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March 31, 1999
NG-99-0281

Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
Mail Station 0-P1-17
Washington, D.C. 20555-0001

Subject: Duane Arnold Energy Center
Docket No: 50-331
Op. License No: DPR-49
Decommissioning Funding Report

File: A-7, A-108

Dear Sirs:

This Decommissioning Funding Report is being submitted pursuant to 10 CFR 50.75(f)(1) by the joint owners of the Duane Arnold Energy Center (DAEC); IES Utilities Inc. (IES), Central Iowa Power Cooperative (CIPCO), and Corn Belt Cooperative (Corn Belt), representing ownership shares of 70%, 20%, and 10%, respectively. The attached reports for each DAEC partner have been supplied by each partner and are submitted by IES on each partner's behalf.

There are no new commitments made in this letter.

Please inform us if you have any questions or comments concerning this submittal.

Sincerely,

A handwritten signature in dark ink, appearing to read "John F. Franz".

John F. Franz

Vice President, Nuclear

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- Attachments:
- 1) Calculation of Minimum Financial Requirements (100% Ownership Values) (1998 Dollars) Using NUREG-1307, Revision 8 (December 1998)
 - 2) IES Utilities Inc. Decommissioning Funding Report and Exhibits
 - A) Schedule Of Amounts To Be Funded
 - B) IES Utilities Inc. Decommissioning Trust Fund Agreement
 - 3) CIPCO Decommissioning Funding Report and Exhibit
 - A) Schedule Of Amounts To Be Funded
 - 4) Corn Belt Decommissioning Funding Report and Exhibit
 - A) Schedule Of Amounts To Be Funded

cc: D. Barta
E. Protsch
D. Wilson
B. Lacy
B. Mozafari (NRC-NRR)
Robert Wood (NRC-NRR)
J. Dyer (Region III)
P. Baig (State of Iowa)
NRC Resident Office
Docu

**Calculation of Minimum Financial Requirements
(100% Ownership Values) (1998 Dollars)
Using NUREG-1307, Revision 8 (December 1998)**

<u>LABOR:</u>	140.9	September 1998(1989 base)	Bureau of Labor Statistics
	x		Employment Cost Index
	1.409	<u>140.9</u> June 1989 factor (1981 base)	Midwest Region
		100.0 June 1989 factor (1989 base)	
	198.5281	September 1998 (1981 base)	
		<u>198.5281</u> September 1998 (1981 base)	
	1.58822	125.0 Jan. 1986 (1981 base)	

ENERGY:

1.18389	P	<u>135.2</u> Industrial electric power (September 1998)	Bureau of Labor
		114.2 Industrial electric power (Jan. 1986)	Statistics-
			Producer Price
			Index-
			Commodities
0.58902	F	<u>48.3</u> Light fuel oils (September 1998)	Bureau of Labor
		82.0 Light fuel oils (Jan. 1986)	Statistics-
			Producer Price
			Index-
			Commodities
0.91025	E = (0.54P + 0.46F)		
	E = (0.54 x 1.18389) + (0.46 x 0.58902)		

BURIAL:

13.948	1998 South Carolina BWR burial value	Report on Waste Disposal
		Charges (NUREG-1307,
		Rev. 8, December 1998)

6.968 1998 South Carolina BWR waste vendor burial value

BWR Escalation Factor = $0.65(L) + 0.13(E) + 0.22(B)$

Waste Burial = $0.65(1.58822) + 0.13(0.91025) + 0.22(13.948) = 4.21924$

Waste Vendor Burial = $0.65(1.58822) + 0.13(0.91025) + 0.22(6.968) = 2.68364$

Base amount for BWR between 1200 Mwt and 3400 Mwt =
(\$104 + 0.009P) million; (P=power level of unit in megawatts thermal =
1,658 per Schedule of Ruling Amounts).

(\$104 + (0.009 x 1,658))million = \$118,922,000

Estimated Decommissioning Costs (1998 Dollars)

Direct Waste Burial $\$118,922,000 \times 4.21924 = \$501,760,459$

Utility Name	Percent Ownership	Each Utility's NRC Minimum Decommissioning Amount
IES	70%	\$351,232,321
CIPCO	20%	\$100,352,092
Corn Belt	10%	\$50,176,046
Total	100.00%	\$501,760,459

Waste Processing Vendor Use $\$118,922,000 \times 2.68364 = \$319,143,836$

Utility Name	Percent Ownership	Each Utility's NRC Minimum Decommissioning Amount
IES	70%	\$223,400,685
CIPCO	20%	\$63,828,767
Corn Belt	10%	\$31,914,384
Total	100.00%	\$319,143,836

1998 Site Specific Study

Partner	Ownership %	NRC License Termination	Site Restoration	Spent Fuel Management	Total Site Specific
IES	70%	287,774,000	46,433,000	79,231,000	413,438,000
CIPCO	20%	82,221,000	13,266,000	22,638,000	118,125,000
Corn Belt	10%	41,110,000	6,633,000	11,319,000	59,062,000
TOTAL	100%	411,105,000	66,332,000	113,188,000	590,625,000

IES Utilities Inc. Decommissioning Funding Report

March 31, 1999

1.) Amount of decommissioning funds estimated to be required pursuant to 10 CFR 50.75(b) and (c).

