

HOUSTON LIGHTING & POWER COMPANY
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May 16, 1990

ROBERT R. PURCELL #10
ATTORNEY AT LAW

Mr. Robert Wood
United States Nuclear Regulatory Commission
One White Flint North
Rockville, Maryland 20852

Dear Mr. Wood:

In accordance with our telephone conversation, I am forwarding the following draft documents:

- the owners' of the South Texas Project (STP) Decommissioning Certificate.
- City Public Service Board of San Antonio's (CPS) Decommissioning Master Trust Agreement. CPS is a Texas municipal corporation and one of the STP owners.
- Houston Lighting & Power Company's (HL&P) Decommissioning Master Trust Agreement. HL&P is an investor-owned utility and another STP owner.

Each of the owners of the South Texas Project is finalizing its agreement with its Trustee. However, the enclosed trust agreements are considered representative of the agreements the owners will sign before July 26, 1990.

As I mentioned on the telephone, the financial officers of the STP owners will be meeting on Tuesday, May 22, 1990 and decommissioning is on the agenda. We would appreciate receiving any comments or suggestions you may have with respect to the enclosures by May 21, 1990. My numbers are - telephone (713) 229-7410 and facsimile (713) 229-7757. Thanks for your assistance.

Very truly yours,

Robert R. Purcell

Robert R. Purcell

RRP/jkw/2219
Enclosures

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CENTRAL POWER AND LIGHT COMPANY
CITY OF AUSTIN, TEXAS
CITY PUBLIC SERVICE BOARD OF SAN ANTONIO
HOUSTON LIGHTING & POWER COMPANY

DOCKET NO. 50-498
DOCKET NO. 50-499

SOUTH TEXAS PROJECT UNITS 1 AND 2

DECOMMISSIONING CERTIFICATE

This Decommissioning Certificate is submitted by Central Power and Light Company ("CPL"); the City of Austin, Texas ("Austin"); the City of San Antonio, acting through the City Public Service Board of San Antonio ("San Antonio"); and Houston Lighting & Power Company ("HL&P") which are collectively the "Licensees" and individually a "Licensee." Each Licensee is designated a licensee by the respective operating licenses for South Texas Project Unit 1 ("Unit 1") and South Texas Project Unit 2 ("Unit 2").

Each of the Licensees is an electric utility within the meaning of the Atomic Energy Act (the "Act") and the Regulations of the United States Nuclear Regulatory Commission (the "Commission"). Both Unit 1 and Unit 2 are pressurized water reactor utilization facilities within the meaning of the Act and the Commission's Regulations. Unit 1 and Unit 2 are each 3800 Mwt capacity. This Decommissioning Certificate is submitted pursuant to 10 Code of Federal Regulations (CFR) Part 50, Sections 50.33(k) and 50.75(b). In addition, in the operating license (NPF-78) for Unit 2, the NRC granted a schedular exemption to the requirements of 10 CFR 50.33(k) and 10 CFR 50.75 regarding planning for decommissioning. The schedular exemption expires July 26, 1990. The information contained herein is provided to comply with the provisions of the exemption.

The Licensees plan to use the DECON method for decommissioning Unit 1 and Unit 2. Each licensee has established one or more separate external sinking funds (the "Trust(s)") pursuant to individual trust agreements between each Licensee and an independent trustee acting for that Licensee; CPL's agreement with _____, Trustee, is attached hereto as Appendix A; Austin's agreement with _____, Trustee, is attached hereto as Appendix B; San Antonio's agreement with _____, Trustee, is attached hereto as Appendix C; and HL&P's agreement

with _____, Trustee is attached hereto as Appendix D.

By the execution hereof, each Licensee certifies that it shall place sufficient deposits each calendar year in its Trust(s) such that the balance in its Trust(s) shall be no less than the amount computed by the following formula:

$$\text{Trust Balance} = [A \times \frac{B}{C} \times D \times (1 + E)] - F$$

where:

A = the Licensee's respective plant ownership interest in STP, which are:

Central Power and Light Company	25.2%
City of Austin	16.0%
City of San Antonio	28.0%
Houston Lighting & Power Company	30.8%

B = the Elapsed Period, computed as follows:

Elapsed Period = Current Year - Year of this Certificate (1990)

C = the Total Period, computed as follows:

Year License Expires - Year of this Certificate
For Unit 1 2027 - 1990 = 37
For Unit 2 2028 - 1990 = 38

D = the amount required by 10 CFR Part 50, Section 50.75(c)(1)(i). This amount is \$105 million per unit in January 1986 dollars.

E = the adjustment factor for escalation as calculated in accordance with 10 CFR Part 50, Section 50.75(c)(2). *provide*

F = Authorized disbursements from the Trust(s) for decommissioning uses.

If a Licensee elects to use a single external sinking fund for deposits set aside to decommission both Unit 1 and Unit 2, the Fund Balance shall be computed separately for each Unit, then added together to determine the amount of the annual deposit required.

Each of the Licensees certifies that the attached trust agreement to which it is a party was signed by representatives of the Licensee authorized to represent the Licensee in that transaction and that the trust agreement attached hereto and to which it is a party is an originally signed counterpart of said trust agreement.

WITNESS, execution hereof by each of the Licensees on the dates set forth beneath their respective signatures:

CENTRAL POWER AND LIGHT COMPANY

By: _____ (Title)

Date: _____

CITY OF AUSTIN, TEXAS

By: _____ (Title)

Date: _____

CITY OF SAN ANTONIO, TEXAS, acting through the City Public Service Board of San Antonio

By: _____
General Manager

Date: _____

HOUSTON LIGHTING & POWER COMPANY

By: _____
Group Vice President - Nuclear

Date: _____

HOUSTON LIGHTING & POWER COMPANY
DECOMMISSIONING MASTER TRUST AGREEMENT FOR
THE SOUTH TEXAS PROJECT

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DECOMMISSIONING MASTER TRUST AGREEMENT
FOR THE SOUTH TEXAS PROJECT

TRUST AGREEMENT made this _____ day of _____, 1990, by and between Houston Lighting & Power Company, a Texas corporation (the "Company"), and _____, [a national banking association] having trust powers (the "Trustee");

WHEREAS, the Company is the owner of: (1) a 30.8 percent undivided interest in Unit No. One of the South Texas Project Electric Generating Station ("STP Unit No. 1"); and (2) a 30.8 percent undivided interest in Unit No. Two of the South Texas Project Electric Generating Station ("STP Unit No. 2"); and

WHEREAS, the Company is subject to regulation by the Public Utility Commission of Texas (the "PUC"), an agency of the State of Texas, and by the Nuclear Regulatory Commission (the "NRC"), an agency of the United States government; and

WHEREAS, the NRC has promulgated regulations in Title 10, Chapter 1 of the Code of Federal Regulations, Part 50, requiring the Company, as a holder of a license issued pursuant to 10 C.F.R. Part 50, to provide assurance that funds will be available when needed for required decommissioning activities; and

WHEREAS, pursuant to Section 468A of the Internal Revenue Code of 1986, certain Federal income tax benefits are available to the Company by creating and funding qualified decommissioning

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funds associated with the South Texas Project Electric Generating Station; and

WHEREAS, the PUC has permitted the Company to include in its cost of service for ratemaking purposes certain amounts to be contributed by the Company to decommissioning funds in order to provide monies for the Company's share of decommissioning costs with respect to the South Texas Project; and

WHEREAS, the Company wishes to establish a qualified trust fund and a non-qualified trust fund with respect to each of STP Unit No. 1 and STP Unit No. 2 to accumulate monies with which to pay the Company's share of decommissioning costs for such Units;

NOW, THEREFORE, in consideration of the mutual promises herein contained, the Company hereby agrees to deliver to the Trustee, and the Trustee hereby agrees to receive, the initial contribution of monies to the Master Trust on or before March 15, 1991;

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

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

ARTICLE I

DEFINITIONS, PURPOSE AND NAME

1.01 Definitions. As used in this Agreement, the following terms shall have the following meanings:

(a) "Accounting Period" shall mean a tax year, as interpreted in accordance with the Code; Accounting Periods shall end on December 31 of each year.

(b) "Administrative Costs" shall mean all ordinary and necessary expenses and other incidental costs incurred in connection with the operation of the Funds, including, but not limited to, Trustee fees, Investment Manager fees, the fees and/or compensation of any professional advisors, legal counsel or administrative support hired by the Company as provided in Section 3.01, or incurred in the discharge of the Trustee's fiduciary obligations under this Agreement.

(c) "Agreement" shall mean and include this Decommisioning Master Trust Agreement as the same may from time to time be amended, modified or supplemented.

(d) "Authorized Representative" shall mean, with respect to the Company, the Chief Executive Officer, the President, any Vice President or the Treasurer of the Company.

(e) "Certificate" shall mean a written certificate signed by two Authorized Representatives of the Company.

(f) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(g) "Contributions" shall mean all Non-Qualified Contributions and all Qualified Contributions.

(h) "Decommissioning Costs" shall mean all costs incurred in connection with the entombment, decontamination, dismantlement, removal and disposal of the structures, systems and components of a Unit, including all costs incurred in connection with the preparation for decommissioning, such as engineering and other planning expenses, and all expenses incurred with respect to the Unit after actual decommissioning occurs, such as physical security and radiation monitoring expenses; to the extent such costs (other than costs incurred in connection with the preparation for decommissioning) are incurred pursuant to a decommissioning plan for the Unit approved by the NRC.

