

Detroit
Edison

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March 2, 1988
NRC-88-0053

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

- References: 1) Fermi 2
NRC Docket No. 50-341
NRC License No. NPF-43
- 2) "Issuance of Facility Operating License NPF-43,
Fermi 2," dated July 15, 1985

Subject: Change in Ownership Interest

The Full Power License, referenced above, issued July 15, 1985, reflects the ownership interest of Wolverine Power Supply Cooperative, Inc. ("Wolverine Electric"). The predecessor Cooperatives to Wolverine Electric had become co-owners of Fermi 2 during the late 1970s. Due to financial considerations, it was necessary to amend the ownership agreements numerous times over the years. These amendments, among other things, altered the fixed ownership interest between the parties to a variable interest which would reflect their percent investment as a portion of the final total costs of the project. This arrangement was discussed with the NRC staff and it was agreed that when the final ownership interests were determined, Detroit Edison would notify the Commission.

The most recent amendment to the Participation Agreement reflects that Wolverine Electric's ownership in Fermi 2 will ultimately be terminated. The Seventh Amendment to the Participation Agreement (copy attached) reflects the manner and timing for the termination of Wolverine Electric's ownership interest. It is anticipated that such interest will terminate on or about January 2, 1990. At the present time, Wolverine Electric's interest in Fermi 2 is approximately 10 %.

If you have any questions, please contact Mr. Thomas Randazzo at (313) 586-4320.

Sincerely,

B. Ralph Sylvia

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PDR ADOCK 05000341
DCD

Attachment

cc: A. B. Davis
E. G. Greenman
T. R. Quay
W. G. Rogers

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SEVENTH AMENDMENT TO THE PARTICIPATION AGREEMENT

between

THE DETROIT EDISON COMPANY

and

WOLVERINE POWER SUPPLY COOPERATIVE, INC.

December 14, 1987

SEVENTH AMENDMENT TO THE PARTICIPATION AGREEMENT

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SEVENTH AMENDMENT TO THE PARTICIPATION AGREEMENT

This Seventh Amendment to the Participation Agreement (the "Seventh Amendment"), is entered into this 14th day of December, 1987, between The Detroit Edison Company, a Michigan corporation ("Edison"), and Wolverine Power Supply Cooperative, Inc., a Michigan cooperative corporation ("Wolverine"). Edison and Wolverine are also hereinafter sometimes referred to individually as "Party" and collectively as "Parties", where appropriate.

WHEREAS, on February 8, 1977, Edison, Northern Michigan Electric Cooperative, Inc., a Michigan cooperative corporation ("Northern") and Wolverine Electric Cooperative, Incorporated, a Michigan cooperative corporation ("Wolverine Electric") entered into an agreement entitled "Enrico Fermi Nuclear Power Plant Unit No. 2 Participation Agreement between The Detroit Edison Company and Northern Michigan Electric Cooperative Incorporated and Wolverine Electric Cooperative, Incorporated", which has subsequently been amended by Amendments 1-6 (the Participation Agreement as amended by Amendments 1-6 shall be referred to as the "Participation Agreement" and each separate amendment shall individually be referred to as the "First Amendment", "Second Amendment", etc.), for the purposes of establishing, among others, the respective ownership interests of the Parties in Enrico Fermi Nuclear Power Plant Unit No. 2 ("Fermi 2") and the respective

obligations and rights of the Parties with respect to the design, procurement, construction, operation and maintenance of Fermi 2;

WHEREAS, on December 31, 1982, Northern and Wolverine Electric were merged pursuant to a certain Agreement and Plan of Merger and Agreement and Plan of Reorganization providing for the merger of Northern into Wolverine Electric and the subsequent change of name of Wolverine Electric to Wolverine Power Supply Cooperative, Inc.;

WHEREAS, it is the intent of this Seventh Amendment to cause Edison to provide funds to Wolverine for all of Wolverine's Fermi 2 FFB Debt service payments commencing with the third quarter of 1986 through the Closing, either through purchases of portions of Wolverine's undivided ownership interest in Fermi 2, Nuclear Fuel and Materials and Supplies or the purchase of Wolverine's Fermi 2 Capacity and Energy Entitlements by Edison, so that Wolverine, with regard to its investment in Fermi 2 and its obligations under the Participation Agreement and this Seventh Amendment between the date of this Seventh Amendment and the Purchase Closing Date, will have no Fermi 2 cash obligations, provided, however, Wolverine shall be solely responsible for the payment of any prepayment premium, if any, for converting Wolverine's Fermi 2 FFB Debt from short and intermediate term maturities to long term maturities, either prior to or on the Purchase Closing Date, including, without limitation, repayment of funds

borrowed (if any) by Wolverine from Edison and REA for such purpose.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, Wolverine and Edison agree as follows:

SECTION I

Definitions

The following definitions are applicable to this Seventh Amendment and to the Participation Agreement.

- 1.1 CFC: The National Rural Utilities Cooperative Finance Corporation.
- 1.2 Closing: The consummation of the transactions required by Section II E hereof and the exchange of documents and funds required at Closing by this Seventh Amendment. The Closing shall occur within thirty (30) days of the Purchase Closing Date at a time and place as may be agreed upon by the Parties.
- 1.3 Commercial Operation Date: The date that Edison begins to charge its customers for electricity from Fermi 2 as authorized by the Michigan Public Service Commission in Case No. U-7660.
- 1.4 Cooperative Power Supply Agreements: Those Agreements between Wolverine and each

Distribution Cooperative, more particularly described as follows:

- (i) Agreement dated as of May 26, 1949, as amended as of March 23, 1960, March 15, 1965 and September 16, 1976, between Wolverine (as successor to Northern) and Cherryland Rural Electric Cooperative Association;
- (ii) Agreement dated March 25, 1949, as amended September 17, 1976, between Wolverine (as successor to Wolverine Electric) and O&A Electric Cooperative;
- (iii) Agreement dated March 25, 1949, as amended September 17, 1976, between Wolverine (as successor to Wolverine Electric) and Oceana Electric Cooperative;
- (iv) Agreement dated May 26, 1949, amended March 23, 1960, February 17, 1965 and September 16, 1976, between Wolverine (as successor to Northern) and Presque Isle Electric Cooperative, Inc.;
- (v) Agreement dated May 26, 1949, as amended November 20, 1959, March 23, 1960, February 17, 1966 and September 16, 1976, between Wolverine (as successor to Northern) and Top O' Michigan Rural Electric Company;

- (vi) Agreement dated March 25, 1949, amended September 17, 1976, between Wolverine (as successor to Wolverine Electric) and Tri-County Electric Cooperative;
- (vii) Agreement dated July 1, 1963, as amended February 9, 1965, between Wolverine (as successor to Wolverine Electric) and Western Michigan Electric Cooperative;

1.5 Decommissioning Trust: The trust or trusts established by Wolverine to hold and manage the funds it receives to help finance the eventual decommissioning of Fermi 2 in accordance with the January 27, 1987 order issued by the Michigan Public Service Commission in Case No. U-8597.

1.6 Distribution Cooperatives: The following seven cooperatives:

- (i) Cherryland Rural Electric Cooperative Association;
- (ii) O & A Electric Cooperative;
- (iii) Oceana Electric Cooperative;
- (iv) Presque Isle Electric Cooperative, Inc;
- (v) Top O'Michigan Rural Electric Company;
- (vi) Tri-County Electric Cooperative; and
- (vii) Western Michigan Electric Cooperative.