In a report dated November, 1998 ABZ, Inc. prepared a site-specific Decommissioning Cost Study for DAEC. This study includes cost estimates for basic NRC radiological decommissioning within the meaning of 10 CFR 50.75(b) & (c) (hereafter, Basic Radiological Decommissioning), as well as for spent fuel management and for non-radiological decommissioning activities. In addition, IES has calculated the NRC minimum formula amount in accordance with 10 CFR 50.75(c), NUREG-1307, Rev. 8, and Regulatory Guide 1.159. The 1998 total decommissioning costs, the Basic Radiological Decommissioning costs and the NRC minimum for IES's 70% share of DAEC can be broken down as follows:

Total Site Specific	Basic Radiological	NRC Minimum
\$413,438,000	\$287,774,000	\$223,400,685

2.) Amount accumulated to the end of the calendar year preceding the date of the report.

As of December 31, 1998, IES had accumulated:

External Trust Funds	\$97,111,310
Internal Fund Reserve*	<u>\$21,709,000</u>
Total	\$118,820,310

* This is an internal decommissioning reserve recorded as accumulated depreciation. IES is not relying upon this Internal Fund Reserve for purposes of meeting NRC's decommissioning funding assurance requirements.

3.) Schedule of the annual amount remaining to be collected.

Within the meaning of 10 CFR 50.75(e)(1)(i)(A), IES collects the estimated total cost of decommissioning through rates established by "cost of service" or similar ratemaking regulation. The Iowa Utilities Board has currently approved the collection of \$6,008,000 per year in decommissioning funds, in Docket Nos. RPU-94-2 and ARU-99-1. However, this amount is to be readjusted from time to time based upon inflation, decommissioning fund earnings performance, and updates to the site specific decommissioning cost estimate. Based upon the currently approved collection of decommissioning costs, the attached schedule of amounts to be funded provided in Exhibit A is limited to \$6,008,000

per year. IES anticipates that this amount should be adjusted based upon the most recent site specific decommissioning cost estimate.

4.) Assumptions used regarding rates of escalation in decommissioning costs, rates of earnings on decommissioning funds, and rates of other factors used in funding projections.

Taking credit for a two percent annual real rate of return applied to the current fair market value of IES' nuclear decommissioning trust funds and to the currently approved annual collection amount from the time of future funds' collection, the schedule provided in Exhibit A establishes that the current funding levels meet the NRC's minimum requirements.

5.) Any contracts upon which the licensee is relying pursuant to 10 CFR 50.75(e)(1)(v).

IES is not relying upon any long-term contract for purposes of providing decommissioning funding within the meaning of 10 CFR 50.75(e)(1)(v).

6.) Any modifications occurring to a licensee's current method of providing financial assurance since the last submitted report.

IES continues to use the external sinking fund method of providing decommissioning funding assurance. Restructuring legislation is currently pending before the Iowa legislature, and IES cannot predict the outcome of the legislature's consideration of current proposals. However, the current proposed restructuring legislation would provide for recovery of decommissioning costs through a non-bypassable charge.

7.) Any Material Changes to trust agreements.

The IES Decommissioning Trust Fund agreement has been revised. A copy of the current agreement along with an amendment to the agreement is attached as Exhibit B. The following are IES's current Trustee and Investment Managers:

Trustee	Investment Managers
Mellon Bank, N.A.	Mellon Capital Management Corporation
	Phoenix Duff & Phelps Investment Advisors

External Decommissioning Trust Fund
Funding and Earnings Summary

Exhibit A

IES Utilities Inc.

Assumes 2% real rate of return, and semi-annual compounding

Year	Contributions	Year end balance
1998		97,111,310
1999	6,008,000	105,121,616
2000	6,008,000	113,292,129
2001	6,008,000	121,626,051
2002	6,008,000	130,126,652
2003	6,008,000	138,797,265
2004	6,008,000	147,641,290
2005	6,008,000	156,662,196
2006	6,008,000	165,863,520
2007	6,008,000	175,248,871
2008	6,008,000	184,821,928
2009	6,008,000	194,586,447
2010	6,008,000	204,546,256
2011	6,008,000	214,705,261
2012	6,008,000	225,067,446
2013	6,008,000	235,636,875
2014	6,008,000	246,417,692

NRC minimum decommissioning funding amount

223,400,685

Exhibit B

IES Utilities Inc. Decommissioning Trust Fund Agreement

Trust Agreement Between IES Utilities Inc.
and Mellon Bank, N.A.

