in the Settlor's cost of service for ratemaking purposes for a taxable year, the Trustees shall pay such amount to the Settlor together with any income accrued thereon. Upon the written certification of the Settlor, setting forth the amount of

the Excess Contribution and that such Excess Contribution is attributable solely to a decrease in the Settlor's ruling amount, as defined in Section 468A(d)(2) of the Code, the Trustee shall pay such amount (together with any income accrued thereon) to the Trustee of the Wisconsin Power and Light Company Kewaunee Nuclear Decommissioning Nonqualified Trust Fund created and existing pursuant to an agreement dated November 11, 1987 by and among the Settlor and the trustee named therein. In any other case, the amount of any Excess Contribution (together with any income accrued thereon) shall be paid to the person or persons specified by the Settlor in a written certification to the Trustee. In all cases, distributions of any Excess Contribution shall not be made unless, in the opinion of legal counsel to the Settlor, such distribution will not result in disqualification of the Trust Fund from the application of section 468A of the Code or constitute a violation of the PSC Order or any Future Order.

d. **No Transferability of Interest in the Trust.** The interest of the Settlor in the Trust is not transferable, whether voluntarily or involuntarily, by the Settlor nor subject to the claims of creditors of the Settlor; provided, however, that any creditor of the Settlor as to which a Disbursement Certificate has been properly completed and submitted to the Trustee may assert a claim directly against the Trust Fund in an amount not to exceed the amount specified on such Certificate.

e. **Time of Termination of Trust.** This Trust shall terminate upon the earliest to occur of the following events:

1) The substantial completion of the nuclear decommissioning of the Kewaunee Plant, as defined in Section 468(e)(7) of the Code, any applicable successor provisions, and any regulations thereunder;

2) The disqualification of the Trust Fund from the application of Section 468A of the Code, whether pursuant to an administrative action on the part of the Service or the decision of any court of competent jurisdiction, but in no event earlier than the date on which all available appeals have been either prosecuted or abandoned and the period of time for making any further appeals has elapsed; or

3) To the extent provided in regulations promulgated under the authority of Section 468A of the Code, upon the disposition by the Settlor of any interest in the Kewaunee Plant.

f. **Distribution of Trust Fund upon Termination.** Upon termination of this Trust, the Trustee shall liquidate the assets of the Trust and thereupon distribute the entire remaining Trust Fund, including all accrued, accumulated and undistributed net income, to the Settlor; provided, however, that no such distribution shall be made unless either (a) an order of the PSC has been issued which specifically authorizes such distribution or (b) the Trustee has received an opinion of counsel to the Settlor to the effect that no such order is necessary to authorize such distribution; a copy of said opinion shall be delivered to the Secretary of the PSCW by the Settlor sixty (60) days before any such distribution is made.

g. **Alterations and Amendments.** The Trustee and the Settlor understand and agree that modifications or amendments may be required to this Agreement from time to time to effectuate the purposes of this Trust and to comply with any Future

Orders, changes in tax laws, regulations or rulings (whether published or private) of the Service and any similar state taxing authority, and any other changes in the laws applicable to the Settlor or the Kewaunee Plant. The Settlor and the Trustee may alter or amend this Agreement to the extent necessary or desirable to effectuate such purposes or to comply with such changes. The Trustee shall have no duty to inquire or make any investigation as to whether any proposed amendment, modification or alteration is consistent with this Section 2.g. but the Trustee may decline to adopt such amendment, modification, or alteration upon the advice of legal counsel for the Trustee.

h. **No Authority to Conduct Business.** The purpose of this Trust is limited to the matters set forth in Section 1.b. above. This Agreement shall not be construed to confer upon the Trustees any authority to conduct business.

3. **TRUSTEES.** The appointment of any successor Trustee, provisions governing resignation and compensation of the Trustee, and the general rules governing the relationship of the Trustee and any interested or third parties are as follows:

a. **Designation and Qualification of Successor Trustees.** The Settlor has appointed a corporate fiduciary having all requisite corporate power and authority to act as the sole and original Trustee. At any time during the term of this Trust, the Settlor shall have the right to remove the Corporate Trustee acting hereunder and appoint another qualified corporation as a successor Trustee upon thirty (30) days' notice in writing to the Trustee, or upon such shorter notice as may be acceptable to the Trustee. In the event that any corporate trustee shall (i) become insolvent or admit in writing its insolvency, (ii) be unable or admit in writing its inability to pay its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) have an involuntary petition in bankruptcy filed against it, (v) commence a case under or otherwise seek to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law, statute, or proceeding, or (vi) resign, the Trustee shall cease to act and the Settlor shall appoint a successor Trustee. In the event of any such removal or resignation, the Trustee shall have the right to have its accounts settled as provided in Section 3.g. hereof. Any successor to the Settlor, as provided herein, shall have the same right to remove and to appoint any Trustee.