1.7 Escrow Agreement: The Escrow Agreement annexed to this Seventh Amendment as Exhibit A.

- 1.8 Escrow Agent: The Escrow Agent named in the Escrow Agreement.
- 1.9 FFB: Federal Financing Bank.
- 1.10 Fermi 2 Advance: Funds obtained by Wolverine from FFB, pursuant to the terms of a Wolverine Note, that were used by Wolverine to finance its acquisition of an undivided ownership interest in Fermi 2, Nuclear Fuel and Materials and Supplies. Fermi 2 Advances shall be only those identified in Exhibit B and any maturity extensions, as provided in the Wolverine Note with respect thereto. Each Wolverine Note has multiple Fermi 2 Advances thereunder, with each Fermi 2 Advance having a separate principal amount, interest rate and maturity date as described in Exhibit B. Notwithstanding the above, funds obtained by Wolverine under a Wolverine Note (i) to pay fees, premiums or similar charges to FFB or to REA to convert the short or intermediate term maturity of any Fermi 2 Advance to a long term maturity or (ii) as part of the advance described in Section V-I-4, shall not be included as a Fermi 2 Advance.
- 1.11 General Release and Covenant Not to Sue: The documents in the form of Exhibits C-1 and C-2 hereto.

1.12 Identified for Fabrication: Nuclear Fuel has been Identified for Fabrication when:

- (i) Fabrication design requirements have been specified;
- (ii) Nuclear Fuel materials are in the possession of a Nuclear Fuel fabricating contractor; and
- (iii) Either (x) fabrication has commenced, or (y) the first invoice for fabrication has been received by Edison.

1.13 Mortgage Bond: Bonds issued under Edison's Mortgage and Deed of Trust, dated as of October 1, 1924 from Edison to Bankers Trust Company, as amended, modified and supplemented. Mortgage Bonds issued by Edison and delivered to REA pursuant to Section II-E shall be issued pursuant to a supplemental indenture dated within fifteen days of the Closing, substantially in the form of the supplemental indenture attached hereto as Exhibit D.

1.14 Nuclear Fuel Adjustment: The Nuclear Fuel Adjustment shall be the sum, as of December 31, 1989, of (i) amount of money held pursuant to the Nuclear Fuel Funds Escrow, and (ii) amounts due and owing from Edison for Test Energy and for quarterly fuel expense (F) reduced by Wolverine's

share of the nuclear fuel waste disposal costs, as defined in Section III-B hereof.

- 1.15 Nuclear Fuel Funds Escrow: An interest bearing escrow fund to be created pursuant to the Nuclear Fuel Funds Escrow Agreement, into which shall be deposited all amounts paid by Edison to Wolverine for Test Energy pursuant to Section III-A of this Seventh Amendment and for quarterly fuel expense ("F"), reduced by Wolverine's share of the nuclear fuel waste disposal costs, as defined in Section III-B. of this Seventh Amendment.
- 1.16 Nuclear Fuel Funds Escrow Agreement: An agreement in the form of Exhibit E annexed to this Seventh Amendment.
- 1.17 Power Supply Agreement: The Agreement executed contemporaneously with this Seventh Amendment between Wolverine and Edison pursuant to which Wolverine has agreed to purchase and Edison has agreed to sell capacity and energy.
- 1.18 Purchase Closing Date: The Purchase Closing Date shall be January 2, 1990, or such other time as the parties hereto may agree in writing, with the approval of REA. As the parties acknowledge that all of the numbers cannot be finalized on January 2, 1990, the actual date of exchange of documents and funds shall be the date of Closing. If on the date of the Closing an

injunction is in place preventing Edison or Wolverine from carrying out any of its obligations hereunder, then the Purchase Closing Date shall be delayed for the period of time such injunction is effective, provided, however, such period of time shall not exceed twenty-four months. Notwithstanding the preceding sentence, if an obligation of Wolverine or Edison is enjoined on the date of the Closing, which obligation the non-enjoined party waives in writing, then the Closing shall occur as if no such injunction had been issued, so long as counsel for the enjoined party does not opine that consummating the Closing may violate the terms of the injunction. After such twenty-four month period, if such injunction is still in effect, and Edison or Wolverine (whichever party is enjoined) fails to carry out its obligation to close under this Seventh Amendment, such party shall be in default under this Seventh Amendment. Except as the parties, with the approval of REA, may otherwise agree, if the injunction is dissolved during such twenty-four month period, the Purchase Closing Date shall be the date such injunction is dissolved; provided, however, if such date is within thirty (30) days of the end of the calendar quarter, the Purchase

Closing Date will be the first day of the next calendar quarter.

1.19 REA: The United States of America acting through the Rural Electrification Administration.

1.20 Wolverine Note: Instrument evidencing the lending of funds, guaranteed by REA, by FFB to Wolverine. A Wolverine Note shall be only those identified in Exhibit B, as such notes may be amended from time to time.

1.21 Wolverine's Fermi 2 FFB Debt: The unamortized principal balance of the Fermi 2 Advances, which as of October 1, 1987 is \$773,806,910.44; provided, however, that all amounts paid by REA and interest thereon, after the execution of this Seventh Amendment (and not otherwise paid by Wolverine or from the funds provided under this Seventh Amendment), under its guarantee to FFB, as payment for a Fermi 2 Advance shall be included as part of Wolverine's Fermi 2 FFB Debt.

1.22 Wolverine's Fermi 2 Costs Not Financed by FFB: The amount paid by Wolverine and not financed by borrowed funds to finance a portion of its acquisition of an undivided ownership interest in Fermi 2, Nuclear Fuel and Materials and Supplies and any reasonable expenses and/or overhead costs related to Fermi 2. Wolverine's Fermi 2 Costs

Not Financed by FFB that support subsequent advances from FFB or REA, pursuant to Section V I (4), shall be deemed to be Wolverine's Fermi 2 Costs Not Financed by FFB; however, such advances shall not be deemed Fermi 2 Advances. As of September 30, 1987, the amount of Wolverine's Fermi 2 Costs Not Financed by FFB was \$258,627.09, as described in Exhibit F hereto, which Edison agrees are reasonable. Similar costs incurred by Wolverine between September 30, 1987 and the Purchase Closing Date, shall be considered as Wolverine's Fermi 2 Costs Not Financed by FFB; provided, however, that such costs are reasonable and are incurred for expenses substantially similar to those contained in Exhibit F.

SECTION II

Transfers of Ownership Interests Between the Date of This Seventh Amendment and Closing

A. Transfer At Time of Execution of Seventh Amendment.

Simultaneous with the execution of this Seventh Amendment, Edison shall purchase and Wolverine shall sell, all subject to the terms and conditions of this Seventh Amendment, Fermi 2, Nuclear Fuel and Materials and Supplies. The price for such purchase shall be

equal to the sum of \$99,802,400.88, which is the sum of (i) the amount that Wolverine owes REA as a result of payments by REA for Fermi 2 Advances under its guarantee to FFB and accrued interest thereon, as of the execution of this Seventh Amendment and (ii) the debt service on Fermi 2 Advances between July 1, 1986 and the date as of the execution of this Seventh Amendment paid by Wolverine. Wolverine hereby directs Edison to wire transfer to an account of REA in accordance with REA's written instructions, the sum of \$99,487,390.38, and to wire transfer the balance of \$315,010.50 to Wolverine pursuant to Wolverine's written instruction.

Wolverine shall deliver a Deed and Bill of Sale, in the forms attached hereto as Exhibits G and H (such forms referred to in this Seventh Amendment as the "Deed" and "Bill of Sale"), for (i) an undivided 1.781% ownership interest to the Escrow Agent, and (ii) an undivided .160% ownership interest to Edison. The undivided ownership interests sold and purchased under this Section II-A, which are (i) the interest conveyed to Edison by Wolverine, and (ii) interest covered by the documents delivered to the Escrow Agent by Wolverine, shall be free from any and all liens and mortgages, other than those of (x) REA and CFC, and (y) construction liens. Prior to the first day of the

next calendar quarter, Wolverine will cause REA and CFC to deliver a partial mortgage release, in the form attached as Exhibit I hereto (such form being referred to in this Seventh Amendment as the "Partial Mortgage Release"), for (i) an undivided 1.781% ownership interest to the Escrow Agent, and (ii) an undivided .160% ownership interest to Edison.