Dated: May 23, 1994

IES UTILITIES INC.
IES DECOMMISSIONING TRUST FUND
FOR DUANE ARNOLD ENERGY CENTER
NUCLEAR PLANT

TRUST AGREEMENT

BETWEEN

IES UTILITIES INC.

and

MELLON BANK, N.A.

Dated May 23, 1994

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EXHIBIT A. DISBURSEMENT CERTIFICATE

EXHIBIT B. WITHDRAWAL CERTIFICATE

SCHEDULE A TRUSTEE'S FEES

DECOMMISSIONING TRUST AGREEMENT

AGREEMENT made this 23rd day of MAY, 1994, by and between IES Utilities Inc., an Iowa corporation (Settlor), and Mellon Bank, N.A., a national bank, having trust powers (Trustee).

WHEREAS, the Settlor is the owner of a 70% interest and operator of the Duane Arnold Energy Center (DAEC) nuclear plant (Plant) which consists of one nuclear power reactor unit and related facilities; and

WHEREAS, the Settlor is subject to regulation by the Utilities Board, an agency of the State of Iowa (IUB) created and existing pursuant to Iowa Code §474.1, and the Federal Energy Regulatory Commission (FERC) and the Nuclear Regulatory Commission (NRC), both agencies of the United States government created and existing pursuant to 42 U.S.C. §§7134 and 7171, and 42 U.S.C. §5481, respectively; and

WHEREAS, pursuant to section 468A of the Internal Revenue Code of 1986, as amended (Code), certain Federal income tax benefits are available to the Settlor by creating and funding qualified decommissioning reserve funds associated with the Plant;

WHEREAS, the IUB has ordered that the Settlor establish an external fund for Current Collections of decommissioning costs for the Plant;

NOW, THEREFORE, in consideration of the sum of ONE DOLLAR (\$1.00) and the mutual promises herein contained, the Settlor hereby agrees to deliver to the Trustee and the Trustee hereby agrees to receive contributions to the Trust Fund; and

TO HAVE AND TO HOLD the monies of the Trust Fund; and

TO INVEST AND REINVEST the monies of the Trust Fund as provided herein;
and
TO PAY AND DISTRIBUTE from the Trust Fund as provided herein;
IN TRUST NEVERTHELESS, for the uses and purposes and upon the terms
and conditions hereinafter set forth:

I. DEFINITIONS, PURPOSE AND NAME

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

(1) "**Act**" shall mean the Uniform Principal and Income Act or similar law from time to time in effect in the State of Iowa, and if not in effect in Iowa then from time to time in effect in the Commonwealth of Pennsylvania.

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

(3) "**Board of Directors**" shall mean the Board of Directors of the Settlor, as duly elected from time to time.

(4) "**Code**" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time.

(5) "**Committee**" shall mean the Decommissioning Trust Policy Committee established and appointed by the Chief Executive Officer of the Settlor, to which such Board has delegated the following functions: (i) to make determinations from time to time

as to the portion or portions of funds within the Trust Fund which are to be under the management of an Investment Manager(s), if any; (ii) to appoint or remove any such Investment Manager(s); (iii) to establish general investment objectives and guidelines in conjunction with the Trustee or any Investment Manager(s) consistent with the funding objectives established for the Trust Fund; (iv) to review and monitor the performance of the Trustee or an Investment Manager(s); (v) to delegate to such other officers, employees or agents as they deem desirable the responsibilities for meeting the various requirements of applicable law; (vi) to report upon request, but at least annually, to the Board of Directors of the Settlor the overall status of the trust Fund and its general administration; (vii) to approve expenditures by and reimbursement of expenses to the Trustee, or Investment Manager; and (viii) to do or cause to be done all such other acts as they deem necessary or desirable to maintain the Trust and effectuate and carry out the provisions of this Agreement.

(6) "**Current Collections**" shall mean all monies collected by the Settlor from its customers after May 7, 1987, for decommissioning expenses of the Plant.

(7) "**Decommissioning Costs**" shall mean the costs incurred by Settlor for its 70% ownership interest in decommissioning the Plant, to the extent that such costs may be paid out of the Trust Fund pursuant to Section 468A of the Code and any regulations or rulings of the Service issued thereunder, plus any other costs paid out of the Prior Collections or the Nonqualified Funds to decommission the Plant to the extent that the payment of such costs does not contravene the provisions of the IUB Order or any Future

Orders.

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

(9) "**Excess contribution**" shall have the meaning set forth in Section 2.03 hereof.

(10) "**FERC**" shall have the meaning set forth in the third paragraph of this Agreement.

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

(12) "**Investment Manager Agreement(s)**" shall mean any agreement(s) between the Settlor and an investment counselor(s), if one is selected by the Settlor, which agreement would govern the management of the Trust Fund.