(i) "Disbursement Certificate" shall mean a document properly completed and executed by two Authorized Representatives of the Company and substantially in the form of Exhibit A hereto.

(j) "Eligible Investments" shall mean (i) with respect to the Non-Qualified Funds, such securities, bank deposits or other investments permitted pursuant to policies provided the Trustee from time to time by the Company in a Certificate; and (ii) with respect to the Qualified Funds, such

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securities, bank deposits or other investments permitted for nuclear decommissioning reserve funds that qualify for the deduction allowed by Section 468A. Commingled investment funds maintained by the Trustee shall also be Eligible Investments if all of the underlying securities in the commingled investment fund are themselves Eligible Investments.

(k) "Excess Contribution" shall have the meaning set forth in Section 2.02 hereof.

(l) "Funds" shall mean the Qualified Funds and the Non-Qualified Funds.

(m) "Investment Manager" shall mean a fiduciary specified in an Investment Manager Agreement:

(i) which has been retained by the Company to manage, acquire or dispose of any asset belonging to the Master Trust; and

(ii) which is:

(A) registered as an investment adviser under the Investment Advisers Act of 1940, or

(B) a bank, as defined in that Act, or

(C) an insurance company qualified to perform services described in subsection (i) above, under the laws of more than one state, and

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(iii) which has acknowledged, in writing, that it is a fiduciary with respect to the Master Trust, that it is qualified to act under subsection (ii) above, and has agreed to be bound by all of the terms, provisions and covenants of this Agreement.

(n) "Investment Manager Agreement" shall mean an agreement between the Company and an Investment Manager selected by the Company, which agreement governs the management of all or a portion of the assets of the Master Trust.

(o) "Master Trust" shall consist of all contributions to any Fund together with investments and reinvestments thereof and any income earnings and appreciation thereon.

(p) "Non-Qualified Contributions" shall mean all amounts contributed to the Non-Qualified Funds.

(q) "Non-Qualified Funds" shall mean the STP Unit No. 1 Non-Qualified Fund and the STP Unit No. 2 Non-Qualified Fund.

(r) "NRC" means the Nuclear Regulatory Commission, an agency of the United States of America, or its successor.

(s) "PUC" shall mean the Public Utility Commission of Texas, as authorized pursuant to the PURA, or its successor.

(t) "PURA" shall mean the Public Utility Regulatory Act, Texas Revised Civil Statutes Annotated article 1446c (Vernon 1980 and Supp. 1990), as amended from time to time.

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(u) "Qualified Contributions" shall mean all amounts contributed to the Qualified Funds for decommissioning expenses and administrative expenses of the Units reflected in the Company's cost of service as approved by the PUC.

(v) "Section 468A" shall mean Section 468A of the Code, and any regulations and rulings of the Service thereunder, as such section and regulations may be amended, and any successors thereto.

(w) "Service" shall mean the Internal Revenue Service.

(x) "STP Unit No. 1" shall mean Unit No. One of the South Texas Project Electric Generating Station.

(y) "STP Unit No. 1 Non-Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning STP Unit No. 1 to which monies are contributed, which Fund is not subject to the conditions and limitations of Section 468A.

(z) "STP Unit No. 1 Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning STP Unit No. 1 to which monies are contributed subject to the conditions and limitations of Section 468A.

(aa) "STP Unit No. 2" shall mean Unit No. Two of the South Texas Project Electric Generating Station.

(bb) "STP Unit No. 2 Non-Qualified Fund" shall mean the Fund established and maintained under the Master Trust for

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decommissioning STP Unit No. 2 to which monies are contributed, which Fund is not subject to the conditions and limitations of Section 468A.

(cc) "STP Unit No. 2 Qualified Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning STP Unit No. 2 to which monies are contributed subject to the conditions and limitations of Section 468A.

(dd) "Trustee" shall mean _____, or its successors.

(ee) "Units" shall mean STP Unit No. 1 and STP Unit No. 2, collectively.

1.02 Authorization. Each of the Trustee and the Company hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Agreement, and has taken all action necessary to authorize the execution of this Agreement by the officers and persons signing it.

1.03 Master Trust Purpose. The exclusive purpose of this Master Trust is to provide funds for the decommissioning of the Units, and in that regard this Master Trust shall accumulate, invest, reinvest and hold monies for the decommissioning of the Units and to expend monies for that purpose. The Qualified Funds shall constitute qualified nuclear decommissioning funds for the Units within the meaning of Section 468A. It is not contemplated that the Non-Qualified Funds shall constitute qualified nuclear

decommissioning funds for the Units within the meaning of Section 468A.

1.04 Establishment of Master Trust. By execution of this Agreement, the Company:

(a) establishes the Master Trust, which shall consist of all Contributions as may now or hereafter be delivered to the Trustee by the Company for the Funds, investments and reinvestments thereof, and earnings and appreciation thereon;

(b) establishes the Funds, each of which shall constitute a trust consisting of all Contributions as may now or hereafter be delivered to the Trustee by the Company designated for such Fund, together with investments and reinvestments thereof and earnings and appreciation thereon; and

(c) appoints _____ as Trustee of the Master Trust and each of the Funds.

1.05 Company to Be Beneficiary. The beneficial ownership of the Funds, subject to the purpose of the Master Trust, be at all times in the Company.

1.06 Name of Master Trust. The Trust created by this Agreement shall be known as the "Houston Lighting & Power Company Decommissioning Master Trust for the South Texas Project".

ARTICLE II

DISPOSITIVE PROVISIONS

2.01 Additions to Master Trust. From time to time after the initial contribution to the Master Trust and prior to the termination of this Trust, the Company may make, and the Trustee shall accept, additional Contributions.

2.02 Adjustments for Excess Contributions. The Trustee and the Company understand and agree that the Contributions made by the Company to any of the Qualified Funds from time to time may exceed the amount permitted to be paid into such fund(s) pursuant to Section 468A based upon changes in estimates, subsequent developments or any other event or occurrence which could not reasonably have been foreseen by the Company at the time such contribution was made (an "Excess Contribution"). Upon certification of the Company, setting forth the amount of the Excess Contribution, the Trustee shall pay to the Company the amount of any Excess Contribution (together with any income accrued thereon) specified by the Company in a Certificate delivered to the Trustee.

2.03 Authorized Representatives. The Company shall promptly notify the Trustee of the selection and appointment of any Authorized Representative of the Company. The Trustee shall have no duty to inquire into or investigate the continued authority of such person to act as the Authorized Representative.

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The Company shall provide the Trustee with written notice of the termination of any Authorized Representative's authority.

2.04 Disbursements from the Funds. The Trustee shall make payments from the Funds in accordance with the following procedures:

(a) Disbursement Certificates. Requests for payments of Decommissioning Costs or Administrative Costs actually incurred by the Company and paid or payable by the Company for goods provided or labor or other services rendered in connection with the decommissioning of the Units or the administration of this Master Trust shall be submitted to the Trustee on a Disbursement Certificate executed by two Authorized Representatives.

(b) Payment of Costs. The Trustee shall pay Decommissioning Costs or Administrative Costs to the Company when a Disbursement Certificate is filed with the Trustee, showing with respect to each withdrawal of money:

(i) the amount of money to be paid;

(ii) the Fund or Funds from which payment is to be made; and

(iii) the purpose for which the obligation to be paid or reimbursed was incurred and whether the payment is of Decommissioning Costs or Administrative Costs.

(c) Payment of Taxes. The Trustee shall pay income and other taxes to the Service or other appropriate

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governmental authority when a Certificate is filed with the Trustee directing such payment from one or more funds.

(d) Distribution of Master Trust Upon Termination.

Upon complete or partial termination of this Master Trust or of any one or more of the Fund(s) pursuant to Sections 2.08 or 2.09 hereof, the Trustee shall assist in liquidating the assets of the Master Trust, or Fund(s), and distributing the then-existing assets of the Master Trust, or Fund(s) (including accrued, accumulated and undistributed net income) to the Company; provided, however, if a Qualified Fund is terminated in whole or in part pursuant to Section 2.09(a) because of the Qualified Fund's disqualification from the applicability of Section 468A, the funds or securities withdrawn from the Qualified Fund shall be transferred to the Non-Qualified Fund relating to the same Unit.

(e) Insufficiency of Funds. Notwithstanding the foregoing, no payment shall be made from a Qualified Fund if such payment would cause the Fund to become disqualified from the application of Section 468A. If the assets of any Fund are insufficient to permit the payment in full of amounts to be paid pursuant to this Section, the Trustee, in the absence of liability for such deficiency pursuant to the other provisions of this Agreement, shall have no liability with respect to such insufficiency and no obligation to use

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its own funds to pay the same. The Trustee shall, however, give the Company immediate notice of any such insufficiency.

2.05 Transfers Between Funds. The Trustee and the Company further understand and agree that it is of the essence that no transfer of monies is to occur between Funds except when such transfer is not contrary to the requirements of Section 468A and is either (a) in accordance with Section 2.02 hereof or (b) pursuant to the direct instructions contained in a Certificate of the Company.

2.06 Designation of Funds. Upon: (a) remittance of Contributions to the Master Trust; (b) any disbursement from the Master Trust; or (c) any adjustment to the Funds pursuant to Section 2.02 or Section 2.05, the Company shall designate, by Certificate, the appropriate Fund(s) which are to be credited or debited by such contribution, disbursement or adjustment, and the Trustee shall credit or debit the appropriate Fund(s) in accordance with such designation.