B. Principal Related Transactions Subsequent to the Execution of the Seventh Amendment.

On or before the last day of each calendar quarter commencing with the quarter in which this Seventh Amendment is executed and continuing until the earlier of the Purchase Closing Date or the quarter in which the Commercial Operation Date occurs, Edison shall purchase and Wolverine shall sell, subject to the terms and conditions of this Seventh Amendment, Fermi 2, Nuclear Fuel and Materials and Supplies. For each such purchase and sale, the price will be equal to the principal amortization portion of the debt service on Wolverine's Fermi 2 FFB Debt due and owing for such quarter; except that for the purchase at the end of the quarter in which the Commercial Operation Date occurs, the price will be equal to the principal amortization portion of the debt service on Wolverine's Fermi 2 FFB Debt due and owing from the beginning of such quarter to the day prior to the

Commercial Operation Date. There shall be no purchase pursuant to this Section II-B for the quarter in which the Purchase Closing Date occurs.

For each such transaction, Wolverine will deliver to Edison a Deed and Bill of Sale representing an undivided ownership interest in Fermi 2, Nuclear Fuel and Materials and Supplies determined pursuant to the formula set forth in Exhibit J. The undivided ownership interest sold and purchased under this Section II B shall be free from any and all liens and mortgages, other than those of (x) REA and CFC, which Wolverine will remove before the first day of the next calendar quarter, and (y) construction liens. Prior to the earlier of the Purchase Closing Date or the first day of the next calendar quarter, Wolverine will cause REA and CFC to deliver to Edison a Partial Mortgage Release on the undivided ownership interest determined above. Wolverine hereby directs Edison to wire transfer the said purchase price to an account of REA or Wolverine in accordance with REA's written instructions. Amounts paid pursuant to this Section II-B shall be used by REA to immediately pay the principal amortization then due and owing on Wolverine's Fermi 2 FFB Debt and shall reduce the principal balance of the appropriate Fermi 2 Advances consistent with REA and FFB standard practices.

C.

Interest Related Transactions Subsequent to the Execution of the Seventh Amendment.

On or before the last day of each calendar quarter commencing with the quarter in which this Seventh Amendment is executed and continuing until the earlier of the Purchase Closing Date or the quarter in which the Commercial Operation Date occurs, Edison shall purchase and Wolverine shall sell, subject to the terms and conditions contained herein, Fermi 2, Nuclear Fuel and Materials and Supplies. For each such purchase and sale, the price will be equal to the interest portion of the debt service on Wolverine's Fermi 2 FFB Debt due and owing for such quarter; except that for the purchase at the end of the quarter in which the Commercial Operation Date occurs, the price will be equal to the interest portion of the debt service on Wolverine's Fermi 2 FFB Debt due and owing from the beginning of such quarter to the day prior to the Commercial Operation Date. There shall be no purchase pursuant to this Section II-C for the quarter in which the Purchase Closing Date occurs.

For each such transaction, Wolverine shall deliver to the Escrow Agent a Deed and Bill of Sale for an undivided ownership interest in Fermi 2, Nuclear Fuel and Materials and Supplies determined pursuant to Section X-C of the Sixth Amendment. The

undivided ownership interest covered by the documents delivered to the Escrow Agent shall be free from any and all liens and mortgages, other than construction liens and those of REA and CFC; provided, however, that Wolverine will remove the lien of REA and CFC for the purchase and sale occurring on or before December 31, 1987 as required below. For such purchases and sales occurring on or before December 31, 1987, Wolverine will cause REA and CFC, prior to March 31, 1988, to deliver to the Escrow Agent Partial Mortgage Releases on the undivided ownership interests determined above. Wolverine hereby directs Edison to wire transfer the said purchase price to an account of REA or Wolverine in accordance with REA's written instructions. Amounts paid pursuant to this Section II-C shall be used by REA to immediately pay interest then due and owing on Wolverine's Fermi 2 FFB Debt.

D. Limitation on Principal and Interest Related Transactions After December 31, 1989.

After December 31, 1989 all payments by Edison pursuant to Sections II-B and II-C shall be multiplied by B, where

B = $(WD - \$200 \text{ Million} - NFA) / WD$; where
WD = Wolverine's Fermi 2 FFB Debt as of January 2, 1990, and
NFA = Nuclear Fuel Adjustment.

The amounts determined after such multiplication shall be the sole liability of Edison for payments for the purchases pursuant to such Sections.

E. Transfers on the Purchase Closing Date.

1. On the date of Closing, Edison shall purchase and Wolverine shall sell Wolverine's remaining undivided ownership interest in Fermi 2, Nuclear Fuel and Materials and Supplies. The purchase and sale shall be effective as of the Purchase Closing Date. Payment for such purchase shall be accomplished by Edison delivering to REA Mortgage Bonds together with an opinion of counsel dated the date of Closing substantially in the form of Exhibit K hereto, and such additional information, documents, and certificates as REA may reasonably request, and by Edison paying to Wolverine, in immediately available funds, an amount equal to Wolverine's Fermi 2 Costs Not Financed by FFB. One Mortgage Bond shall be provided for each outstanding Fermi 2 Advance. Each Mortgage Bond shall be in the form of bonds of 1990 Series A, 1990 Series B, or 1990 Series C, as prescribed in the form of Supplemental Indenture attached as Exhibit D hereto. The form of bond selected for a particular Fermi 2 Advance shall be that form identified in Exhibit B. Each Mortgage Bond shall be dated as of the first day of the quarter in

which the Purchase Closing Date occurs. Interest and principal amortization shall be due at the end of each quarter during the term of such Mortgage Bond. The Mortgage Bond for each Fermi 2 Advance shall be issued in the principal amount, bear an interest rate and contain a term, all as set forth below:

principal amount = $A \times RP$; where

RP = the remaining principal balance of the related Fermi 2 Advance on January 2, 1990, and

A = $(WD - \$200 \text{ Million} - NFA - X) / WD$; where

WD = Wolverine's Fermi 2 FFB Debt as of January 2, 1990,

NFA = Nuclear Fuel Adjustment, and

X = sum of the amounts paid by Edison after January 2, 1990 (i) pursuant to Section II-B and (ii) for the principal amortization portion of DS paid pursuant to Section III-B;

interest rate = interest rate of the related Fermi 2 Advance; and

term = remaining term of the related Fermi 2 Advance.

No modification of these terms shall be permitted unless agreed to in writing by REA and Edison. As of January 2, 1990 Edison and Wolverine shall direct the Escrow Agent to deliver to REA the Nuclear Fuel Adjustment. In the event the Purchase Closing Date

occurs after January 2, 1990, Wolverine shall cause the Escrow Agent to deliver the balance of the Nuclear Fuel Funds Escrows to Edison at the Closing. In the event the Closing does not occur prior to January 31, 1992, the balance of the Nuclear Fuel Funds Escrow shall be delivered to REA on that date and shall reduce the outstanding balance of Wolverine's Fermi 2 FFB Debt.

2. Wolverine shall deliver a Deed and Bill of Sale for its entire ownership interest in Fermi 2, Nuclear Fuel and Materials and Supplies. The undivided ownership interest conveyed by Wolverine to Edison at the Closing shall be free from any and all liens and mortgages. Wolverine shall cause REA and CFC to deliver, on the date of the Closing, mortgage releases, in a form of Exhibit L hereto, on their entire interest in Fermi 2. Wolverine shall direct, and shall cause REA to direct, the Escrow Agent to deliver all escrowed documents to Edison. Wolverine shall also direct, and shall cause REA to direct, the Escrow Agent for the escrow established pursuant to that certain letter agreement dated March 27, 1986, as modified by Exhibit A hereto, to deliver on the date of the Closing all escrowed documents to Edison. At the Closing Wolverine shall assign to Edison all of its rights, title and interest in the Decommissioning

Trust and shall deliver to Edison a fully executed Assignment of Trust, identical to that contained in Exhibit M. Edison and Wolverine agree to share equally any costs due and owing to either Escrow Agent, the costs of which to Wolverine shall not be included as part of Wolverine's Fermi 2 Costs Not Financed by FFB.