(13) "**Investment Manager(s)**" shall mean the investment counselor(s) specified in any Investment Manager Agreement(s).

(14) "**IUB**" shall have the meaning set forth in the third paragraph of this Agreement.

(15) "**IUB Order**" shall mean the Proposed Decision and Order issued February 2, 1987, the Order Modifying Proposed Decision and Order issued March 4, 1987, and the Order Denying Application for Rehearing and Modifying Order issued April 12, 1987, of the IUB in connection with Docket No. RPU-87-7.

(16) "**Nonqualified Funds**" shall mean the monies collected by the Settlor from

its customers after May 7, 1987, for decommissioning the Plant to the extent such monies are not contributed to and maintained in the Qualified Fund.

(17) "**NRC**" shall have the meaning set forth in the third paragraph of this Agreement.

(18) "**Plant**" shall have the meaning set forth in the second paragraph of this Agreement.

(19) "**Prior Collections**" shall mean all monies collected by the Settlor from its customers before May 8, 1987, for decommissioning the Plant.

(20) "**Project Manager**" shall mean the person who shall exercise general supervision and control of the process of decommissioning the Plant. Such person may, but is not required to, be an employee of the Settlor.

(21) "**Qualified Funds**" shall mean the nuclear decommissioning reserve fund established for the Plant pursuant to section 468A of the code, and shall consist of monies collected by the Settlor from its customers after May 7, 1987, for decommissioning the Plant which monies are specified in a Schedule of Ruling Amounts with respect to the Plant.

(22) "**Schedule of Ruling Amounts**" shall have the meaning set forth in section 468A(d) of the Code.

(23) "**Service**" shall mean the Internal Revenue Service.

(24) "**Settlor**" shall have the meaning set forth in the first paragraph of this Agreement.

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

(26) "**Trustee**" shall have the meaning set forth in the first paragraph of this Agreement.

(27) "**Trust Fund**" shall include both the Qualified Fund and the Nonqualified Fund.

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

1.02 Trust Fund Purposes. The purpose of this Trust is to provide funds for the contemplated decommissioning of the Plant, to comply with the IUB Order, to constitute nuclear decommissioning reserve funds for the Plant within the meaning of section 468A of the Code, any applicable successor provision and the regulations thereunder, the guidelines and policies of FERC and to comply with any Future Orders.

1.03 Name of Trust. The monies received by the Trustee from the Settlor pursuant to this Agreement shall constitute the "IES Decommissioning Trust Funds."

II. DISPOSITIVE PROVISIONS

After payment of the expenses described in Section 5.01 hereof, the Trustee shall distribute the Trust Fund as follows:

2.01 Payment of Nuclear Decommissioning Costs. The Trustee shall make

payments of the Decommissioning Costs in accordance with the following procedures:

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

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

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

2.02 Additions to Trust Fund. From time to time after the initial contribution to the Trust Fund and prior to the termination of this Trust, the Settlor may make, and the Trustee shall accept, additional contributions of money to the Trust Fund to satisfy the purpose of this Trust as set forth in Section 1.02, which contributions may be made to the Qualified Funds or to the Nonqualified Funds, or both.

2.03 Subsequent Adjustments. The Trustee and the Settlor understand and agree that the contributions made by the Settlor to the Qualified Fund from time to time may exceed the amount permitted to be paid into such fund(s) pursuant to section 468A

of the Code and any regulations thereunder based upon changes in estimates, subsequent developments or any other event or occurrence which could not reasonably have been foreseen by the Settlor at the time such contribution was made (Excess Contribution). Upon the written certification of the Settlor, setting forth the amount of the Excess Contribution and stating that such Excess Contribution is attributable solely to a decrease in the Settlor's cost of service for ratemaking purposes for a taxable year, the Trustee shall pay such amount to the Nonqualified Fund. In any other case, the amount of any Excess Contribution (together with any income accrued thereon) shall be paid to the person or persons specified by the Settlor in a written certification to the Trustee.

In all cases, distributions of any Excess Contribution shall not be made unless, in the opinion of legal counsel to the Settlor, such distribution will not lead to disqualification of the Qualified Fund from the application of section 468A of the Code and that such distribution will not constitute a violation of the IUB Order or any Future Order.

2.04 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 the Act, and if there is no Act in effect, then by the Trustee with the approval of the Committee. With respect to any question arising under this paragraph, the Trustee may rely upon the written opinion of its legal counsel with reference to (i) the application of the provisions of the Act to any specific question; or (ii) the application of the general law and the terms of this Trust to any question as to which of the provisions of the Act are silent.

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

2.06 Termination of Trust in General. This Trust shall terminate upon the substantial completion of the nuclear decommissioning of the Plant (as defined in Treasury Regulations promulgated under Code section 468A), provided such termination shall be pursuant to an order of the IUB, or at such earlier time as the IUB and FERC may permit or require the Settlor to terminate this Trust.