Any successor Trustee shall qualify by a duly acknowledged acceptance of this Trust, delivered to the Settlor. Upon acceptance of such appointment by the successor Trustee, the Trustee shall assign, transfer and pay over to such successor Trustee the funds and properties then constituting the Trust Fund. Any successor Trustee shall have all the rights, powers, duties and obligations herein granted to the original Trustee.

If for any reason the Settlor cannot or does not act in the event of the resignation or removal of the Trustee, as provided above, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee. Any expenses incurred by the Trustee in connection therewith shall be deemed to be an expense of administration payable in accordance with Section 4.a. hereof.

b. **Exoneration From Bond.** No bond or other security shall be exacted or required of any Trustee appointed by this Agreement or pursuant to Section 3.a. in any jurisdiction. The Trustee may acquire and pay from the Trust Fund any accident, liability, or other insurance, bonds, etc., that it may deem prudent in the

administration of this Trust, including insurance protecting the Trustee itself from liability to third persons or to the Settlor.

c. **Resignation.** The Trustee or any successor Trustee hereof may resign and be discharged as Trustee at any time without prior application to or approval by or order of any court by a duly acknowledged instrument, which shall be delivered to the Settlor by the Trustee not less than thirty (30) days prior to the effective date of the Trustee's resignation or upon such shorter notice as may be acceptable to the Committee.

d. **Compensation.** The Trustee shall be entitled to compensation from the Trust Fund at such rates as may be approved in writing from time to time by the Settlor. The Trustee shall be entitled to be reimbursed from the Trust Fund for out-of-pocket expenses incurred in connection with the administration of this Trust.

e. **Rules of Trust.** The Trustee and the Committee shall determine the rules by which they shall perform their respective duties.

f. **Transactions with Third Parties.** No person or organization dealing with the Trustee hereunder shall be required to inquire into or to investigate its authority for entering into any transaction or to see to the application of the proceeds of any such transaction.

g. **Accounts.** The Trustee shall present an accounting to the Settlor on a quarter-annual basis, or at such other frequency as the Committee shall from time to time require. That account shall show the financial condition of the Trust Fund, including, without limitation, income and expenses of the Trust for the month. Once each year, the accounts shall be prepared and audited by independent certified public accountants selected by the Settlor and who are reasonably satisfactory to the Trustee and who shall be employed by the Trustee. The Settlor shall have the right to object to any of the Trustee's audited accounts. If the Settlor desires to object to the Trustee's accounts, it shall deliver notice of its objection to the Trustee in writing within ninety (90) days from the day the Trustee shall mail or deliver such audited accounts to the Settlor. If no written objection is made within that time, the presentation of the accounts to the Settlor shall release and discharge the Trustee with respect to all acts or omissions to the date of said annual account; provided, however, that nothing contained herein shall be deemed to relieve the Trustee of any liability which may be imposed pursuant to Section 3.i. hereof.

h. **Tax Returns and Other Reports.** The Trustee shall assist in preparation of such income or franchise tax returns or other reports as may be required from time to time and, subject to the limitations contained in Section 4.g. may employ independent certified public accountants or other tax counsel to prepare or review such returns and reports. The last three sentences of Section 3.g. (relating to the right of the Settlor to object) are hereby incorporated herein by reference, except that the 90-day period set forth in such Section 3.g. may be increased or decreased by the Trustee as necessary to comply with any statutory filing deadlines applicable to such returns or reports; provided, however, that the Trustee shall take all actions and file all such extension requests available to the Trustee in order to afford the Settlor a reasonable opportunity to review such returns and reports.

i. **Liability.** The Trustee shall not be liable for any acts, omissions, or defaults of any agent (other than its officers and employees) or depository appointed or selected with reasonable care or for any act or omission of any investment advisor or other agent selected by the Settlor, the Committee or anyone other than the Trustee. The Trustee shall be liable only for such Trustee's own acts or omissions (and those of its officers and employees) occasioned by the willful bad faith action or gross negligence of such Trustee (and that of its officers and employees).

j. **Indemnity of Trustee.** The Settlor agrees to indemnify and hold harmless the Trustee from any and all liability claims, costs or expenses (including reasonable counsel fees) of every kind whatsoever arising out of this Trust and this Agreement excepting only such liability as may be imposed on the Trustee pursuant to Section 3.i. hereof.