3. If the Commercial Operation Date has not been reached on the Purchase Closing Date, for purposes of this Section II-E, the undivided ownership interest conveyed by Wolverine at the Closing will be equal to Wolverine's Adjusted Participation Interest determined pursuant to Section XII (D) of the Sixth Amendment, as of the Purchase Closing Date.

F. Transfers out of Escrow By Escrow Agent.

The Escrow Agent shall deliver all Deeds and Bills of Sale and Partial Mortgage Releases to Edison at the Closing. The Escrow Agent shall return the Deeds and Bills of Sale to Wolverine and the Partial Mortgage Releases to REA if the Closing does not occur because of a default by Edison. The Escrow Agent shall deliver the Deeds and Bills of Sale and the Partial Mortgage Releases to Edison if the Closing does not occur because of a default by Wolverine.

SECTION III
Purchase of Power by Edison

A. Entitlement Determination.

Notwithstanding anything to the contrary in the Participation Agreement (excluding, however, this Seventh Amendment), after the Commercial Operation Date, the Capacity and Energy Entitlements of Wolverine and Edison shall be equal to their respective Adjusted Participation Interests, determined as of the Commercial Operation Date pursuant to Section XII(D) of the Sixth Amendment.

Subsequent to the Purchase Closing Date, Edison shall be entitled to all of the Capacity and Energy from Fermi 2.

Prior to the Commercial Operation Date, Edison and Wolverine shall continue to share the Test Energy in proportion to their respective Adjusted Participation Interests, determined pursuant to Section XII-D of the Sixth Amendment. Within thirty (30) days of the end of the month in which this Seventh Amendment is executed, Edison will deposit in the Nuclear Fuel Funds Escrow an amount equal to Edison's Test Energy liability as of the last day of such month. Thereafter, within thirty (30) days of the end of each month in which Edison purchases Test Energy from Wolverine, Edison shall deposit in the

Nuclear Fuel Funds Escrow an amount equal to Edison's Test Energy liability for such month.

B. Entitlement Purchases.

Notwithstanding anything to the contrary in the Participation Agreement (excluding, however, this Seventh Amendment), if the Commercial Operation Date occurs prior to the Purchase Closing Date, between the Commercial Operation Date and the Purchase Closing Date, Edison will purchase and Wolverine will sell all of Wolverine's Capacity and Energy Entitlements in Fermi 2. Edison will make quarterly payments (prorated for any partial quarter) for such Capacity and Energy Entitlements in the following amount

$$DS + F + 1/4 (E+T)$$

where:

DS = The actual quarterly interest and principal amortization on Wolverine's Fermi 2 FFB Debt for such quarter. Notwithstanding the previous sentence, after December 31, 1989, DS shall be equal to the actual quarterly interest and principal amortization on Wolverine's Fermi 2 FFB Debt for such quarter multiplied by B where

B = $(WD - \$200 \text{ Million} - NFA) / WD$; where

WD = Wolverine's Fermi 2 FFB Debt as of January 2, 1990, and

NFA = Nuclear Fuel Adjustment.

For the quarter in which the Purchase Closing Date occurs, Edison shall have no obligation to pay DS, as the Mortgage Bonds will be dated the first day of such quarter. Wolverine hereby directs Edison to wire transfer payments for DS to an account of REA in accordance with REA's written instructions. All amounts paid for DS shall be used by REA to pay the interest and principal amortization then due and owing on Wolverine's Fermi 2 FFB Debt and shall reduce the principal balance of the appropriate Fermi 2 Advances consistent with REA and FFB standard practices.

E - Annual expenses incurred by Wolverine, for each calendar year in which such quarterly payments are made, as a result of Wolverine's ownership interest in Fermi 2. Such expenses shall include, but not be limited to, (a) Wolverine's payments to the Decommissioning Trust, determined in the same manner, at such time, as that made applicable to Wolverine by the Michigan Public Service Commission or any successor agency or department; (b) Operating Costs, (c) property taxes, (d) insurance and (e) Wolverine's reasonable out of pocket expenses related to Fermi 2.

T - Wolverine's annual taxes which shall be equal to the Federal Income Tax provided for under the Internal Revenue Code of 1954, as amended, and the Michigan Single Business Tax provided for under Michigan Public Act of 1975, No. 228, paid by Wolverine but only that portion of such tax as is imposed or measured in terms of revenue or, in the case of the Michigan Single Business Tax, revenue and compensation, generated or otherwise directly attributable to Wolverine's ownership interest in Fermi 2 and only to the extent that such tax does not exceed the minimum required to be paid under applicable federal income tax or Michigan Single Business Tax law.

F - Actual quarterly fuel expenses incurred by Wolverine for the electric energy associated with the Capacity and Energy Entitlements purchased by Edison during the months for which such payment is being made, determined pursuant to Section IX - C of the Sixth Amendment less, however, the amount of principal and interest paid with regard to nuclear fuel contained in the DS portion of the payment, provided, however, such amount shall not be less than disposal costs for such quarter. Actual quarterly amounts paid for F, less Wolverine's share of the nuclear fuel waste disposal costs, shall be deposited by

Edison, within thirty (30) days of the end of each calendar quarter, directly with the Escrow Agent under the Nuclear Fuel Funds Escrow Agreement.

E and T will be estimated for purposes of applying the above formula. Edison shall accrue such amounts on a monthly basis. In the event the actual values of E or T differ from the estimated values, an adjustment will be made for any resulting overpayment or underpayment in the next quarterly invoice. Final adjustment of any overpayment or underpayment for the calendar year in which the Purchase Closing Date occurs will be accomplished by a cash payment from one party to the other. Such payment will be due within thirty (30) days of receipt of an invoice therefor.

SECTION IV

Operating Authority

Consistent with the provisions of Article VI, Sections 6.1 and 6.2 of the Participation Agreement, Edison, after the execution of this Seventh Amendment, shall continue to have sole authority to manage, control, operate and maintain Fermi 2 and to schedule and dispatch Fermi 2 generation. Notwithstanding the language of Section 6.2 of the Participation Agreement, Edison shall have no obligation to

provide Capacity and Energy to Wolverine in the event Edison voluntarily ceases to operate or reduces the output from Fermi 2, except for the obligation of Edison to supply power pursuant to the Power Supply Agreement; provided, however, Edison shall continue to make payments pursuant to Section III B above during periods that Edison ceases to operate or reduces the output of Fermi 2.

SECTION V

Existing Obligations

Notwithstanding anything to the contrary in the Participation Agreement (excluding, however, this Seventh Amendment), between the date of execution of this Seventh Amendment and the Purchase Closing Date, the following obligations shall exist:

A. Cost of Construction.

Edison will make all payments in respect of the Cost of Construction.

B. Materials And Supplies.

Edison will make all payments in respect of the Materials and Supplies. There will be no Compensating Payment for Materials and Supplies as required by Section XIII of the Sixth Amendment.

C. Operating Costs.

Edison and Wolverine will share Operating Costs according to Section VI of the Sixth Amendment.

D. Capital Improvements.

Edison will make all payments in respect of
Capital Improvements.

(23). Taxes and Insurance.

Edison and Wolverine will share the costs for Taxes and Insurance according to Sections VII and VIII of the Sixth Amendment.

F. Nuclear Fuel.

Edison will make all payments for Nuclear Fuel. The Parties, however, agree that Wolverine's Front End Direct Costs of Nuclear Fuel that has been Identified for Fabrication should be proportional to its Adjusted Participation Interest. To maintain this proportionality, some or all of Wolverine's investment in the Front End Direct Costs of Nuclear Fuel that has not been Identified for Fabrication, will, when necessary, be transferred to Wolverine's investment in Nuclear Fuel that has been Identified for Fabrication.