2.07 Termination of qualified Fund of Trust. The Qualified Fund shall terminate upon the earlier of:

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

(b) the disposition by the Settlor of any interest in the Plant, to the extent provided in Treasury Regulations promulgated under Code section 468A.

2.08 Distribution of Trust Fund upon Termination. Upon termination of this Trust and as provided by an order of the IUB, the Trustee shall cooperate with the Investment Manager in liquidating the assets of the Trust Fund, or Qualified Fund, and thereupon distributing the entire remaining Trust Fund, or Qualified Fund, including all accrued, accumulated and undistributed net income, to the Settlor; provided, however, that no such distribution shall be made unless either (a) an order of the IUB has been issued which specifically authorizes such distribution, or (b) the Trustee has received an opinion of legal counsel to the Settlor to the effect that no such order is necessary to authorize such distribution in which event the trustee shall so notify the IUB and FERC thirty days prior to such distribution.

2.09 Alterations and Amendments. The Trustee and the Settlor understand and agree that modifications or amendments may be required to this Agreement from time to time to effectuate the purposes of this Trust and to comply with any Future Orders, any changes in tax laws, regulations or rulings (whether published or private) of the Service and any similar state taxing authority, and any other changes in the laws applicable to the Settlor or the Plant. The Settlor and the Trustee may alter or amend this Agreement to the extent necessary or advisable to effectuate such purposes or to comply with such Future Orders or changes. No amendments or alterations to this Agreement shall be effective until an order has been issued by the IUB approving such changes. The Trustee shall have no duty to inquire or make any investigation as to whether any proposed amendment, modification or alternation is consistent with this

Section 2.09, but the Trustee may decline to adopt such amendment, modification or alteration upon the advice of legal counsel for the Trustee.

2.10 No Authority to Conduct Business. The purpose of this Trust is limited to the matters set forth in Section 1.02 above, specifically, and there is no objective to carry on any business unrelated to the Trust Fund purposes set forth in Section 1.02 hereof, or divide the gains therefrom.

III. TRUSTEES

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

Any Successor Trustee shall qualify by a duly acknowledged acceptance of this

Trust, delivered to the Settlor and the Trustee. Upon notice of such appointment by the Settlor and 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 Trust Fund. Any Successor Trustee shall have all the rights, powers, duties and obligations herein granted to the original Trustee.

If for any reason the Settlor cannot or does not act in the event of the resignation or removal of the Trustee, as provided above, the Trustee may apply to a court of competent jurisdiction for the appointment of a Successor Trustee. Any expenses incurred by the Trustee in connection therewith shall be deemed to be an expense of administration payable in accordance with Section 5.01 hereof.

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

3.03 Resignation. The Trustee or any Successor Trustee hereof may resign and be relieved as Trustee at any time without prior application to or approval by or order of any court by a duly acknowledged instrument, which shall be delivered to the Settlor by the Trustee not less than sixty (60) days prior to the effective date of the Trustee's resignation or upon such shorter notice as may be acceptable to the Settlor.

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

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

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

3.07 Accounts. The Trustee shall present financial statements to the Settlor on a monthly basis, or at such other frequency as the Committee shall from time to time require. The financial statements shall show the financial condition of the Trust Fund, including, without limitation, income and expenses of the Trust for the month. The Trustee shall assume responsibility for periodically employing mutually agreed upon independent certified public accountants to audit the financial statements, subject to the provisions contained in Section 5.06. The Settlor shall have the right to object to any of the transactions disclosed by the Trustee's audited financial statements. If the Settlor desires to object to the Trustee's audited financial statements, it shall deliver notice of its objection to the Trustee in writing within ninety (90) days from the day the Trustee shall

mail or deliver such audited financial statements to the Settlor. If no written objection is made within that time, the presentation of the audited financial statements to the Settlor shall release and discharge the Trustee with respect to all acts or omissions to the date of said annual financial statements; provided, however, that nothing contained herein shall be deemed to relieve the Trustee of any liability which may be imposed pursuant to Section 3.09 hereof.

3.08 Tax Returns and other Reports. The Settlor intends initially to prepare and submit the Federal, state and local income or franchise tax returns and other reports (including estimated tax returns and information returns) as may be required from time to time with respect to the Trust Fund. The Trustee shall prepare and submit to the Settlor in a timely manner all information requested by the Settlor regarding the Trust Fund that is required to be included in the Federal, state and local income or franchise tax returns and other reports (including estimated tax returns and information returns) of the Trust Fund or the Settlor. The Trustee agrees to sign any tax returns or other reports where required by law to do so or arising out of the Trustee's responsibilities hereunder, and to remit from the Trust Fund appropriate payments of deposits of Federal, state and local income or franchise taxes directly to the taxing agencies or authorized depositories in a timely manner. Upon request by the Settlor, the Trustee shall prepare and file all Federal, state and local income or franchise tax returns or other reports (including estimated tax returns and information returns) as may be required from time to time with respect to the Trust Fund and, upon such request, the Company shall provide

the Trustee in a timely manner with any information within its possession, and to cause the Investment Manager(s) to provide the Trustee with any information in its possession which is necessary for the preparation of such returns or reports.