4. **TRUSTEE'S POWERS.** Subject to Section 3.e. hereof, the Trustee shall have, with respect to the Trust Fund, the following powers, all of which powers are fiduciary powers to be exercised in a fiduciary capacity and in the best interests of this Trust and the beneficiaries thereof, and which are to be exercised as the Trustee, acting in such fiduciary capacity, in its discretion, shall determine and, except as otherwise provided, which are intended in no way to limit the general powers of the office, namely:

a. **Payment of Expenses of Administration.** To incur and pay any and all charges, taxes, and expenses upon or connected with this Trust or the Trust Fund in the discharge of their fiduciary obligations under this Agreement, but only to the extent that such amount may be incurred and paid from the Trust Fund without causing the Trust Fund to become disqualified from the application of Section 468A of the Code or any applicable successor provisions.

b. **Preservation of Principal.** Except as provided in Section 4.c. to at all times hold, manage and invest the assets of this Trust in a manner designed to maximize and preserve the income and principal of this Trust for the purposes of this Trust.

c. **Investment of Trust Estate.** Pending use of the Trust Fund for the purposes of this Trust, to invest and reinvest all or any part of the Trust Fund, including any undistributed income therefrom; provided, however, that no such investment or reinvestment may be made by the Trustee:

1) unless such investment is permitted to be made by sections 501(c)(21)(B)(ii) and 468A(e)(4)(C) of the Code, the regulations thereunder, and any applicable successor provisions;

2) in any bank, savings and loan association or other financial institution whose deposits are not insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or other comparable federal or state agency; or

3) which would contravene any Future Order.

Notwithstanding any other provision of this Trust Agreement, the Settlor may from time to time appoint an independent professional investment advisor with respect to the total or any portion of the Trust Fund. The Trustee shall not

be required to be a party to any agreement appointing an investment advisor except in the case where the Settlor requests the Trustee to enter into an agency and custody agreement with any investment advisor which will also be the depository and custodian of the Trust Fund assets allocated to its management; provided further that the terms and conditions of appointment, authority, retention and removal of the investment advisor shall be the sole responsibility of the Settlor. The investment advisor shall have and exercise all of the investment powers reserved to the Trustee under Section 4 during the period of such appointment. Upon receipt of written notice from the Settlor of the appointment of such investment advisor, the Trustee shall perform such custodial and ministerial acts relating to investments as may be required to carry out the directions of the investment advisor and the administration of such portion of the Trust Fund for which an advisor is appointed. The charges and expenses of the investment advisor shall constitute proper charges and expenses of the Trust and shall be paid as provided in Section 4(a) hereof. The Trustee shall have no duty to review or recommend the sale, retention or other disposition of any asset purchased or retained at the direction of the investment advisor, nor shall the Trustee have any personal liability or responsibility for any loss to or depreciation of such portion of the Trust Fund for which an advisor is appointed occasioned by reason of the purchase, sale or retention of any asset in accordance with the direction of the investment advisor, or by reason of not having sold such asset so purchased or retained in the absence of any direction from the investment advisor to make such sale. All directions given to the Trustee by the investment advisor, including broker's confirmations, shall be given in writing or given orally and immediately confirmed in writing.