G. Post Purchase Closing Date Obligations.

After the Purchase Closing Date, Wolverine shall no longer have any responsibility for payment of any of the above costs described in Section V-A through V-F.

H. Cash Obligations of Wolverine.

All payments by Wolverine to Edison under the Participation Agreement and the Seventh Amendment shall be made from funds obtained from Edison.

Between the execution of this Seventh Amendment and the date of the Closing should Wolverine make a payment to Edison that is not made from funds provided by Edison, Edison will reimburse Wolverine for such payment at the Closing. The obligation of Edison to reimburse Wolverine shall not apply to liability arising as a result of actions by third parties, unless covered by the Indemnification, Section VII-F.

I. Debt Conversion

Unless otherwise directed by Edison, all Fermi 2 Advances maturing prior to January 2, 1990, shall be converted by Wolverine into short or intermediate term maturities having, in order of priority, zero principal amortization or having a principal amortization equal to the longest term permitted by the applicable Wolverine Note. As requested by Edison, Wolverine will convert any Fermi 2 Advance from a short or intermediate term maturity into a long term maturity having the longest term permitted by the applicable Wolverine Note. Such long term maturities shall have a level debt service unless REA, Wolverine and Edison otherwise agree in writing.

As of the execution of this Seventh Amendment, Wolverine's Fermi 2 FFB Debt is made up of the Fermi 2 Advances contained in Exhibit B, with maturity dates and interest rates described therein. On or prior to

January 2, 1990, all Fermi 2 Advances with short and intermediate term maturities shall be converted by Wolverine into long term maturities. All fees, premiums, and similar charges for converting its short and intermediate term maturities into long term maturities will be paid by Wolverine from funds obtained from the sources and in the order of priority as follows:

1. from funds generated by rate increases obtained by Wolverine pursuant to its obligations under a certain Debt Restructuring Agreement, dated the date hereof, between Wolverine and REA;
2. from Wolverine's General Funds in excess of those needed for current operations as determined by Wolverine, with the approval of the Administrator of REA, up to a maximum of \$2 million;
3. from a short term unsecured loan from Edison, pursuant to a loan agreement in the form of Exhibit S annexed hereto, bearing interest at the prime rate of interest charged from time to time by National Bank of Detroit, in the amount of up to \$2.5 million to be repaid within twenty-three (23) months from the date of borrowing; and
4. from up to \$3.545 million which, at the discretion of REA, shall be either (i) advanced by FFB to Wolverine or (ii) advanced by REA to Wolverine or to FFB.

SECTION VI

Representations, Warranties, Mutual Covenants and Affirmative Covenants

A. Wolverine's Representations.

Wolverine hereby represents [redacted] warrants to Edison as follows:

1. Wolverine Organization.

Wolverine is a cooperative corporation duly organized, validly existing and in good standing under the laws of the State of Michigan and has the power to carry on its business as it is now conducted and as it is contemplated to be conducted after the Closing. Wolverine will deliver to Edison on or before the Closing, a true and complete copy of its Articles of Incorporation and By-Laws as amended to date.

2. Authority Relative to This Agreement.

The execution, delivery and performance by Wolverine of this Seventh Amendment, the Power Supply Agreement, the Escrow Agreement, and the General Release and Covenant Not to Sue have each been duly authorized by all necessary corporate action on the part of Wolverine; do not contravene any law, or any governmental rule, regulation or order, applicable to Wolverine, or the Articles of Incorporation or By-Laws of

Wolverine; and do not and will not contravene the provisions of, or constitute a default under, any indenture, mortgage, contract or other instrument to which Wolverine is a party or by which Wolverine is bound.

3. Validity of Agreements.

This Seventh Amendment, the Power Supply Agreement and the General Release and Covenant Not to Sue each constitute a legal, valid and binding obligation of Wolverine, enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization or similar laws or equitable principles at the time in effect.

4. Cooperative Power Supply Agreements.

As of the date of this Seventh Amendment and on the Purchase Closing Date,

(i) Wolverine has, and except as provided in Section VII C.2. below, will have in effect with each of the Distribution Cooperatives a Cooperative Power Supply Agreement, and that such agreements have and will have terms extending through at least June 1, 2025.

(ii) Each of the Cooperative Power Supply Agreements is and on the Purchase Closing Date will be enforceable by Wolverine, except as may

be limited by applicable bankruptcy, insolvency, reorganization or similar laws.

5. The letter from Dykema, Gossett, Spencer, Goodnow & Trigg dated April 13, 1987 to Edison has been attached hereto as Exhibit N and accurately summarizes the law, as of such date, regarding the enforceability of agreements similar to the Cooperative Power Supply Agreements.

6. Approvals and Consents.

Any consent or approval of, the giving of notice to, registration with or taking of any other action by any state, federal or other agency or regulatory authority, including, without limitation, REA, the Michigan Public Service Commission, the Federal Energy Regulatory Commission and the Securities and Exchange Commission, in connection with the execution, delivery and performance of this Seventh Amendment and the Power Supply Agreement required to be obtained by Wolverine on or before the Purchase Closing Date have been obtained.

7. Liens and Mortgages.

As of the Closing, the undivided ownership interests (i) conveyed by Wolverine to Edison, pursuant to Section II-E, and (ii) which were placed in escrow by Wolverine (for subsequent

delivery to Edison at the Closing); pursuant to Sections II-A and II-C, shall be free from any and all liens and mortgages, other than construction liens.

B. Edison's Representations.

Edison hereby represents and warrants to Wolverine as follows:

1. Edison Organization.

Edison is a corporation duly organized, validly existing and in good standing under the laws of the State of Michigan and has the corporate power to carry on its business as it is now being conducted and as it is contemplated to be conducted after the Closing. Edison will deliver to Wolverine on or before the Closing, a true and correct copy of its Articles of Incorporation and By-Laws as amended to date.

2. Authority Relative to This Agreement.

The execution, delivery and performance by Edison of this Seventh Amendment, the Mortgage Bonds delivered hereunder, the Power Supply Agreement, the Escrow Agreement, and the General Release and Covenant Not to Sue have each been duly authorized by all necessary corporate action on the part of Edison; do not contravene any law, or any governmental rule, regulation or order

applicable to Edison or its properties, or the Articles of Incorporation or By-Laws of Edison; and do not and will not contravene the provisions of, or constitute a default under, any indenture, mortgage, contract or other instrument to which Edison is a party or by which Edison is bound.

3. Validity of Agreements.

This Seventh Amendment, the Power Supply Agreement and the General Release and Covenant Not to Sue each constitute a legal, valid and binding obligation of Edison, enforceable in accordance with its terms, except as may be limited by the applicable bankruptcy, insolvency, reorganization or similar laws or equitable principles at the time in effect.

4. Approvals and Consents.

Any consent or approval of, giving of notice to, registration with or taking of any other action by, any state, federal or other governmental commission, agency or regulatory authority, including, without limitation, the Michigan Public Service Commission, the Federal Energy Regulatory Commission and the Securities and Exchange Commission, in connection with the execution, delivery and performance of this Seventh Amendment and the Power Supply Agreement

required to be obtained by Edison on or before the Purchase Closing Date have been obtained.

C. Affirmative Covenants and Agreements of Wolverine

Wolverine covenants and agrees as follows:

1. Until June 1, 2025, Wolverine will not take any action to terminate or to cause the termination of any Cooperative Power Supply Agreement.

2. Until June 1, 2025, Wolverine will not waive any of its rights under the Cooperative Power Supply Agreements that in any way compromises the obligations of any Distribution Cooperative to be an all-requirements customer of Wolverine.