Where the Settlor has requested the Trustee to prepare any returns or reports of the Trust Fund, and subject to the limitations contained in Section 5.05 hereof, the Trustee may consult with independent certified public accountants or other tax counsel regarding such returns or reports. Notwithstanding Section 3.09 hereof, any interest or penalty charges assessed against the Settlor of the Trust Fund pursuant to chapters 67 or 68 of the Code, or pursuant to any similar state or local tax provisions, as a result of the Trustee's failure, due to its own negligence, to comply with this Section 3.08 shall be borne by the Trustee and not the Settlor or the Trust Fund. The Trustee agrees to notify the Settlor in writing within ten days of receiving notice of the commencement of any audit of any of the Trust Fund's Federal, state or local tax returns, and to participate with the Settlor on behalf of the Trust Fund in such audits and related inquiries. The Trustee further agrees to provide the Settlor with any additional information in its possession regarding the trust fund which may be requested by the Settlor to be furnished in any audit of the Settlor's Federal, state or local tax returns.

3.09 Liability. The Trustee shall not be liable for any acts, omissions or defaults of any agent (other than its officers and employees) or depositary appointed or selected with reasonable care. The Trustee shall be liable only for such Trustee's own acts or omissions (and those of its officers and employees) occasioned by the willful

misconduct or gross negligence of such trustee (and that of its officers and employees). Except as provided in Section 3.07, the Trustee shall not be liable in regard to the exercise or non-exercise of any powers and discretion properly delegated pursuant to the provisions of the Agreement.

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

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

IV. INVESTMENT MANAGER

4.01 Appointment of Investment Manager(s). The committee may appoint one or more Investment Managers to direct the investment of all or part of the Trust Fund. The appointment of an Investment Manager(s) shall be made in accordance with any procedures specified by the Committee. In the event such appointment is made, the Committee shall certify to the Trustee in writing that such appointment(s) has been made, and shall specify the portion of the Trust Fund with respect to which the Investment Manager(s) has been designated. The Trustee shall separate that specified portion into a separate account. The Trustee, as to those assets while so separated, shall be released and relieved of all investment duties, investment responsibilities and investment

liabilities normally or statutorily incident to a trustee; provided, however, that the Trustee shall not be relieved of the responsibility of ensuring that an investment is permissible under section 468A (or any successor provision) of the Code, and does not violate the terms and conditions of any IUB Order or future IUB Order that has been communicated to the Trustee or any FERC guidelines and policies. The Investment Manager(s) shall certify in writing to the Trustee that it is qualified to act in the capacity provided under the Investment Manager Agreement, shall accept its appointment as such Investment Manager(s), 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 Manager Agreement. The Trustee may continue to rely upon all such certifications unless otherwise notified in writing by the Committee or the Investment Manager(s), as the case may be.

V. TRUSTEE'S GENERAL POWERS

The Trustee shall have, with respect to the Trust Fund, the following powers, all of which powers are fiduciary powers to be exercised in a fiduciary capacity and in the best interests of this Trust and the beneficiaries thereof, and which are to be exercised as the Trustee, acting in such fiduciary capacity, in its discretion, shall determine and, except as otherwise provided, which are intended in no way to limit the powers of the office, namely:

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

5.02 Extension of Obligations and Negotiations of Claims. To renew or extend the time of payment of any obligation, secured or unsecured, payable to or by this Trust, for as long a period or periods of time and on such terms as the Trustee shall determine, and to adjust, settle, compromise and arbitrate claims or demands in favor of or against this Trust, including claims for taxes, upon such terms as the Trustee may deem advisable, subject to the limitations contained in section 6.04 (regarding self-dealing).

5.03 Registration of Securities. To carry securities in the name of a nominee including that of a clearing corporation or depository, or in book entry form or unregistered or in such other form as will pass by delivery.

5.04 Proxy Voting. To vote shares of corporate stock, in person or by proxy, in favor of management proposals; provided, however, Trustee shall vote as directed by the Settlor if notified in writing by the Settlor pursuant to mutually agreed upon procedures;

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

5.06 Retention and Removal of Professional and Employee Services. Upon the Settlor's written approval, to employ, retain and remove attorneys, accountants, custodians, engineers, contractors, clerks and agents as necessary and proper for the administration of the Trust Fund.