2.07 No Transferability of Interest in Trust:
Exception. The interest of the Company in the Master Trust is not transferable by the Company, whether voluntarily or involuntarily, nor subject to the claims of creditors of the Company. Notwithstanding the foregoing, however, the Company may transfer all or part of its interest in the Master Trust or any Fund upon sale or transfer of all or part of the Company's ownership

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interest in any Unit or Units, including without limitation a sale or transfer to an affiliate of the Company.

2.08 Termination of Master Trust. Subject to the right of the parties to amend this Agreement as provided in Section 7.01, this Master Trust shall be irrevocable and will terminate upon the earliest of:

(a) receipt by the Trustee of a Certificate from the Company stating that the NRC has terminated the licenses of both Units pursuant to 10 C.F.R. § 50.82(f), or any successor regulation;

(b) receipt by the Trustee of a Certificate from the Company stating that the Company has sold, transferred or otherwise disposed of all of its ownership interest in both Units; and

(c) the twentieth anniversary of the date of the death of the survivor from among a class consisting of all of the descendants of John D. Rockefeller, late of New York, New York, born on or prior to January 1, 1990.

2.09 Termination of Funds of Master Trust. Subject to the right of the parties to amend this Agreement as provided in Section 7.01 hereof, one or more of the Funds (in whole or in part) shall terminate upon the earliest of:

(a) With respect to a Qualified Fund only, the Fund's disqualification from the application of Section 468A, whether pursuant to an administrative action on the part of

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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;

(b) With respect to a Qualified Fund only, the sale, transfer or other disposition by the Company of any interest in the related Unit, to the extent provided by Section 468A; or

(c) With respect to a Non-Qualified Fund only, the disposition by the Company of any interest in the related Unit and if only a portion of the Company's interest in the related Unit is sold, transferred or otherwise disposed of, then the same portion of the related Non-Qualified Fund shall be terminated.

ARTICLE III

TRUST MANAGEMENT AND ADMINISTRATION

3.01 Duties of Management. The Company, by and through the Authorized Representatives, shall direct and manage the Master Trust and perform all duties attendant thereto, including the appointment of Investment Managers and the execution of whatever contracts, agreements or other documents the Company deems necessary to manage and invest such assets. The Company may retain the services of such professional

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advisors, legal counsel and administrative support as it deems necessary to carry out its responsibilities hereunder. The reasonable fees and/or compensation of any such assistance the Company may desire to retain shall be regarded as appropriate Administrative Costs payable in accordance with Section 2.04 hereof.

3.02 Limitations on Trustee Actions. The Trustee shall not take any act or participate in any transaction which would violate the terms and conditions of any instructions provided by a Certificate of the Company so long as the terms and conditions of the Certificate are consistent with this Agreement.

IV

ACCOUNTS AND REPORTS

4.01 Establish Fund Accounts. In accordance with the provisions of Section 2.06 above, the Trustee shall maintain separate accounts for each Fund established by this Agreement to account for Contributions made to each Fund, and all income and other increments to each Fund and disbursements from each Fund.

4.02 Accounts; Quarterly and Annual Reports. The Trustee shall keep accurate and detailed accounts of all Contributions, investments, receipts and disbursements, Administrative Costs and other transactions hereunder, and all accounts, books and records relating thereto shall be open at all reasonable times to inspection by the Company or by any other

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person designated by the Company and may be audited not more frequently than once in each fiscal year by the Company or an independent certified public accountant engaged by the Company. Such accounts shall be maintained on an accrual basis and in such a manner as to enable the Trustee to furnish separate accounts and reports for each Fund. Within forty-five days following the close of each fiscal quarter, the Trustee shall prepare and furnish to the Company a written report setting forth with respect to each Fund all Contributions, investments, receipts and disbursements and other transactions effected by it during the preceding fiscal quarter, or year with respect to year-end statements, including a description of all securities and investments purchased and sold, with the cost and net proceeds of such purchases or sales, showing all cash, securities and other property held by each Fund at the end of such fiscal quarter or year and providing a valuation of the cash, securities and other property held by each Fund at the end of such fiscal quarter or year. Within ninety days following the removal or resignation of the Trustee as provided in Article VI hereof, the Trustee shall prepare and furnish to the Company and to any Successor Trustee a written report containing all of the information required for fiscal year-end statements pursuant to this Section with respect to the period from the close of the previous fiscal year to the date of such removal or resignation. The Trustee shall also provide a valuation of the cash, securities and other property

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held by each Fund on such other dates as may be specified by the Company. Copies of all records relating to the Master Trust and each of the Funds shall be maintained by the Trustee until the termination of the Master Trust and distribution of all of the assets of the Master Trust. Such copies may be maintained on microfilm or microfiche.

4.03 Tax Returns and Monthly Reports.

(a) Tax Returns. The Trustee and the Company shall cooperate in the preparation of income or franchise tax returns or other reports as may be required from time to time. The Company, or the Trustee with the Company's prior written consent, may employ independent certified public accountants or other tax counsel to prepare or review such returns and reports. The Trustee agrees to sign all tax returns or other reports where required by law to do so or arising out of the Trustee's responsibilities hereunder. Any interest or penalty charges assessed against the Master Trust or any Fund pursuant to Chapters 67 or 68 of the Code or pursuant to any similar state or local tax provisions shall be an Administrative Cost unless caused by the Trustee's negligence or willful misconduct, in which case such interest or penalty charges shall be borne by the Trustee and not the Master Trust. The Trustee agrees to notify the Company immediately of the commencement of the audit of any Fund's federal, state or local tax return, and

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to participate with the Company on behalf of the Fund in such audits and related inquiries.

(b) Monthly Investment Activity Reports. The Trustee shall present to the Company on a monthly basis a report setting forth all investments purchased and sold by the Investment Manager(s) or by the Trustee during the previous month.

ARTICLE V

INVESTMENTS

5.01 Investments in Eligible Investments. The Funds shall be invested solely in Eligible Investments, regardless of whether the Trustee, an Investment Manager or the Company is making the investment decision. The Trustee shall have the duty to review all proposed investments and to inform the Company and any Investment Manager if, in the Trustee's opinion, the proposed investment is not an Eligible Investment.

5.02 Investment Authority: Investment Managers.

(a) Trustee, Investment Manager(s) or Both to Manage Investments. The Company shall from time to time specify by Certificate to the Trustee whether the investment of the Funds shall be managed solely by the Trustee, or shall be directed by one or more Investment Managers appointed by the Company, or whether both the Trustee and one or more Investment Managers are to participate in investment management

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and if so how the investment responsibility is to be divided with respect to assets, classes of assets, separate Funds or sub-funds specified and defined in such notice. In the event that the Company shall fail to specify pursuant to this Section the person or persons who are to manage the investment of the Funds or any portion thereof, the Trustee shall promptly give notice of this fact to the Company and shall manage the investment of the Funds or such portion in the manner described in this Agreement until the Company shall specify such person or persons as provided herein. If the Trustee is managing the investment of the Funds or any portion thereof, it shall follow any instructions issued by the Company in a Certificate unless those instructions are contrary to the provisions of this Trust Agreement. If investment of the Trust Fund is to be directed in whole or in part by an Investment Manager, the Trustee shall be given copies of the instruments appointing the Investment Manager and evidencing his acceptance of such appointment and acknowledgment that he is a fiduciary of the Plan, and a certificate evidencing the Investment Manager's satisfaction of Section 1.01(m)(iii) hereof. The Investment Manager shall also provide the Trustee a certificate identifying, with specimen signatures, the persons authorized to give instructions or directions to the Trustee on its behalf. The Trustee may continue to rely upon such instruments and

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certificates until otherwise notified in writing by the Committee.

(b) Trustee to Follow Investment Manager Directions.

The Trustee shall follow the directions of the Investment Manager regarding the investment and reinvestment of the portion of the Funds as shall be under management by the Investment Manager, and shall be under no duty or obligation to review any investment to be acquired, held or disposed of pursuant to such directions nor to make any recommendations with respect to the disposition or continued retention of any such investment, except to confirm that a proposed investment is an Eligible Investment. The Trustee shall have no liability or responsibility for acting without question on the direction of, or failing to act in the absence of any direction from, the Investment Manager, unless (i) the Trustee knows that by such action or failure to act it will be participating in a breach of fiduciary duty by the Investment Manager; or (ii) one or more of the Funds would acquire an investment that is not an Eligible Investment.

(c) Trades by Investment Manager. An Investment Manager at any time and from time to time may issue orders for the purchase or sale of Eligible Investments directly to a broker, and in order to facilitate such transaction the Trustee upon request shall execute and deliver appropriate trading authorizations. Written notifications of the

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issuance of each such order shall be given promptly to the Trustee by the Investment Manager, and the execution of each such order shall be confirmed to the Trustee by the broker. Such notification shall be authority for the Trustee to pay for Eligible Investments purchased against receipt thereof and to deliver securities sold against payment therefor, as the case may be. All notifications concerning investments made by the Investment Manager shall be signed by such person or persons, acting on behalf of the Investment Manager as may be duly authorized in writing; provided, however, that the transmission to the Trustee of such notifications by telecopy with duplicate or facsimile signature or signatures shall be considered a delivery in writing of the aforesaid notifications until the Trustee is notified in writing by the Investment Manager that the use of such devices with duplicate or facsimile signatures is no longer authorized. The Trustee shall be entitled to rely upon such directions which it receives by such means if so authorized by the Investment Manager and shall in no way be responsible for the consequences of any unauthorized use of such device which was not, in fact, known by the Trustee at the time to be unauthorized. The Trustee shall, as promptly as possible, comply with any written directions given by the Investment Manager hereunder, and, where such directions are given by photostatic teletransmission with facsimile signature or

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signatures, the Trustee shall be entitled to presume any directions so given are fully authorized.