3. If any Distribution Cooperative during the term of the Power Supply Agreement takes any action to abrogate any of its obligations under its Cooperative Power Supply Agreement, Wolverine will take all appropriate legal actions to enforce its rights under the Distribution Power Supply Agreement with such Distribution Cooperative, immediately notify Edison and will not oppose Edison's intervention in the dispute with the Distribution Cooperative.

4. Wolverine will not breach its obligations under the Power Supply Agreement.

5. Wolverine will not, between the date hereof and the Purchase Closing Date, breach its obligations under the Debt Restructuring Agreement between

Wolverine and REA, dated the date hereof, which Agreement, without exhibits, is annexed hereto as Exhibit O, unless such obligation has been waived in writing by REA.

D. Affirmative Covenants and Agreements of Edison.

Edison covenants and agrees as follows:

1. Edison has not and, until December 31, 2025, will not, make any acquisition of any or all of the assets of a Distribution Cooperative or attempt to serve customers within any Distribution Cooperative's service territory without the written consent of the affected Distribution Cooperative and Wolverine.

2. Edison will not breach its obligations under the Power Supply Agreement.

SECTION VII

General Conditions

A. Cooperation.

Wolverine and Edison shall cooperate with each other in all activities relating to Fermi 2, the Seventh Amendment and the Power Supply Agreement, including, without limitation, the filing of applications for authorizations, permits or licenses and the execution of such other documents as may be reasonably necessary to carry out the provisions of the Seventh Amendment and the Power Supply Agreement.

B. Approvals.

The Parties shall use their best efforts to obtain as quickly as possible all requisite governmental and regulatory approvals of the transactions contemplated herein.

C. Conditions Precedent to Edison's Obligations To Close Hereunder.

The obligation of Edison to close under this Seventh Amendment is subject to the fulfillment, at or prior to the Closing, of each of the following conditions (or the waiver in writing of such conditions by Edison):

1. Edison shall not have discovered any material error, misstatement or omission in the representations and warranties made by Wolverine in this Seventh Amendment.
2. Wolverine's representations and warranties contained in this Seventh Amendment shall be deemed to have been made again at and as of the Purchase Closing Date and shall then be true in all material respects, except for those contained in Section VI A 1, 2, 3 and 7, which shall be true and correct on the date of Closing, provided, however, if any Distribution Cooperative is in a proceeding under Chapter 7 or Chapter 11 of Title 11, USC, the warranty with

regard to such Distribution Cooperative made in Section VI-A.4.(1) is waived to the extent the Cooperative Power Supply Agreement of such Distribution Cooperative is rejected pursuant to Section 365 of the Bankruptcy Code and further provided that a change of law subsequent to the date of Exhibit N and before the Purchase Closing Date, adverse to those cited in Exhibit N shall not be deemed a breach of this condition stated in this Section VII-C-2 and no update of Exhibit N shall be required.

3. Wolverine shall have performed and complied with all agreements, covenants and conditions required by this Seventh Amendment and the Power Supply Agreement to be performed or complied with by it prior to or at the date of Closing; and Edison shall have been furnished certificates signed by the principal officer of Wolverine, dated as of the Closing, certifying in form and substance satisfactory to Edison the fulfillment of the foregoing conditions and to the further effect that there are no actions, suits or proceedings pending or, to such officer's knowledge, threatened against or affecting Wolverine before any court or administrative body or agency which could reasonably be expected to materially

adversely affect the ability of Wolverine to fulfill its obligations under this Seventh Amendment, the Power Supply Agreement, the Escrow Agreement or the General Release and Covenant Not to Sue excepting, however, a proceeding in Chapter 7 or Chapter 11 of Title 11, USC, of a Distribution Cooperative.

4. Edison shall have been furnished with an opinion of counsel for Wolverine dated the date of the Closing, in the form of Exhibit P.
5. At the Closing, (i) Wolverine and REA shall deliver the documents required by Section II-E hereof, (ii) the Escrow Agent shall deliver all escrowed documents and (iii) the escrow agent for the escrow established pursuant to that certain Letter Agreement dated March 27, 1986, (annexed hereto as Exhibit R) shall deliver all escrowed documents to Edison.
6. All Wolverine's Fermi 2 FFB Debt has been converted as required by Section V-I.

D. Conditions Precedent To Wolverine's Obligations To Close Hereunder.

The obligation of Wolverine to Close under this Seventh Amendment are subject to the fulfillment, prior to or at the Closing, of each of the following conditions (or the waiver in writing of such

conditions by Wolverine, but only with the consent of REA):

1. Wolverine shall not have discovered any material error, misstatement or omission in the representations and warranties made by Edison in this Seventh Amendment or the Power Supply Agreement;
2. Edison's representations and warranties contained in this Seventh Amendment shall be deemed to have been made again at and as of the time of the Purchase Closing Date and shall then be true in all material respects except for the warranties contained in Section VI B 1, 2 and 3, which shall be true and correct on the date of Closing; Edison shall have performed and complied with all agreements, covenants and conditions required by this Seventh Amendment to be performed or complied with by it prior to or at the Purchase Closing Date; and Wolverine shall have been furnished certificates signed by a principal officer of Edison, dated as of the Closing, certifying in a form and substance satisfactory to Wolverine the fulfillment of the foregoing conditions and to the further effect that there are no actions, suits or proceedings pending or, to such officer's knowledge, threatened against

or affecting Edison before any court or administrative body or agency which could reasonably be expected to materially adversely affect the ability of Edison to fulfill its obligations under this Seventh Amendment, the Power Supply Agreement, the Mortgage Bond or the General Release and Covenant Not to Sue.

3. Wolverine and REA shall have been furnished with an opinion of counsel for Edison dated the date of the Closing, in the form of Exhibit Q.
4. Edison shall deliver to REA the Mortgage Bonds required to be delivered hereunder, an opinion of counsel with respect thereto substantially in the form of Exhibit K annexed hereto and such additional information and certificates that REA may reasonably request, and to Wolverine all certificates, legal opinions and evidences of authorizations and approvals as provided for herein. The principal amount, interest rate and term of each Mortgage Bond shall be as determined pursuant to Section II-E hereof.

E. General Release and Covenant Not to Sue.

1. Wolverine's General Release and Covenant Not to Sue

Contemporaneously with the execution of the Seventh Amendment, Wolverine will deliver to

Edison a fully executed General Release and Covenant Not to Sue, identical in form to that attached as Exhibit C-1. In the event there is no Closing because Edison breaches its obligations under this Seventh Amendment, the General Release and Covenant Not to Sue delivered pursuant to this Section VII-E-1 shall be null and void.

2. Edison's General Release and Covenant Not to Sue Contemporaneously with the execution of the Seventh Amendment, Edison will deliver to Wolverine a fully executed General Release and Covenant Not to Sue, identical in form to that attached as Exhibit C-2. In the event there is no Closing because Wolverine breaches its obligations under this Seventh Amendment, the General Release and Covenant Not to Sue delivered pursuant to this Section VII-E-2 shall be null and void.

F. Indemnification.

Edison, from and after the date of this Seventh Amendment shall and hereby agrees to defend and hold Wolverine, its officers and directors and Distribution Cooperatives, and their officers and directors, harmless from and against all liabilities, damages, expenses, suits and judgments for claims hereafter

brought by any third party arising (i) solely because of Wolverine's ownership of an undivided interest in Fermi 2, Nuclear Fuel, and Materials and Supplies or (ii) out of any action or inaction on the part of Edison that results in a claim against Wolverine, its officers and directors and/or Distribution Cooperatives and their officers and directors, because of Wolverine's participation with Edison in Fermi 2; provided, however, such indemnity shall not apply to any liabilities, damages, expenses, suits, claims and judgments that (i) REA, FFB or any Distribution Cooperative may have against Wolverine or (ii) that the members of any Distribution Cooperative may have against such Distribution Cooperative. If the Closing does not occur, this obligation of Edison shall be void ab initio.

G.