In all cases, however, the total investments must be sufficiently liquid to enable the Trust to fulfill the purposes of the Trust and to satisfy obligations as they become due. Nothing in this Section 4.c. shall be construed as authorizing the Trustee to carry on any business or to divide the gains therefrom. The sole purpose of this Section 4.c. is to authorize the investment of the Trust Fund (or any part thereof), as may be reasonably prudent pending use of the Trust Fund for the purposes of this Trust.

d. Management of Trust Estate. Subject to Section 3.e. hereof and without any business objective, and as may be incidental or advisable in connection with the purposes of this Trust as set forth in Section 1.b. to sell, exchange, partition or otherwise dispose of all or any part of the Trust Fund at public or private sale, without prior application to or approval by or order of any court, upon such terms and in such manner and at such prices as they shall determine; to modify, renew or extend mortgages, bonds, notes or other obligations or any installment of principal thereof or any interest due thereon and to waive any defaults in the performance of the terms and conditions thereof; and to execute and deliver any and all bills of sale, assignments, bonds or other instruments in connection with these powers, all at such times, in such manner and upon such terms and conditions as they may deem expedient. The Trustee's determinations of manner of sales, terms, prices, and the exercise of other powers granted herein, if reasonably made, are not to be questioned. No person dealing with the Trustee shall be bound to review, analyze, or investigate the application of any consideration or proceeds of sales.

Notwithstanding anything contained in this Agreement to the contrary, the Trustee may not authorize or carry out any sale, exchange or other transaction which would constitute an act of "self-dealing" within the meaning of Section 4951 of the Code, as such section is made applicable to the Trust by Section 468A(e)(5) of the Code, any regulations thereunder, and any applicable successor provision.

e. **Extension of Obligations and Negotiation of Claims.** Subject to the limitations contained in Sections 4.c. (regarding prohibited investments) and 4.d. (regarding self-dealing), to renew or extend the time of payment of any obligation, secured or unsecured, payable to or by this Trust, for as long a period or periods of time and on such terms as they shall determine; and to adjust, settle, compromise and and arbitrate claims or demands in favor of or against this Trust, including claims for taxes, upon such terms as they deem advisable.

f. **Registration of Securities.** To hold any stocks, bonds, securities and/or other property in the name of a nominee, in a street name, or by other title-holding device, without indication of trust.

g. **Location of Assets.** To keep any property belonging to the Trust Fund at any place in the United States.

h. **Retention and Removal of Professional and Employee Services.** To employ attorneys, accountants, custodians, engineers, contractors, clerks, investment counsel and agents or employees (including any firm or entity in which it may have an interest) as it shall deem advisable and to make such payments thereof as it shall deem reasonable for the implementation of the purposes of this Trust; and to lease from others, furnish, operate, and maintain office space. The Trustee shall have the absolute right to dismiss any such agent, employee or professional for any reason or for no reason. Expenses incurred in the course of such retention or employment shall be paid from the assets of the Trust Fund unless paid by the Settlor.

Notwithstanding anything to the contrary contained in the foregoing paragraph, the Trustee shall employ the firm of attorneys and the firm of accountants selected by the Settlor or otherwise acting as the principal legal counsel or accounting firm of the Settlor provided the same are reasonably satisfactory to the Trustee; provided, however, that the Trustee shall not be obligated to employ such legal counsel or accounting firm with respect to any actual or threatened lawsuit, controversy, or other proceeding in which the interests of the Trustee and the Settlor are adverse to each other.

i. **Delegation of Ministerial Powers.** To delegate to other persons such ministerial powers and duties as they may deem to be advisable.

j. **Powers of Trustee to Continue Until Final Distribution.** To exercise any of such powers after the date on which the principal and income of the Trust Fund shall have become distributable and until such time as the entire principal of, and income from, the Trust Fund shall have been actually distributed by the Trustee. It is intended that distribution of the Trust Fund will occur as soon as possible upon termination of the Trust, subject, however, to the limitations contained in Sections 2.e. and 2.f.

k. **Discretion in Exercise of Powers.** To do any and all other acts which they shall deem proper to effectuate the powers specifically conferred upon them by this Trust Agreement, provided, however, that the Trustee may not do any act or participate in any transaction which would:

1) Disqualify the Trust Fund from the application of Section 468A of the Code;

2) Contravene any provision of this Agreement; or

3) Violate the terms and conditions of the PSC Order, any Future Order or any other law, regulation, or ruling applicable to the Trust, the Settlor or the Trustee.