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

5.07 Powers of Trustee to Continue Until Final Distribution. To exercise any of such powers after the date on which the principal and income of the Trust Fund shall have become distributable and until such time as the entire principal of, and income from, the Trust Fund shall have been actually distributed by the Trustee. It is intended that distribution of the Trust Fund will occur as soon as possible upon termination of the Trust, subject, however, to the limitations contained in Sections 2.06, 2.07 and 2.08 hereof.

5.09 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 Trust Agreement, provided, however, that the Trustee may not do any act or participate in any transaction which would:

- (a) Disqualify the Qualified Fund from the application of section 463A (or any applicable successor provision) of the Code;
- (b) Contravene any provision of this Agreement; or

(c) Violate the terms and conditions of any IUB Order that has been communicated to the Trustee, FERC guidelines and policies, any Future Order or any other law, regulation, or ruling applicable to the Trust, the Settlor or the Trustee.

VI. TRUSTEE'S INVESTMENT POWERS

The Trustee shall have the following investment powers, all of which are fiduciary powers to be executed in a fiduciary capacity and in the best interest of this Trust and the beneficiaries thereof, and which are to be exercised as the Trustee, acting in such fiduciary capacity, in its discretion, shall determine and, except as otherwise provided, which are intended in no way to limit the powers of the office, namely:

6.01 Investment Objectives. From time to time, the Committee shall establish investment objectives and guidelines for the Trust Fund consistent with the purposes of the Trust Fund, the Code, applicable laws, the IUB Order, FERC guidelines and policies, and all Future Orders. The Committee shall communicate such objectives and guidelines, as amended from time to time, to the Trustee and to any Investment Manager(s) in writing. All powers and duties of the Trustee and any Investment Manager(s) shall be subject to such objectives and guidelines as so communicated unless and until notified in writing by the Settlor of the modification or termination of the same.

6.02 Preservation of Principal. To hold, manage and invest the assets of this Trust Fund in a manner designed to maximize and preserve the income and principal of this Trust Fund for the purposes of this Trust, except as provided in Sections 6.03 and

6.04.

6.03 General Investment Guidelines. Subject to specific investment guidelines furnished by the Settlor to the trustee from time to time pursuant to Section 6.01 and to the restrictions of paragraphs (a), (b), (c), (d), (e) and (f) of this subsection to invest and reinvest all or any part of the Trust Fund, including any undistributed income therefrom or any part of the Nonqualified Fund, including any undistributed income therefrom, in any and all kinds of securities, including common and preferred stocks, bonds, debentures, notes, mortgages and options on property; in money market funds, commercial paper, repurchase agreements, United States Treasury obligations, certificates of deposit, savings accounts, checking accounts, and any other cash investment medium; in registered investment companies, including those for which the Trustee or an affiliate provides services for a fee, and in common trust funds, including those maintained by the Trustee or an affiliate, investment trusts, or in any other interest or investment medium, even though such investment would not be of a character authorized by applicable law but for this provision; provided, however, that

(a) the level of risk in investing the funds shall be consistent with a primary goal of income and principal preservations, rather than income maximization, so that, assuming appropriate funding of principal, the requisite amount will be available at the time of decommissioning;

(b) no such investment or reinvestment may be made by the Trustee in any bank, savings and loan association or other financial institution whose deposits are not

insured by the Federal Deposit Insurance Corporation, the Federal Savings & Loan Insurance Corporation, or other comparable federal or state agency;

(c) no such investment or reinvestment may be made by the Trustee which would contravene the IUB Order or any Future Orders, or any instructions issued by the Committee;

(d) the self dealing prohibitions found in Code section 463A(e)(5) shall apply to any such investment or reinvestment;

(e) no portion of the fund shall be invested in real estate. For this purpose, "real estate" includes, but is not limited to, real property, leaseholds or mineral interests; and

(f) any common trust fund maintained by the Trustee or any affiliate may provide for the lending of its securities by the common trust fund trustee and that such common trust fund's trustee will receive compensation for the lending of securities that is separate from any compensation of the Trustee for the management of such common trust fund.

In all cases, however, the total investments must be sufficiently liquid to enable the Trust Fund to fulfill the purposes of the Trust and to satisfy obligations as they become due. Nothing in this Section 6.03 shall be construed as authorizing the Trustee to carry on any business or to divide the gains therefrom.

6.04 Management of Trust Fund. To sell, exchange, partition or otherwise dispose of all or any part of the Trust Fund at public or private sale, without prior

application to or approval by or order of any court, upon such terms and in such manner and at such prices as the Trustee shall determine; to modify, renew or extend mortgages, bonds, notes or other obligations or any installment of principal thereof or any interest due thereon and to waive any defaults in the performance of the terms and conditions thereof; and to execute and deliver any and all bills of sale, assignments, bonds or other instruments in connection with these powers, all at such times, in such manner and upon such terms and conditions as the Trustee may deem expedient to accomplish the purposes of this Trust as set forth in Section 1.02. No person dealing with the Trustee shall be bound to review, analyze, or investigate the application of any consideration or proceeds of sales.