Ownership Interests As Of Synchronization Date

Edison and Wolverine acknowledge that on and after the day prior to the Synchronization Date, the Parties owned undivided ownership interests, as tenants in common, in that portion of Fermi 2, Nuclear Fuel and Materials and Supplies acquired before such date in an amount equal to their respective Adjusted Participation Interests, determined pursuant to Section XII-D of the Sixth Amendment; provided, however, that in determining the Adjusted

Participation Interest, the Participation Interest will be determined at such date pursuant to Section XI-A of the Fifth Amendment without regard to Section XII-A and Section XII-B of the Sixth Amendment.

H. Sixth Amendment Dispute.

The parties agree that the obligation set forth in Paragraph II of that certain letter agreement dated March 27, 1986, annexed hereto as Exhibit R, to within six months seek a judicial resolution of the dispute arising out of the Sixth Amendment shall be postponed. Should the Closing occur, then such obligation will terminate. In the event the Closing does not occur due to the default of either party, then the parties agree to seek such determination on or before June 30, 1993. The parties agree that by executing this Seventh Amendment, the dispute described in such March 27, 1986 letter agreement shall be limited to the two quarters ending June 30, 1986.

I. Waiver of Statute of Limitations.

1. Waiver By Edison

Edison waives and agrees not to assert any applicable statute of limitations, laches or similar defenses on any and all claims or actions brought by Wolverine arising out of the Participation Agreement or in any way related to Fermi 7 that were not otherwise time barred as of October 23, 1986. Edison's

obligation to so waive shall be applicable only to those claims for which an action for recovery of damages has been commenced prior to January 1, 1993.

2. Waiver By Wolverine

Wolverine waives and agrees not to assert any applicable statute of limitations, laches or similar defenses on any and all claims or actions brought by Edison arising out of the Participation Agreement or in any way related to Fermi 2 that were not otherwise time barred as of October 23, 1986. Wolverine's obligation to so waive shall be applicable only to those claims for which an action for recovery of damages has been commenced prior to January 1, 1993.

3. Non-Prejudicial Effect

The parties agree that nothing contained in this Seventh Amendment, including, without limitation, calculations which may be based on Edison's interpretation of certain provisions of the Sixth Amendment, shall in any way be used by one party to the detriment of the other party in the resolution of the dispute arising out of the Sixth Amendment or in connection with any other cause of action related to the Participation Agreement and to Fermi 2.

J. No Edison Loans.

Except for the loan referred to in Section V-I above, which loan Edison agrees to make pursuant to

agreement in the form of Exhibit S hereto, Edison has no further obligations to loan money to Wolverine, notwithstanding the provisions of the Participation Agreement, including all amendments thereto.

K. Edison Failure To Make Payment: No Rights of Set Off.

No claim by Edison against Wolverine arising because of an alleged or actual breach of the Seventh Amendment, the Power Supply Agreement or otherwise shall in any way relieve Edison of its obligations to make those payments required pursuant to the Mortgage Bond. If, for any reason, including default by Edison or Wolverine, Edison does not make a payment (a set off by Edison shall be considered a failure to make a payment for purposes of this sentence) to Wolverine, or, as directed by REA, to REA, pursuant to the Seventh Amendment, then Wolverine's obligation to convey deeds and bills of sale and REA's obligation to convey Partial Mortgage Releases shall be suspended until such payment is made.

L. Material Breach

Should either Wolverine or Edison materially breach any of their obligations between the date hereof and the Closing either under the Participation Agreement, as modified by this Seventh Amendment, or under the Power Supply Agreement, the nonbreaching

under the terms hereof or the Power Supply Agreement, unless and until such material default has been fully cured, and the parties are put into the same position they would have been in but for such material breach.

SECTION VIII

Termination Of Prior Agreements

As of the date of this Seventh Amendment, the following agreements between Wolverine and Edison shall terminate:

- A. Transmission Services Agreement, dated February 8, 1977;
- B. Partial Requirements Agreement, dated February 8, 1977;
- C. Option For Acquisition of Transmission Lines, dated March 20, 1987;
- D. Letter Agreement for Diversity Capacity and Energy, dated August 15, 1986;
- E. Letter Agreement for Interruptible Capacity and Energy, dated August 15, 1985; and
- F. Edison's obligations under Section XV-G of the Sixth Amendment.

Miscellaneous

A. REA Approval.

This Seventh Amendment will not be effective unless and until it is approved by REA.

B. Remaining Conditions.

All provisions of the Participation Agreement not modified or changed by this Seventh Amendment shall remain in full force and effect.

C. Conflicts.

In the event of any conflicts between the Seventh Amendment and the Participation Agreement, the Seventh Amendment shall control.

D. Identification

The real and personal property which is the subject matter of the purchase and sale described in Article II herein is set forth and defined in Exhibits T (the legal description of the real property) and U (the description of the personal property) respectively.

Amendment as of the above date.

THE DETROIT EDISON COMPANY

Francis P. Plizga
Francis P. Plizga

BY:

Ernest L. Grove, Jr.
Ernest L. Grove, Jr.

TITLE: Vice Chairman of the Board

Stephen M. Carpman
Stephen M. Carpman

WITNESSES

WOLVERINE POWER SUPPLY
COOPERATIVE, INC.

Brenda W. Terrell
Brenda W. Terrell

BY:

Melvin Basel
Melvin Basel

TITLE: President

Judy P. Jenkins
Judy P. Jenkins

and

Brenda W. Terrell
Brenda W. Terrell
Judy P. Jenkins
Judy P. Jenkins

BY:

Howard Carson
Howard Carson

TITLE: Secretary

DISTRICT OF COLUMBIA)

The foregoing instrument was acknowledged before me this 10th day of December, 1987, by Melvin Basel and Howard Carson, of Wolverine Power Supply Cooperative, Inc., a Michigan cooperative corporation, on behalf of the corporation.

Katherine S. Nucci
Katherine S. Nucci

My Commission Expires March 31, 1990

STATE OF MICHIGAN)
COUNTY OF Wayne) ss.

The foregoing instrument was acknowledged before me this 12th day of December, 1987, by Ernest L. Grove, Jr. of The Detroit Edison Company, a Michigan corporation, on behalf of the corporation.

Jane LeDuc
Notary Public, County of Macomb
State of Michigan
My commission expires:
Acting in Wayne

JANE LEDUC
Notary Public, Macomb County, MI
My Commission Expires May 27, 1991

Ernest L. Grove, Jr.
Vice Chairman of the Board

**Detroit
Edison**

2000 Second Avenue
Detroit, Michigan 48226
(313) 237-8000

October 23, 1986

Mr. Raymond R. Cristell
Executive Vice President and General Manager
Wolverine Power Supply Cooperative, Inc.
P. O. Box 369
1050 E. Division Street
Boyer City, Michigan 49712

Re: Fermi 2 Letter of Understanding

Dear Mr. Cristell:

This letter sets forth a broad outline of the understandings reached by Wolverine Power Supply Cooperative, Inc. ("Wolverine") and The Detroit Edison Company ("Detroit Edison") relative to the purchase by Detroit Edison of Wolverine's ownership interest in Fermi 2. Upon execution of this Letter of Understanding and upon the subsequent approval thereof by the respective Boards of Directors of Detroit Edison and Wolverine, the parties will be bound by this Letter of Understanding and will prepare final documents consistent with the understandings described herein. Wolverine and Detroit Edison management will seek approval of this Letter of Understanding from their respective Boards of Directors at their next scheduled meetings.