(d) Removal of Investment Manager. The Company shall have the right to remove any Investment Manager. In the event that an Investment Manager should resign or be removed by the Company, the Trustee shall, upon receiving written notice of such resignation or removal, manage, pursuant to this Section, the investment of the portion of the Funds under management by such Investment Manager at the time of its resignation or removal, unless and until it shall be notified of the appointment of another Investment Manager for such portion of the Funds.

5.03 Limitations on Investment Transactions. Notwithstanding anything contained in this Agreement to the contrary, the Trustee may not authorize or carry out (a) 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 Funds by Section 468A(e)(5), or (b) any investment which could result in a Fund's acquisition of an investment that is not an Eligible Investment.

5.04 Disposition of Investments. When required to make any payments under Sections 2.04 hereof, the Trustee shall sell investments at the best price reasonably obtainable, or present investments for prepayment, but only upon written direction from the Company or an Investment Manager. The proceeds of

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any such sale or liquidation shall be credited prorata to the Fund or Funds to which such investments were credited prior to such sale or liquidation. The Trustee shall have no liability, except for its own negligence or willful misconduct, with respect to any sale or prepayment of an investment directed by the Company or an Investment Manager or made by an Investment Manager through a broker-dealer.

5.05 Allocation of Income.

(a) Generally. The Trustee shall not be precluded from pooling amounts in the Funds for investment purposes, provided that all investments are to be made only in Eligible Investments. To the extent amounts in more than one Fund are pooled, the Trustee shall allocate the earnings and losses in a manner permitted by Section 468A (if a Qualified Fund is involved) and may treat each Fund participating in such investment as having received or accrued a ratable portion of the income from such investment for any period.

(b) Principal and Income. All questions relating to the ascertainment of income and principal and the allocation of receipts and disbursements between income and principal shall be resolved by the Trustee in accordance with the terms of Section 113.102 of the Texas Property Code Annotated (Vernon 1984). As of the end of each Accounting Period of the Master Trust, the income of the Master Trust

shall, for purposes of all subsequent Accounting Periods, be treated as Master Trust principal.

ARTICLE VI

THE TRUSTEE

6.01 General Powers. The Trustee shall have, with respect to the Master Trust, the following powers, all of which powers are fiduciary powers to be exercised in a fiduciary capacity and in the best interests of the Master Trust, 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 powers of the office, namely:

(a) Registration of Securities. To cause any investment to be registered and held in the name of one or more of its nominees, or one or more nominees of any system for the central handling of securities, without increase or decrease of liability;

(b) Receipt of Money. To collect and receive any and all money and other property due to the Trust Fund and to give full discharge therefor;

(c) Resolution of Claims. To settle, compromise or submit to arbitration any claims, debts or damages due or owing to or from the Trust; to commence or defend suits or legal proceedings to protect any interest of the Trust; and

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to represent the Trust in all suits or legal proceedings in any court or before any other body or tribunal;

(d) Real Property Interests. To manage, operate, repair, improve, develop, preserve, mortgage or lease for any period any real property or any oil, mineral or gas properties, royalties, interests or rights held by it directly or through any corporation, either alone or by joining with others, using other Trust assets for any of such purposes; to modify, extend, renew, waive or otherwise adjust any or all of the provisions of any such mortgage or lease; and to make provision for amortization of the investment in or depreciation of the value of such property; provided, however, that the Trustee shall not have authority to take action under this subsection with respect to the Qualified Funds if such action would jeopardize the qualification of the Qualified Funds under Section 468A, nor shall this subsection authorize any investment in any asset other than an Eligible Investment.

(e) Voting of Securities. In its discretion, to exercise all voting rights with respect to any investment held in the Funds and to grant proxies, discretionary or otherwise, with respect thereto, except that, at any time when an Investment Manager shall be acting as provided in Section 5.02, the Trustee shall not exercise its discretion with respect to voting any such securities under management of

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such Investment Manager but shall vote such securities only upon and in accordance with the direction of the Investment Manager or shall send such Investment Manager all proxies and proxy materials relating to such securities, signed by the Trustee without indication of voting preference, and the Investment Manager shall exercise all voting rights with respect thereto.

(f) Location of Assets. To keep any property belonging to the Master Trust at any place in the United States.

(g) Retention of Professional Services. To execute any of the powers hereof and perform the duties required of it hereunder by or through its employees, agents, attorneys or receivers.

(h) Designation of Ministerial Powers. To delegate to other persons such ministerial powers and duties as the Trustee may deem to be advisable.

(i) Texas Trust Code. To exercise all rights, powers, options and privileges now or hereafter granted to, provided for or vested in, trustees under the Texas Trust Code, except such as conflict with the terms of this Agreement or applicable law. As far as possible, no subsequent legislation or regulation shall be in limitation of the rights, powers or privileges granted the Trustee hereunder or in the Texas Trust Code as it exists at the time of the execution hereof.

(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 Master Trust shall have become distributable and until such time as the entire principal of, and income from, the Master Trust shall have been actually distributed by the Trustee. It is intended that distribution of the Master Trust will occur as soon as possible upon termination of the Trust, subject, however, to the limitations contained in Sections 2.04(c), 2.08 and 2.09.

(k) Discretion in Exercise of Powers. To do any and all other acts which the Trustee shall deem proper to effectuate the powers specifically conferred upon it by this Agreement.

Notwithstanding the foregoing, however, the Trustee may not do any act or knowingly engage in any transaction which would:

(x) Disqualify either of the Qualified Funds from the application of Section 468A;

(y) Contravene any provision of this Agreement; or

(z) Violate the terms and conditions of any instructions provided by Certificate by the Company.

6.02 Designation and Qualification of Successor Trustee(s). The Company by this Agreement has appointed the corporate fiduciary named herein having all requisite corporate power and authority to act as the sole original Trustee. The

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Trustee shall act in accordance with the directions provided to it by the Company under the terms of this Agreement. At any time during the term of this Trust, the Company shall have the right to remove the Trustee acting hereunder and appoint another qualified corporation as a Successor Trustee upon thirty days' notice in writing to the Trustee, or upon such shorter notice as may be acceptable to the Trustee. In the event that the Trustee or any Successor Trustee shall: (a) become insolvent or admit in writing its insolvency; (b) be unable or admit in writing its inability to pay its debts as such debts mature; (c) make a general assignment for the benefit of creditors; (d) have an involuntary petition in bankruptcy filed against it; (e) 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 (f) resign, the Trustee or Successor Trustee shall cease to act as a fiduciary of this Master Trust and the Company shall appoint a Successor Trustee. Any Successor Trustee shall be a bank or trust company incorporated and doing business within the United States of America and having a combined capital and surplus of at least \$_____, if there be such an institution willing, able and legally qualified to perform the duties of Trustee hereunder upon reasonable or customary terms. Any Successor Trustee shall accept its appointment to serve by a duly acknowledged acceptance of this Master Trust, delivered to the Company and the Trustee

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then serving. The acceptance shall specify the date on which it will assume its duties as Successor Trustee, which date shall be at least ten days after delivery of the acceptance to the Company and the Trustee then serving, unless both such parties agree to an earlier date. Upon acceptance of such appointment by the Successor Trustee, the Trustee shall assign, transfer and pay over to such Successor Trustee the monies and properties then constituting the Master Trust. Any Successor Trustee shall have all the rights, powers, duties and obligations herein granted to the original Trustee.

If for any reason the Company cannot or does not act in the event of the resignation or removal of the Trustee, as provided above, the Trustee may apply to the United States District Court for the Southern District of Texas, Houston Division, for the appointment of a Successor Trustee. Any expenses incurred by the Trustee in connection therewith shall be deemed to be an Administrative Cost.

6.03 Resignation. The Trustee or any Successor Trustee hereof may resign and be relieved as Trustee at any time by a duly acknowledged instrument, which shall be delivered to the Company by the Trustee not less than sixty days prior to the effective date of the Trustee's resignation or upon such shorter notice as may be acceptable to the Company.

6.04 Compensation. The Trustee shall be entitled to compensation as provided in Exhibit B hereto. Such compensation

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shall be payable by the Company, shall constitute Administrative Costs and shall be reimbursable by the Master Trust.

6.05 Liability. The Trustee shall be liable for the acts, omissions and defaults of its own officers, employees and agents. The Trustee shall not be liable for the failure or default of any bank or depository, provided any such bank or depository was selected with reasonable care and its performance and status is monitored with reasonable care. Except where the Trustee exercises its investment discretion as provided in this Agreement, the Trustee shall not be liable for the acts or omissions of any Investment Manager(s) acting hereunder.

Notwithstanding the foregoing, the Trustee (and not the Master Trust) shall be liable for (a) any consequences flowing from the investment by any Fund in any security that is not an Eligible Security for such Fund, (b) any tax imposed pursuant to Section 4951 of the Code (or any applicable successor provision) as such section is made applicable to the Master Trust or the Trustee, and/or (c) any consequences flowing from violation of the restrictions on the investment of Qualified Fund assets outlined in Section 468A (which restrictions are currently delineated in Section 501(c)(21) of the Code), or applicable successor Code sections.