5. **DEFINITIONS AND MISCELLANEOUS.** Definitions applicable to this Agreement and miscellaneous provisions are as follows:

a. **Headings.** The section headings set forth in this Agreement and the Table of Contents are inserted for convenience of reference only and shall be disregarded in the construction or interpretation of any of the provisions of this Agreement.

b. **Particular Words.** Any word contained in the text of this Agreement shall be read as the singular or plural and as the masculine, feminine or neuter as may be applicable or permissible in the particular context. Unless otherwise specifically stated, the word "person" shall be taken to mean and include an individual, partnership, association, trust, company or corporation.

c. **Severability of Provisions.** If any provision of this Agreement or its application to any person or entity or in any circumstances shall be invalid and unenforceable, the application of such provision to persons and in circumstances other than those as to which it is invalid or unenforceable and the other provisions of this Agreement, shall not be affected by such invalidity or unenforceability.

d. **Form and Content of Communications.** The names of the members of the Committee and of any person authorized to act on its behalf shall be certified, with the specimen signature of such person, to the Trustee by the Settlor. Until appropriate written evidence to the contrary is received by the Trustee, it shall be fully protected in relying upon and acting in accordance with any written notice, instruction, direction, certificate, resolution or other communication believed by it to be genuine and to be signed and/or certified by any proper person, and the Trustee shall be under no duty to make any investigation or inquiry as to the truth or accuracy of any statement contained herein. Until notified in writing to the contrary, the Trustee shall have the right to assume that there has been no change in the identity or authority of any person previously certified to its hereunder.

e. **Delivery of Notices Under Agreement.** Any notice required by this Agreement to be given to the Settlor or the Trustee shall be deemed to have been properly given when mailed, postage prepaid, by registered or certified mail, to the person to be notified as set forth by the Settlor at the time of making its contributions, in case of the Settlor, and in case of the Trustee, to Marshall & Ilsley Trust Company, 770 North Water Street, Milwaukee, WI 53202, Attn: WALTER A. LEOCQ. The Settlor or the Trustee may change that address by delivering notice thereof in writing to the other. Any notice required by this Agreement to be delivered to any other person or entity shall be deemed to have been properly delivered when mailed, postage prepaid, by registered or certified mail, to the person to be notified at the last known address of such person or entity, according to the records of the one giving the notice.

f. **Successors and Assigns.** Subject to the provisions of Sections 2.d. and 3.a., this Agreement shall be binding upon and inure to the benefit of the

Settlor, the Trustees, and their respective successors, assigns, personal representatives, executors and heirs.

g. **Counterparts of Agreement.** This Agreement has been executed for the convenience of the parties hereto in counterparts, any one of which for all purposes shall be deemed to have the status of an executed original.

h. **Governing Jurisdiction.** This Trust is a Wisconsin trust and all questions pertaining to its validity, construction and administration shall be determined in accordance with the laws thereof.

i. **Miscellaneous.** The Trust shall operate on an accounting year which coincides with the calendar year, January 1 through December 31.

IN WITNESS WHEREOF, the undersigned, as Settlor, and the undersigned, as Trustee, have as of the day and year first above written, set their hands and seals to this Agreement, consisting of a Title Page; a Table of Contents; an Introduction; Article 1, Definitions, Purpose and Name; Article 2, Dispositive Provisions; Article 3, General Provisions Relating to Trustees; Article 4, Trustee's Powers; Article 5, Definitions and Miscellaneous Provisions; Exhibits A and B annexed hereto; and Acknowledgements.

WISCONSIN POWER AND LIGHT COMPANY

By: Robert A. Carlson Title

Attest: Mary Tuzin Title
MARSHALL & COMPANY, TRUSTEE

Walt Stuegg Vice Pres.
By: Russell Trust Officer

STATE OF WISCONSIN)
) ss.
COUNTY OF Dane)

I, Linda J. Wentzel, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that ROBERT A. CARLSEN and MARY FUJIMOTO who are personally known to me to be the persons who executed the foregoing and annexed Trust, personally appeared before me in the aforesaid jurisdiction, and as VICE PRESIDENT and ASSISTANT SECRETARY, of Wisconsin Power and Light Company, and by virtue of the power and authority in them vested, acknowledged the same to be the act and deed of Wisconsin Power and Light Company, and they executed the same as such.

Given under my hand and seal this 11th day of November, 1987.

(NOTARIAL SEAL)

Linda J. Wentzel
Notary Public, State of Wisconsin
My commission expires 11-20-88

STATE OF WISCONSIN)
) ss.
COUNTY OF MILWAUKEE)

I, WILLIAM T. GAUS, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that WALTER A. LEOCO who is personally known to me to be the persons who executed the foregoing and annexed Trust, personally appeared before me in the aforesaid jurisdiction, and as VICE PRESIDENT of MARSHALL & LISLEY TRUST CO, and by virtue of the power and authority in him vested, acknowledged the same to be the act and deed of MARSHALL & LISLEY TRUST CO and he executed the same as such.