The understandings reached are as follows:

1. **Purchase Obligation** - Detroit Edison will enter into an agreement to purchase Wolverine's remaining ownership interest in Fermi 2. Such purchase will take place on January 1, 1990, at which time title will pass to Detroit Edison, and will occur whether or not Fermi 2 has attained Commercial Operation.
2. **Purchase Price** - The purchase price will be equal to the total unamortized Fermi 2 related debt of Wolverine on January 1, 1990 less \$200 million.
3. **Debt Conversion** - Contemporaneous with the execution of the documents contemplated by this Letter of Understanding, Wolverine will convert its short and intermediate term debt into long term (approximately 27 year) notes guaranteed by the Rural Electrification Administration ("REA"). Detroit Edison will not be responsible for any prepayment penalty. Amortization of this debt will be on a levelized payment basis.

4. **Debt Assumption** - In lieu of a direct payment to Wolverine of the purchase price, Detroit Edison will, on January 1, 1990, assume responsibility for payment of a portion (equal to the purchase price) of Wolverine's REA guaranteed Fermi 2 related debt. Detroit Edison will provide appropriate security to REA. Detroit Edison's obligation to enter into the transactions contemplated by this Letter of Understanding is subject to appropriate regulatory approvals of the Michigan Public Service Commission ("MPSC"), as may be required by 1909 PA 144, as amended, MCLA 460.301, and the Federal Energy Regulatory Commission and the Nuclear Regulatory Commission, if applicable.
5. **Payment of Debt Service** - Between the date hereof and January 1, 1990 Wolverine will pay the debt service (interest and amortization of principal) on its Fermi 2 related debt. It is understood that Wolverine will use the funds obtained from Detroit Edison pursuant to Paragraphs 6 and 7 hereof to make such payment.
6. **Existing Purchase Obligations** - Detroit Edison will continue to purchase plant, nuclear fuel and materials and supplies from Wolverine pursuant to the Sixth Amendment to the Participation Agreement and to the Letter Agreement dated April 15, 1986, until the commencement of the buy-back described in Paragraph 7 hereof. After the second quarter of 1986, the Deeds, Bills of Sale and Partial Releases of Lien for the interest-related transactions under the Sixth Amendment will be delivered to and held by an escrow agent to be delivered to Detroit Edison upon Detroit Edison performing its obligations described herein, including the January 1, 1990 purchase. Should it be judicially determined that Detroit Edison did not perform these obligations, the Deeds, Bills of Sale and Partial Releases of Lien will be delivered to Wolverine. The termination date set forth in the March 27, 1986 Letter of Understanding will be extended to January 1, 1990. The escrow arrangement described in the March 27, 1986 Letter of Understanding will be amended to further provide for delivery to Detroit Edison of the documents held by the escrow agent upon Detroit Edison performing its obligations described herein.

7. **Buy-Back** - Commencing as of the date Detroit Edison's Fermi 2 rate increase authorized in MPSC Case No. U-7660 goes into effect, Detroit Edison will buy back 100% of Wolverine's capacity and energy entitlement in Fermi 2. Such buy-back will remain in effect until January 1, 1990. The price Detroit Edison will pay for the capacity and energy purchased will be equal to Wolverine's total debt service (interest and amortization of principal) on its REA guaranteed Fermi 2 related debt and the actual out-of-pocket expenses [such as decommissioning expenses (providing Detroit Edison, as of January 1, 1990, becomes entitled to any funds held in a decommissioning trust), taxes, insurance, operation and maintenance expenses, etc.] associated with Wolverine's Fermi 2 ownership interest. Detroit Edison will also pay Wolverine's actual fuel cost for the energy obtained under the buy-back; provided, however, the portion of such fuel payment arising out of the amortization of the front-end direct and indirect costs and the in-core interest expense shall be used by Wolverine to reduce its interest and principal obligations on its REA guaranteed Fermi 2 related debt. Wolverine will have no obligation to provide funds for capital improvements
8. **Power Supply Agreement** - Between the date of execution of the documents contemplated by this Letter of Understanding and December 31, 2025, Detroit Edison will sell and Wolverine will purchase capacity and energy on a firm and interruptible basis, all in accordance with Attachment 1 hereto.
9. **Release** - Contemporaneous with the execution of the documents contemplated by this Letter of Understanding, Wolverine will execute a General Release and Covenant Not To Sue ("Release"), in a form satisfactory to Detroit Edison. The Release will be effective provided (i) Detroit Edison fulfills its obligations under Paragraphs 6 and 7 hereof, and (ii) Detroit Edison completes the purchase of Wolverine's interest in Fermi 2 as of January 1, 1990.
10. **REA Accommodations** - Wolverine's obligation to enter into the transactions contemplated by this Letter of

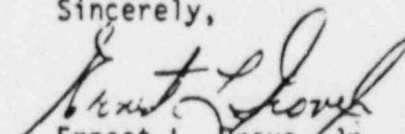
Mr. Raymond R. Cristell
October 23, 1986
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Understanding is subject to Wolverine obtaining satisfactory accommodations from REA for the prepayment penalty associated with the debt conversion (Paragraph 3 hereof) and for the REA-guaranteed debt remaining on January 1, 1990 (Paragraph 4 hereof).

11. **Regulatory Approvals** - The parties will diligently and in good faith pursue the regulatory approvals described herein.

Please indicate your acceptance of the conditions set forth in this Letter of Understanding by executing and returning the enclosed copy of this letter.

Sincerely,


Ernest L. Grove, Jr.
Vice Chairman

Accepted

WOLVERINE POWER SUPPLY COOPERATIVE, INC.

By Raymond R. Cristell
Date 10/23/86

Detroit

Edison public information

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PRESS INFORMATION
BY
PUBLIC AFFAIRS

DETROIT--Wolverine Power Supply Cooperative, Inc., The Detroit Edison Company and the U.S. Department of Agriculture's Rural Electrification Administration (REA) have signed the final documents permitting Wolverine to sell its ownership in the Fermi 2 Power Plant back to Detroit Edison for approximately \$550 million.

The ownership agreement, completed Friday in Washington, D.C., will be phased in over the next three years, resulting in the sale of all of Wolverine's Fermi 2 ownership to Detroit Edison by 1990. In addition, Detroit Edison has agreed to provide Wolverine with nearly \$250 million between now and 1990 to meet Wolverine's Fermi 2 debt financing obligations.

The transaction has been approved by the boards of both utilities, the U.S. Department of Justice and the federal Office of Management and Budget.

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"By entering into this agreement, Wolverine and Detroit Edison are assured of maintaining their power supply partnership well into the next century," said Ernest L. Grove, Jr., Detroit Edison's vice chairman of the board and chief financial officer. "This agreement is a prime example of two electric utilities working together to achieve a viable and economical supply of electrical energy for their consumers for many years to come."

Under the agreement, Detroit Edison will provide Wolverine with funds to reimburse the REA on five quarterly principal and interest payments dating back to Sept. 30, 1986. In addition, Wolverine will sell portions of its Fermi 2 ownership to Detroit Edison until the plant is in commercial operation. At that time, Wolverine will have an 11 percent ownership interest in Fermi 2. From commercial operation until 1990, Detroit Edison will buy back all of Wolverine's capacity and energy output from the plant. In 1990, Detroit Edison will purchase the cooperative's remaining 11-percent ownership for about \$550 million.

Also, Wolverine and the REA have reached agreement whereby the cooperative may repay its entire remaining Fermi 2 indebtedness to the REA. After Detroit Edison purchases the cooperative's ownership in Fermi 2, Wolverine still will be left with an indebtedness of approximately \$200 million to the REA. Wolverine will begin to repay a minimum of \$100 million of that remaining indebtedness beginning in 1990 through the implementation of two moderate wholesale rate increases in 1988 and 1989. Payment of the remaining \$100 million is contingent upon anticipated increases in future energy sales from Wolverine to its member systems.

"Wolverine, along with Detroit Edison and the REA, has worked many months to reach this agreement," said Raymond R. Cristell, Wolverine executive vice president and general manager. "We feel this arrangement resolves our Fermi 2 concerns, solidifies our future power supply requirements, provides a market for Detroit Edison's electrical capacity and allows Wolverine to meet its financial obligations to the REA."