Pursuant to Sections 3.02 and 6.01 of this Agreement, the Trustee is prohibited from doing any act or knowingly engaging in any transaction that would violate the terms and conditions of

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any instructions provided by written Certificate of the Company, or contravening any provision of this Agreement. Upon receipt of a Certificate of the Company giving the Trustee notice of either (a) instructions of the Company to the Trustee, or (b) acts or transactions the Company believes constitute a violation by the Trustee of the provisions of this Agreement, the Trustee shall follow the instructions of the Company, and/or cease and desist from the acts identified in the Certificate as violating the provisions of this Agreement. To the extent the Trustee fails to follow the instructions of the Company, or continues with any act identified in the Certificate as violating the provisions of this Agreement, from the date of receipt of the Certificate providing the instructions and/or notice of violation of the provisions of this Agreement, the Trustee (and not the Master Trust) shall be liable for all consequences flowing from any failure to follow the Company's instructions, and/or flowing from any violation by the Trustee of the provisions of this Agreement. Notwithstanding the foregoing, the Trustee (and not the Master Trust) shall be liable for all consequences flowing from any violation by the Trustee of the provisions of this Agreement, regardless of whether notice thereof was provided by the Company.

6.06 Indemnity of Trustee. The Trustee shall be held harmless from any and all liability in acting in accordance with a Certificate of the Company properly executed as required by

this Agreement and not in conflict with any terms of this Agreement.

ARTICLE VII

MISCELLANEOUS

7.01 Alterations and Amendments. The Trustee and the Company understand and agree that modifications or amendments may be required to this Agreement from time to time to effectuate the purposes of this Trust. This Agreement may be amended by an instrument in writing executed by the Company and the Trustee. Copies of all such amendments shall be provided to the NRC by the Company at such address as the NRC may provide.

7.02 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.

7.03 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.

7.04 Parties Interested Herein. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to, any person, other than the Company

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and the Trustee any right, remedy or claim under or by reason of this Agreement, or any covenant, condition or stipulation contained herein. The Company shall be entitled to receive payments for Decommissioning Costs and Administrative Costs which the Company may incur.

7.05 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.

7.06 Form and Content of Communications. The names of any person authorized to act on behalf of the Company shall be certified, with the specimen signature of such person, to the Trustee by the Company. Until appropriate written evidence to the contrary is received by the Trustee, it shall be fully protected in relying upon or 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

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right to assume that there has been no change in the identity or authority of any person previously certified to it hereunder.

7.07 Delivery of Notices Under Agreement. Any notice required by this Agreement to be given to the Company or the Trustee shall be deemed to have been properly given when delivered, or when mailed, postage prepaid, by registered or certified mail, to the person to be notified as set forth below:

If to the Company:

Houston Lighting & Power Company
P. O. Box 1700
611 Walker Avenue
Houston, Texas 77001

Attention: Treasurer

If to the Trustee:

The Company or the Trustee may change its respective address by delivering notice thereof in writing to the other party.

7.08 Successors and Assigns. Subject to the provisions of Sections 2.07 and 6.02, this Agreement shall be binding upon and inure to the benefit of the Company, the Trustee and their respective successors and assigns.

7.09 Governing Jurisdiction. This Master Trust is a Texas trust, and all questions pertaining to its validity, construction and administration shall be determined in accordance

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with the laws of the State of Texas as if executed in and to be wholly performed within the State of Texas.

7.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the Company and the Trustee have set their hands and seals to this Agreement as of the day and year first above written.

HOUSTON LIGHTING & POWER COMPANY

By _____
Title:

Attest:

Title:

[TRUSTEE]

By _____
Title:

Attest:

Title:

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Exhibit A

DISBURSEMENT CERTIFICATE

The undersigned, being Authorized Representatives of Houston Lighting & Power Company (the "Company"), a Texas corporation, and, in such capacity, being authorized and empowered to execute and deliver this certificate, hereby certify to the Trustee of the Houston Lighting & Power Company Nuclear Facilities Decommissioning Master Trust for the South Texas Project Electric Generating Station, pursuant to Section 2.04 of that certain Master Trust Agreement, dated _____, 1990, between the Trustee and Company as follows:

- (1) the Company has incurred Decommissioning Costs in connection with the decommissioning of STP Unit No. [1] [2] or Administrative Costs relating to the Master Trust in the amounts and for the purposes provided on the schedule attached hereto; and
- (2) all such amounts constitute Decommissioning Costs or Administrative Costs.

Accordingly, you are hereby authorized to withdraw \$ _____ from the STP Unit No. [1] [2] [Non]-Qualified Fund of the Master Trust and to pay such amount to the Company for such purpose. You are further authorized to disburse such sum, once withdrawn, directly to such Payees in the following manner: [Describe: JOINT PAYEE CHECK, WIRE TRANSFER, ETC.] on or before _____, _____.

Executed this _____ day of _____, _____.

By _____
Authorized Representative

By _____
Authorized Representative

8/90

CITY PUBLIC SERVICE
DECOMMISSIONING MASTER TRUST
AGREEMENT FOR THE
SOUTH TEXAS PROJECT

SOUTH TEXAS PROJECT
DECOMMISSIONING MASTER TRUST AGREEMENT

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SOUTH TEXAS PROJECT
DECOMMISSIONING MASTER TRUST AGREEMENT

This AGREEMENT is made this _____ day of _____, 1990, by and between the City of San Antonio, a Texas municipal corporation, acting by and through the City Public Service Board ("CPS"), which is the owner of a 28 percent undivided interest in Unit One and Unit Two of the South Texas Project; and _____, a _____ banking corporation having trust powers ("Trustee").

In consideration of the mutual promises herein contained and in order to establish a trust fund for purposes of funding decommissioning activities for CPS' share of the South Texas Project, consistent with Nuclear Regulatory Commission regulations at 10 CFR Part 50, CPS agrees to deliver to the Trustee, and the Trustee agrees to receive, the initial contribution of monies to the Master Trust on or before July 26, 1991; and to hold such monies and such additional monies as may from time to time be added as provided herein, together with the proceeds and reinvestments in trust for the uses and purposes and upon the terms and conditions hereafter set forth.

I

DEFINITIONS, PURPOSE, AND NAME

1

1.1 Definitions. As used in this Decommissioning Master Trust Agreement, the following terms shall have the following meanings:

- (1) "Agreement" shall mean and include this Decommissioning Master Trust Agreement as it may from time to time be amended, modified, or supplemented.
- (2) "Authorized Representative" shall mean the General Manager, the Assistant General Manager for Finance, the Manager of Financial Services, and the Director of Financial Management of CPS, or any other person designated as an Authorized Representative by a Certificate filed with the Trustee.
- (3) "Board of Trustees" shall mean the Board of Trustees of CPS as duly elected from time to time.
- (4) "Certificate" or "Certification" shall mean a written Certificate signed by two Authorized Representatives.
- (5) "Decommissioning Contributions" shall mean all amounts contributed to the Funds by CPS for decommissioning costs and expenses of the Plant.

- (6) "Decommissioning Costs" shall mean the costs and expenses to be incurred in decommissioning the Plant.
- (7) "Disbursements" shall mean payments to CPS or any other person or organization who provides (1) goods or services used in decommissioning the ~~Plant~~, or (2) goods and services associated with the administration of the Master Trust.
- (8) "Disbursement Certificate" shall mean a document properly completed and executed by two (2) Authorized Representatives (one of which must be the General Manager or Assistant General Manager for Finance) and substantially in the form of Exhibit "A" attached to this Agreement.
- (9) "Erroneous Contribution" shall have the meaning set forth in Section 2.2 of this Agreement.
- (10) "Funds" shall mean the South Texas Project Unit No. 1 Fund and the South Texas Project Unit No. 2 Fund, collectively.
- (11) "Fund Account" shall mean a separate account established by this Agreement and maintained by the Trustee for the South Texas Project Unit No. 1 Fund and the South Texas

Project Unit No. 2 Fund to account for all Decommissioning Contributions made to each Fund, all income and other increments of each Fund, and all disbursements from each Fund.

(12) "Investment Manager(s)" shall mean the fiduciary specified in the Investment Management Agreement(s):

(a) Which has been retained by CPS to manage, acquire, or dispose of any asset belonging to the Master Trust; and

(b) Which is:

(i) registered as an investment adviser under the Investment Advisers Act of 1940, or

(ii) a bank, as defined in that Act, or

(iii) an insurance company qualified to perform services described in subsection (a) above, under the laws of more than one state, and

(c) Which has acknowledged, in writing, that it is a fiduciary with respect to the Master Trust, that it

is qualified to act under subsection (b) above, and that it has agreed to be bound by all of the terms, provisions, and covenants of this Agreement.

- (13) "Investment Management Agreement(s)" shall mean the agreement(s) (if any) between CPS and any Investment Manager(s) selected by CPS which agreement governs the investment management of all or a specified portion of the assets of the Master Trust.
- (14) "Master Trust" shall consist of all contributions to any Fund, together with investments and reinvestments thereof and any income, earnings and appreciation thereon.
- (15) "Plant" shall mean the South Texas Project, Unit Nos. 1 and 2, collectively.
- (16) "South Texas Project" shall mean the nuclear fueled electric generating facilities owned by CPS and others in Matagorda County, Texas.
- (17) "South Texas Project Unit No. 1" shall mean Unit No. 1 of the South Texas Project.
- (18) "South Texas Project Unit No. 1 Fund" shall mean the Fund established and maintained under the Master Trust for

decommissioning South Texas Project Unit No. 1 to which monies are contributed.