Given under my hand and seal this 5th day of NOVEMBER, 1987.

(NOTARIAL SEAL)

W. T. Gaus
Notary Public, State of Wisconsin
My commission expires Permanent

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DISBURSEMENT CERTIFICATE

The undersigned, being a duly authorized officer of _____, a _____ corporation ("Project Manager"), and, in such capacity, being authorized and empowered to execute and deliver this certificate, hereby certifies to the Trustee of the Wisconsin Power and Light Company Kewaunee Nuclear Decommissioning Trust Fund, pursuant to Section 2.a. of that certain Trust Agreement, dated as of _____, 1987, between the Trustee and Wisconsin Power and Light Company, a Wisconsin corporation (the "Settlor") (the "Agreement"; all capitalized terms used below, but not being expressly defined, having the same meanings given to such terms in the Agreement) as follows:

- 1. there is due and owing to each payee ("Payees") (all)-or-(a portion of) the invoiced cost to the Settlor for goods or services provided in connection with the decommissioning of the Kewaunee Plant as evidenced by the Invoice Schedule (with supporting exhibits) attached as Exhibit 1 hereto;
- 2. all such amounts due and owing to the Payees constitute Qualified Costs; and
- 3. all conditions precedent to the making of this withdrawal and disbursement set forth in any agreement between such Payee and the Settlor have been fulfilled.

Accordingly, request is made that you permit the withdrawal of \$ _____ from the Trust Fund in order to permit payment of such sum to be made to Payees for such purpose. You are further requested to disburse such sum, once withdrawn, directly to such Payees in the following manner: (DESCRIBE: JOINT PAYEE CHECK, WIRE TRANSFER, ETC.) on or before _____, 19__.

We recognize and agree that you shall not be obligated to make such disbursement to any Payee unless and until you receive written releases, in form satisfactory to you, of any liens, security interests or claims of such Payee against the Settlor or its property.

WITNESS my hand this _____ day of _____, 19__.

By: _____
Duly Authorized Officer

Disbursement Certificate
Number _____

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WITHDRAWAL CERTIFICATE

The undersigned, duly authorized officers of Wisconsin Power and Light Company, a Wisconsin corporation (the "Settlor") and _____, a _____ corporation (the "Project Manager") and, in such capacity, being duly authorized and empowered to execute and deliver this certificate, hereby certify to the Trustee of the Wisconsin Power and Light Company Kewaunee Nuclear Decommissioning Trust Fund, pursuant to Section 2.a. of that certain Trust Agreement, dated as of _____, 1987, between the Trustee and the Settlor (the "Agreement"); all capitalized terms used below, but not being expressly defined, having the same meanings given to such terms in the Agreement) as follows:

- 1. there is due and owing to the Settlor (all) or (a portion of) the invoiced cost to the Settlor for goods or services provided in connection with the decommissioning of the Kewaunee Plant as evidenced by the Invoice Schedule (with supporting exhibits) attached as Exhibit 1 hereto;
- 2. all such amounts have been paid by the Settlor and constitute Qualified Costs; and
- 3. all conditions precedent to the making of this withdrawal and disbursement and the payment by the Settlor of the Qualified Costs set forth in any agreement between such payee of the Settlor and the Settlor have been fulfilled.

Accordingly, request is made that you permit the withdrawal of \$ _____ from the Trust Fund in order to permit payment of such sum to be made to the Settlor for such purpose. You are further requested to disburse such sum, once withdrawn, directly to the Settlor in the following manner: (DESCRIBED: CHECK, WIRE TRANSFER, ETC.) on or before _____, 19__.

We recognize and agree that you shall not be obligated to make any such disbursement to the Settlor unless and until you receive written releases, in form satisfactory to you, of any liens, security interests or claims of the payee as to which such disbursement is being made against the Settlor or its property.

WITNESS my hand this _____ day of _____, 19__.

WISCONSIN POWER AND LIGHT COMPANY

By: _____
Duly Authorized Officer

By: _____
Duly Authorized Officer

Withdrawal Certificate
Number _____