(19) "South Texas Project Unit No. 2" shall mean Unit No. 2 of the South Texas Project.

(20) "South Texas Project Unit No. 2 Fund" shall mean the Fund established and maintained under the Master Trust for decommissioning South Texas Project Unit No. 2 to which monies are contributed.

(21) "Trustee" shall mean the present organization designated to serve as Trustee of the Master Trust as well as any successor Trustee.

(22) "Unit" or "Units" shall mean either South Texas Nuclear Project Unit No. 1 or No. 2, singularly, or South Texas Nuclear Project Units No. 1 and No. 2, collectively.

1.2 Authorization. The Trustee and CPS hereby represent and warrant that each has full legal authority and is duly empowered to enter into this Agreement, and has taken all action necessary to authorize the execution of this Agreement by the officers and persons signing it.

1.3 Master Trust Purpose. The exclusive purpose of this Master Trust is to provide monies for the decommissioning of the Plant consistent with 10 C.F.R., Part 50.

1.4 Establishment of Master Trust. By execution of this Agreement, CPS:

(1) establishes the Master Trust which shall consist of such Decommissioning Contributions as may be delivered to the Trustee by CPS, investments and reinvestments thereof, and earnings and appreciation thereon;

(2) establishes the South Texas Project Unit No. 1 Fund and South Texas Project Unit No. 2 Fund, each of which shall constitute a separate fund account consisting of the Decommissioning Contributions as may be delivered to the Trustee by CPS designated for each fund, together with investments and reinvestments thereof and earnings and appreciation thereon; and

(3) appoints _____ as Trustee of the Master Trust.

1.5 Name of Master Trust. The Trust created under this Agreement shall be known as the "City Public Service Decommissioning Master Trust for the South Texas Project."

DISPOSITIVE PROVISIONS

After payment of the expenses described in Section 6.1 hereof, the Trustee shall distribute the Master Trust as follows:

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

- (1) Authorized Representative. CPS shall promptly notify the Trustee of the designation of any person as a Authorized Representative in addition to those defined under Article 1.1(2) of this Agreement. The Trustee shall have no duty to inquire into or investigate the continued authority of any person to act as an Authorized Representative. CPS shall provide the Trustee with written notice of the termination of any Authorized Representative's authority.

- (2) Disbursements. Requests for payments of Decommissioning Costs to any person or organization or reimbursement of Decommissioning Costs previously paid by CPS to any person or organization in connection with the decommissioning of the Plant shall be submitted to the

Trustee on a Disbursement Certificate signed by two (2) Authorized Representatives, one of which must be the General Manager or the Assistant General Manager for Finance.

(3) Payment of Decommissioning Costs. The Trustee shall pay Decommissioning Costs when a Disbursement Certificate, signed by two (2) Authorized Representatives, is filed with the Trustee showing the following:

(a) the name and address of the person or entity to whom payment is due;

(b) the amount to be paid;

(c) the monies are for activities undertaken pursuant to the decommissioning of the Plant or the administration of the Master Trust; and

(d) CPS' approval of the disbursement.

2.2 Adjustments for Erroneous Contributions. The Trustee and CPS understand and agree that if any contribution made by CPS to any of the Funds from time to time is found to be made in error, upon verification of CPS setting forth the amount of the Erroneous Contribution, such Erroneous Contribution

(together with any income accrued thereon) shall be returned to CPS as specified in a Certification to the Trustee.

- 2.3 No Transfers Between Fund Accounts. The Trustee and CPS understand and agree that no transfer of monies is to occur between Fund Accounts except when explicitly indicated by a Certificate of CPS that such transfer is necessary to effectuate the purposes of this Master Trust.
- 2.4 Designation of Funds. Upon: (a) the initial contribution to the Master Trust; (b) any withdrawals from the Master Trust for Decommissioning Costs pursuant to Section 2.1 or for administrative expenses pursuant to Section 6.1; or (c) any adjustment to the Funds pursuant to Sections 2.2 or 2.3, CPS shall designate, by Certificate, the appropriate Fund Account(s) which are to be credited or debited by such contribution, withdrawal, or adjustment, and the Trustee shall credit or debit the appropriate Fund Account(s) in accordance with such designation.
- 2.5 Distribution of Income.
- (1) Generally. The Trustee shall not be precluded from pooling Decommissioning Contributions received for each of the Fund Accounts for investment purposes and may treat each Fund Account's Decommissioning Contributions

as having received or having accrued a ratable portion of the Master Trust income in any year. However, all such contributions and income must be reported separately on individual account statements for each Fund Account. No pooling of the Funds with any other funds controlled by the Trustee or to which the Trustee has access shall be allowed.

(2) Principal and Income. All questions relating to the ascertainment of income and principal and the allocation of receipts and disbursements between income and principal shall be resolved by the Trustee in accordance with the provisions of Section 113.102 of the Texas Property Code.

(3) Transfer of Income to Principal. As of the end of each accounting period of the Master Trust, the income of the Master Trust shall, for purposes of all subsequent accounting periods, be transferred and be incorporated into the principal of the Master Trust.

2.6 Transferability of Interest. The interest of CPS in the Master Trust is not transferable by CPS involuntarily nor subject to the claims of creditors of CPS, provided, however, that any creditor of CPS to which a Disbursement Certificate has been properly completed and submitted to the Trustee may

assert a claim directly against the Master Trust in an amount not to exceed the amount specified on such Disbursement Certificate. Nothing herein shall be construed to require a transfer of all or a part of CPS' interest in the Master Trust upon sale of all or a part of CPS' ownership interest in the Plant which is the subject of this Agreement. Should a sale of all or a part of CPS' ownership interest in the one or more Units of the Plant be consummated, the Fund Account(s) established for such Unit or Units shall be distributed as provided in Section 2.9 of this Agreement.

2.7 Irrevocability and Termination. Subject to the right of the parties to amend this Agreement, as provided in Section 2.10, this Master Trust shall be irrevocable and will terminate (in whole or in part) upon receipt by the Trustee of a Certificate from CPS stating that the decommissioning of the Plant has been completed or that CPS has disposed of all or a part of its ownership interest in one or more Units of the Plant.

2.8 Termination of Funds of Master Trust. One or more of the Funds which are the subject of this Master Trust shall terminate upon the following:

- (1) final payment of all Decommissioning Costs associated with one or more Units; or

(2) the disposition by CPS of all or a part of its ownership interest in one or more Units.

2.9 Distribution of Master Trust Upon Termination. Upon termination of this Master Trust, the Trustee shall assist if necessary in liquidating the assets of the Master Trust, and thereafter distribute the then-remaining assets of the Master Trust, (including accrued, accumulated, and undistributed net income) less final Master Trust administrative expenses to CPS.

2.10 Alterations and Amendments. The Trustee and CPS understand and agree that modifications or amendments may be required to this Agreement from time to time to effectuate the purpose of this Master Trust, including, but not limited to, amendments necessary to comply with requirements of the Nuclear Regulatory Commission, amendments consistent with qualifying income from trust investments as tax exempt under the Internal Revenue Code, or other amendments not inconsistent with the use of trust funds solely for decommissioning purposes as provided herein. This Agreement may be amended by an instrument in writing executed by CPS and the Trustee.

III

TRUST MANAGEMENT AND ADMINISTRATION

3.1 Management Duties. CPS, by and through the Authorized Representatives as specified in Article 1.1(2), shall direct and manage the Master Trust and perform all duties attendant thereto, including, but not limited to, (a) the investment of the Master Trust, (b) the appointment of successor Trustees, (c) the appointment of Investment Managers if CPS elects not to serve as Investment Manager, and (d) the execution of whatever contracts, agreements, or other documents it deems necessary to manage and invest such assets. CPS may retain the services of such professional advisors, legal counsel, and administrative support as it deems necessary to carry out its responsibilities. The reasonable fees and/or compensation of any such assistance CPS may desire to retain shall be regarded as appropriate Master Trust administration expenses.

3.2 Reports. CPS shall evaluate the performance of the Trustee and any Investment Manager(s), other than itself, annually and submit a written report to the CPS Board of Trustees. The report shall be confidential to the extent allowed by law. The report shall include, at a minimum:

- (1) A finding, with supporting analysis, as to whether the current Trustee and Investment Manager(s) should be retained or replaced;

- (2) A justification for the use of more than one Investment Manager (if applicable); and
- (3) An itemized accounting of the Master Trust administration expenses and their basis.

At least once every five (5) years, CPS shall evaluate potential substitute Trustees and Investment Managers and submit a report to the CPS Board of Trustees. The report shall be confidential to the extent allowed by law. This report may be combined with the annual report described above and shall include, at a minimum:

- (1) A description of CPS' attempts to solicit proposals from other firms which can perform the trust and investment management duties;
- (2) An evaluation of at least three organizations which could potentially replace the current Trustee and/or Investment Manager(s); and
- (3) A justification of the use of Investment Manager(s) on a retainer basis.

Notwithstanding the paragraph above, CPS shall not be required to solicit proposals to replace a Trustee(s) or Investment

Manager(s) who, in the judgment of CPS, is performing adequately and has served as Trustee and/or Investment Manager for less than five (5) years.

3.3 Limitations on Trustee Actions. The Trustee shall not take any action or participate in any transaction which would violate the terms and conditions of any instructions provided by CPS pursuant to Section 3.4 below so long as the terms and conditions are consistent with this Agreement.

3.4 Instructions to Trustee. All orders, requests, instructions and Certifications by CPS to the Trustee shall be in writing, signed by two (2) Authorized Representatives (one of which must be the General Manager or the Assistant General Manager for Finance) or such other person(s) as may be designated in writing. The Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of CPS has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instructions from CPS.

IV

TRUSTEE

4.1 Designation and Qualification of Successor Trustee(s). CPS by this Agreement has appointed the corporate fiduciary named herein having all requisite corporate power and authority to act as the sole original Trustee. The Trustee shall act in accordance with the directions provided to it by CPS under the terms of this Agreement. At any time during the term of this Master Trust, CPS shall have the right to remove the Trustee and appoint another qualified corporation as successor Trustee upon thirty (30) days' notice in writing to the Trustee, or upon such shorter notice as may be acceptable to the Trustee. The CPs Board of Trustees shall ratify the appointment of any successor Trustee. In the event that the Trustee or any successor Trustee shall: (a) become insolvent or admit in writing its insolvency; (b) be unable or admit in writing its inability to pay its debts as such debts mature; (c) make a general assignment for the benefit of creditors; (d) have an involuntary petition in bankruptcy filed against it; (e) 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; (f) be subject to receivership under the authority of the Federal Deposit Insurance Corporation or the Comptroller of the Currency; (g) fail to meet the financial criteria and qualifications set by CPS from time to time; or (h) resign, the Trustee or successor Trustee shall cease to act as

fiduciary of this Master Trust and CPS shall appoint a successor Trustee.

Any successor Trustee shall accept its appointment to serve as Trustee of this Master by executing a written and acknowledged acceptance delivered to CPS. The successor Trustee shall also specify in its acceptance the date on which it will assume administration of the Master Trust and shall send such notice to CPS and the Trustee then serving, by certified mail a minimum of ten (10) business days before such appointment shall be effective. Upon acceptance of such appointment by the successor Trustee and proper notification as previously specified, the Trustee then serving shall assign, transfer and pay over to such successor Trustee the monies and properties then constituting the Master Trust. Any successor Trustee shall have all the rights, powers, duties and obligations granted to the original Trustee.

If for any reason CPS cannot or does not act in the event of the resignation or removal of the Trustee as provided above, the Trustee then serving may apply to a court of competent jurisdiction for the appointment of a successor Trustee. Any reasonable expenses incurred by the Trustee in connection with the appointment of a successor Trustee by the court shall be deemed to be an expense of administration payable in accordance with Section 6.1.

4.2 Resignation. The Trustee or any successor Trustee may resign at any time by written notice which shall be delivered to CPS not less than sixty (60) days prior to the effective date of the Trustee's resignation or upon such shorter notice as may be acceptable to CPS.

4.3 Compensation. The Trustee shall be entitled to compensation from the Master Trust as follows:

Annual Fee Schedule

Combined Asset Charge (applied to the total of all assets held by the Trustee in the Master Trust):

_____ per \$1,000 on the first ____ million
_____ per \$1,000 on the next ____ million
_____ per \$1,000 on the next ____ million
_____ per \$1,000 on the excess

This fee schedule is effective for the first ____ years from the date assets are initially contributed to the Master Trust.

All Trustees' fees shall be billed by the Trustee on a semi-annual or annual basis and forwarded to CPS at the address provided in Section 8.5. If such statement for Trustee fees remains unpaid after the expiration of thirty (30) days, the

Trustee is then authorized to deduct such amount previously billed but not paid by CPS from the Master Trust. If billed but unpaid fees are deducted from the Master Trust, CPS reserves the right to reimburse the Master Trust for such fees which were deducted.

Except as provided in Article VII, if the Trustee also serves as Investment Manager, the Trustee shall be entitled to compensation from the Master Trust as provided in an Investment Management Agreement signed by CPS and the Trustee.

4.4 Maintenance of Fund Accounts. The Trustee shall maintain a separate Fund Account for each Fund established under Section 1.4 of this Agreement to account for Decommissioning Contributions made to each Fund Account, and all income and other increments earned in each Fund Account, and disbursements from each Fund Account subject to the provisions of Section 2.4.

4.5 Account Statements. The Trustee shall present financial statements to CPS on a monthly basis (within ten (10) business days following the end of each month), or at such other frequency as CPS shall from time to time require. The financial statements shall show the financial condition of the Master Trust, including, without limitation, income and expenses of the Master Trust for the statement period. CPS

shall assume responsibility for employing independent certified public accountants to audit the financial statements of the Master Trust not less frequently than annually, as provided in Section 3.1.

4.6 Liability. The Trustee shall be liable for the acts, omissions or defaults of its officers, employees and agents. Unless the Trustee participates in or undertakes to conceal an act or omission of CPS or an Investment Manager(s), knowing such act or omission to be a breach of the fiduciary responsibility of CPS or an Investment Manager(s), the Trustee shall be under no liability by reason of any action taken by it in accordance with any direction of CPS or any Investment Manager(s) provided such directions are necessary and proper to effectuate and carry out the purpose of the Master Trust and the powers granted under this Agreement or any Investment Management Agreement. In any event, the Trustee shall be under no liability for any loss of any kind by reason of changes in value of the investments purchased, sold, or retained by CPS or any Investment Manager(s), nor for the risk or diversification of the portfolio, nor for the turnover of the investments.

The Trustee is prohibited from doing any act or engaging in any transaction that would violate the terms and conditions of any instructions provided by written Certificate or other

writing of CPS, or contravening any provision of this Agreement. Upon receipt of notice of either (a) instructions of CPS to the Trustee, or (b) acts or transactions CPS believes constitute a violation by the Trustee of the provisions of this Agreement, the Trustee shall follow the instructions of CPS, and/or cease and desist from the acts or transactions identified in the notice as violating the provisions of this Agreement. To the extent the Trustee fails to follow the instructions of CPS, or continues with any act or transaction identified in the notice as violating the provisions of this Agreement, from the date of receipt of the notice providing the instructions and/or notice of violation of the provisions of this Agreement, the Trustee shall be liable for all consequences resulting from such failure. Notwithstanding the foregoing, the Trustee shall be liable for all consequences resulting from any violation by the Trustee of the provisions of this Agreement, regardless of whether notice thereof was provided by CPS.

V

INVESTMENTS

- 5.1 Appointment of Investment Manager(s). CPS may serve as Investment Manager and direct the investment of all or a specified portion of the Master Trust. Additionally, CPS may

appoint one or more independent investment Managers to direct the investment of all or a specified portion of the Master Trust. CPS shall also have the right to remove any appointed Investment Manager. The appointment of the Investment Manager(s) shall be made in accordance with procedures specified by CPS. CPS shall provide written notice of any appointment to the Trustee. The Investment Manager(s) shall certify in writing to CPS and the Trustee that it is qualified to act in the capacity provided under the Investment Management Agreement, shall accept its appointment as such Investment Manager, shall certify the identity of the person or persons authorized to give instructions or directions to the Trustee on its behalf, including specimen signatures, and shall undertake to perform the duties imposed on it under the Investment Management Agreement. The Trustee may continue to rely upon all such certifications unless otherwise notified in writing by CPS or the Investment Manager(s), as the case may be.

5.2 Investment Direction by CPS and/or Investment Manager(s). CPS and/or any Investment Manager(s) appointed by CPS to manage all or a specified portion of the Master Trust shall have authority to manage, acquire, and dispose of the assets of all or a specified portion of the Master Trust over which it has designated investment authority. Only investments specified in Section 7.2(b) of this Master Trust are authorized trust

investments. CPS and any Investment Manager are specifically prohibited from purchasing any securities issued by CPS or any securities issued by the City of San Antonio or any of its agencies. CPS and/or the Investment Manager(s) shall have the power and authority, exercisable in its sole discretion at any time, and from time to time, to issue and place orders for the purchase or sale of portfolio securities directly with brokers or dealers. The Trustee, upon proper notification from CPS or an Investment Manager, shall execute, settle and deliver in accordance with the appropriate trading authorizations. Written notification of the issuance of each authorization shall be given promptly to the Trustee by CPS or the Investment Manager(s), and CPS or the Investment Manager(s) shall cause the execution of such order to be confirmed in writing to the Trustee by the broker or dealer. Such notification shall be proper authority for the Trustee to pay for securities purchased against receipt thereof and to deliver securities sold against payment therefor, as the case may be.

The authority of any Investment Manager(s) and the terms and conditions of the appointment and retention of any Investment Manager(s) shall be the sole responsibility of CPS, and the Trustee shall not be deemed to be a party to or to have any obligations under any Investment Management Agreement with the Investment Manager(s). Any duty of supervision or review of

the acts, omissions or overall performance of any Investment Manager(s), other than those necessary and proper to effectuate and carry out the purpose of the Master Trust and powers granted under this Agreement or any Investment Management Agreement, shall be the exclusive responsibility of CPS. The Trustee shall have no duty to make suggestions to any Investment Manager(s) or to CPS with respect to the exercise or nonexercise of any power by the Investment Manager(s). The Trustee shall have the duty to review any securities or other assets purchased by CPS or any Investment Manager(s) to ensure compliance and conformity with investment regulations as provided in Section 7.2(b) of this Agreement or Section 7.4 of any Investment Management Agreement between CPS and any Investment Manager.

VI

TRUSTEE'S GENERAL POWERS

The Trustee shall have, with respect to the Master Trust, the following powers, all of which are fiduciary powers to be exercised in a fiduciary capacity and in the best interests of CPS, 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 powers of the office, namely:

- 6.1 Payment of Expenses of Administration. To pay all ordinary and necessary expenses and other incidental costs including, but not limited to, Investment Manager(s) fees, the fees and/or compensation of any professional advisors, legal counsel or administrative support hired by CPS as provided in Section 3.1, or expenses in the discharge of the Trustee's fiduciary obligations under this Agreement. Any payments made pursuant to this Section 6.1 shall be made only upon written authorization of CPS.
- 6.2 Registration of Securities. To register and to hold any stocks, bonds, securities, and/or other property in the Funds in the name of the Master Trust or to deposit or arrange for deposit of any securities issued by the U.S. government, or any agency or instrumentality thereof, in book entry with a Federal Reserve bank; provided, however, that at all time the books and records of the Trustee show that all such securities are part of the Master Trust.
- 6.3 Location of Assets. To keep any property belonging to the Master Trust at any place in the United States with the prior approval of CPS.
- 6.4 Retention of Professional Services. To execute any of the powers under this Agreement and to perform the duties required of it hereunder by or through its employees, agents,

attorneys, or receivers. Any costs and expenses of its employees and agents or any costs and expenses associated with the retention of professional services by the Trustee shall be borne by the Trustee.

- 6.5 Delegation of Ministerial Powers. To delegate to other persons such ministerial powers and duties as the Trustee may deem to be advisable.
- 6.6 Powers of Trustee to Continue Until Final Distribution. To exercise any powers after the date on which the principal and income of the Master Trust shall have become distributable and until such time as the entire principal and income of the Master Trust shall have been actually distributed by the Trustee. It is intended that distribution of the Master Trust will occur as soon as possible upon termination of the Master Trust, subject, however, to the limitations contained in Sections 2.8 and 2.9.
- 6.7 Exercise of Powers. To do any and all other acts which the Trustee shall deem proper to effectuate the powers specifically conferred upon it by this Agreement, provided, however, that the Trustee may not do any act or knowingly engage in any transaction which would:
- (1) Contravene any provision of this Agreement; or

- (2) Violate the terms and conditions of any instructions provided by CPS.

VII

INVESTMENT POWERS

7.1 Trustee's Investment Powers. The Trustee acknowledges and recognizes the authority of CPS and/or the Investment Manager(s) to manage, invest, and reinvest the assets of the Master Trust as provided in Sections 3.1 and 5.2 of this Agreement and/or pursuant to an Investment Management Agreement executed between CPS and an Investment Manager. The Trustee agrees to cooperate with CPS and/or the Investment Manager(s) as necessary to accomplish these tasks. Notwithstanding the foregoing, the Trustee shall, without the written authorization of CPS, invest cash balances on a daily basis in interest bearing, fully collateralized accounts.

7.2 CPS' Investment Powers. CPS, when serving as Investment Manager, shall have the following investment powers, all of which are to be executed in a fiduciary capacity and in the best interest of CPS, and which are to be exercised by CPS in its discretion:

Investment Mgt

- (a) Preservation of Principal. To hold, manage, and invest the assets of the Master Trust in a manner designed to maximize and preserve the income and principal of the Master Trust for the purposes of the Master Trust, pursuant to subsections (b) and (c):
- (b) Investment of Funds. To invest and reinvest all or part of the Funds, including any undistributed income; provided, however, that no investment or reinvestment of the Funds may be made by CPS unless such investment is a qualified investment under Article 842a-2 of Vernon's Texas Civil Statutes, as may be amended from time to time. Furthermore, CPS is specifically prohibited from purchasing any securities issued by CPS or any securities issued by the City of San Antonio or any of its agencies. In all cases, however, the total investments must be sufficiently liquid to enable the Master Trust to fulfill the purposes of the Master Trust and to satisfy obligations as such obligations become due.
- (c) Management of Master Trust.
- (1) To sell, exchange, convey, partition, or otherwise dispose of all or any part of the

Master Trust, at public or private sale, on such terms, in such manner and at such prices as CPS shall determine;

- (2) To modify, renew or extend bonds, notes or other obligations or any installment of principal or any interest due thereon and to waive any defaults in the performance of the terms and conditions thereof;
- (3) To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments in connection with these powers, at such times, in such manner and on such terms and conditions as CPS may deem expedient to accomplish the purpose of the Master Trust as set forth in Section 1.3; and
- (4) To renew or extend the time of payment of any obligation, secured or unsecured, payable to or by this Master Trust, for as long a period or periods of time and on such terms as CPS shall determine, and to adjust, settle, compromise, and arbitrate claims or demands in

favor of or against this Master Trust, on such terms as CPS may deem advisable.

Notwithstanding anything contained in this Agreement to the contrary, CPS may not authorize or carry out (a) any sale, exchange or other transaction which would constitute an act of "self-dealing" within the meaning of Section 113.053 of the Texas Property Code, as it may be amended from time to time, or (b) any investment which would violate the restrictions on investments as described in Article 842a-2 of Vernon's Texas Civil Statutes, as it may be amended from time to time.

- (d) Disposition of Investments. When required to make any distributions under Sections 2.1 or 6.1, the Trustee shall sell investments at the best price reasonably obtainable, or present investments for prepayment, but only upon written direction from CPS. The Trustee shall have no liability, except for its own negligence or willful misconduct, with respect to any sale or prepayment of an investment directed by CPS or an Investment Manager or made by CPS or an Investment Manager through a broker/dealer.

MISCELLANEOUS

- 8.1 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.
- 8.2 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 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.
- 8.3 Interested Parties. Nothing expressed or implied in this Agreement is intended or shall be construed to confer on, or to give to, any person or corporation, other than CPS and the Trustee, any right, remedy or claim under or by reason of this Agreement, or any covenant, condition or stipulation contained herein. CPS shall be entitled to receive payments for Decommissioning Costs and administrative expenses of the Master Trust which CPS may incur in carrying out the purpose set forth in Section 1.3 of this Agreement.

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

8.5 Delivery of Notices Under Agreement. Any notice, communication or billing for Trustee fees required by this Agreement to be delivered to CPS or any notice or communication to the Trustee shall be deemed to have been delivered when mailed, postage prepaid, by registered or certified mail, to the person to be notified as set forth below:

If to CPS:

CITY PUBLIC SERVICE
P.O. Box 1771
San Antonio, Texas 78296

Attention: General Manager

If to the Trustee:

Attention: City Public Service
South Texas Project
Decommissioning Master Trust

CPS or the Trustee may change its address by delivering notice in writing to the other parties.

- 8.6 Successors and Assigns. Subject to the provisions of Sections 2.6 and 4.1, this Agreement shall be binding on and inure to the benefit of CPS, the Trustee and their respective successors and assigns.
- 8.7 Governing Jurisdiction. This Agreement is a Texas trust and all questions pertaining to its validity, construction, and administration shall be determined in accordance with the laws of the State of Texas as if executed in and to be wholly performed within the State of Texas.
- 8.8 Accounting Year. The Master Trust shall operate on an accounting year which coincides with the calendar year, January 1 through December 31.
- 8.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures were on the same instrument.
- 8.10 Financial Accounting of Trustee. Any bank serving as the Trustee of the Master Trust shall provide quarterly financial statements on the financial condition of the Bank and shall also submit evidence to the CPS Board of Trustees that the

Bank is satisfying the capital reserve requirements established by the Federal Reserve.

8.11 Approval. This Agreement shall be effective when signed by CPS and the Trustee.

IN WITNESS WHEREOF, CPS and the Trustee have set their hands and seals to this Agreement as of the day and year first written above.

CITY PUBLIC SERVICE

Attest:

Howard Freeman
Title: Secretary/Treasurer

By: _____
Arthur von Rosenberg
Title: General Manager

Attest:

Title:

_____, Trustee
By: _____
Title:

PHO441/dh
3.22.90-1

EXHIBIT "A"

DISBURSEMENT CERTIFICATE

The undersigned Authorized Representatives of the CPS, in such capacity, are authorized and empowered to execute and deliver this certificate and certify to the Trustee of the CPS Decommissioning Master Trust for the South Texas Project ("Master Trust"), pursuant to Section 2.1 of the Master Trust Agreement dated _____, 1990, between the Trustee and CPS, that:

1. there is due and owing to each payee ("Payees") at the address specified the amounts indicated which represent the cost for goods or services provided in connection with the decommissioning of [Unit 1/Unit 2] or the administration and management of the Master Trust as evidenced by the attached Schedule;

2. all amounts due and owing constitute Decommissioning Costs and were incurred for work undertaken pursuant to an NRC decommissioning plan; and

3. CPS approves the making of this withdrawal and disbursement.

Accordingly, you are hereby authorized to withdraw \$ _____ from the [Unit No. 1 Fund/Unit No. 2 Fund] of the Master Trust in order to make payment of the amounts due to the Payees. You are further authorized to disburse such sums, once withdrawn, directly to the designated Payees in the following manner: [DESCRIBE: JOINT PAYEE CHECK, WIRE TRANSFER, ETC.] on or before _____, 19__.

Executed this _____ day of _____, 19__.

By _____
Authorized Representative

By _____
General Manager/Assistant
General Manager for Finance