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

6.05 Deposits in Federally Insured Financial Institutions. To maintain deposits in any federally insured financial institutions within federal insurance limits.

VII. MISCELLANEOUS

7.01 Headings. The section headings set forth in this Agreement and the Table of Contents are inserted for convenience of reference only and shall be disregarded

in the construction or interpretation of any of the provisions of this Agreement.

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

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

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

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

If to the Settlor:

IES Utilities Inc.
P.O. Box 351
Cedar Rapids, Iowa 52406

Attention: Blake O. Fisher, Jr.
Executive Vice President and Chief Financial Officer

If to the Trustee:

Mellon Bank, N.A.
One Mellon Center
Pittsburgh, Pennsylvania 15258

Attention: Earl Klechner, Vice President

The Settlor or the Trustee may change that address by delivering notice thereof in writing to the other party.

7.06 Successor and Assigns. Subject to the provisions of Sections 2.05 and 3.01, this Agreement shall be binding upon and inure to the benefit of the Settlor, the Trustee and their respective successors, assigns, personal representatives, executors and heirs.

7.07 Governing Jurisdiction. This Trust is an Iowa trust and all questions pertaining to its validity, construction and administration shall be determined in accordance with the laws of the State of Iowa.

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

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

IES UTILITIES INC.

By: [Signature] PRESIDENT Title

(SEAL)

Attest [Signature] ASSISTANT SECRETARY Title

MELLON BANK, N.A.

By: [Signature] VP Title

(SEAL)

Attest [Signature] AVP Title



STATE OF IOWA)
) SS:
COUNTY OF LINN)

I, Marcia K. Young, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that Lee Liu and Susan Hinds, who are personally known to me to be the persons who executed the foregoing Decommissioning Trust Agreement, personally appeared before me in the aforesaid jurisdiction, and as Chairman of the Board, President and CEO and Assistant Secretary of IES Utilities Inc., and by virtue of the power and authority vested in them, acknowledged the same to be the act and deed of IES Utilities Inc. and they executed the same as such.

Given under my hand and seal this 18th day of May, 1994.

(NOTARIAL SEAL)

Marcia K. Young
Notary Public, State of Iowa
My commission expires 2/27/95

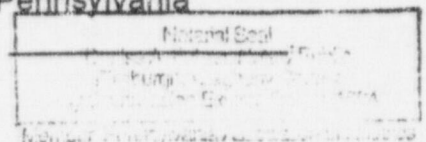
COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF ALLEGHENY)

I, Denise A. Fuhrer, a Notary Public in and for the aforesaid jurisdiction, do hereby certify that KERRY NELSON and DOUGLAS DUECK, who are personally known to me to be the persons who executed the foregoing Decommissioning Trust Agreement, personally appeared before me in the aforesaid jurisdiction, and as VICE PRESIDENT and ASSISTANT VICE PRESIDENT of Mellon Bank, N.A., and by virtue of the power and authority vested in them, acknowledged the same to be the act and deed of Mellon Bank, N.A., and by virtue of the power and authority vested in them, acknowledged the same to be the act and deed of Mellon Bank, N.A., and they executed the same as such.

Given under my hand and seal this 25th day of MAY, 1994.

(NOTARIAL SEAL)

Denise A. Fuhrer
Notary Public, State of Pennsylvania
My commission expires



DISBURSEMENT CERTIFICATE

The undersigned, being a duly authorized representative of _____,
a _____ corporation (Project Manager), and, in such capacity, being
authorized and empowered to execute and deliver this certificate, hereby certifies to the
Trustee of the IES Decommissioning Trust Fund, pursuant to Section 2.01 of that certain
Trust Agreement, dated _____, 1994, between the Trustee and IES
Utilities Inc., an Iowa corporation (Settlor) as follows:

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

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

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

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

1994.

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

WITNESS my hand this _____ day of _____ 1994.

[PROJECT MANAGER]

By _____
Duly Authorized Representative

WITHDRAWAL CERTIFICATE

The undersigned, being a duly authorized representative of IES Utilities Inc., an Iowa corporation (Settlor), and _____, a _____ corporation (Project Manager) and, in such capacity, being duly authorized and empowered to execute and deliver this certificate, hereby certify to the Trustees of the IES Decommissioning Trust Fund, pursuant to Section 2.01 of that certain Trust Agreement, dated _____, 1994, between the Trustee and the Settlor as follows:

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

Accordingly, request is made that you permit the withdrawal of \$ _____ from the [Qualified Fund/Nonqualified Fund] of the Trust Fund in order to permit payment of such sum to be made to the Settlor for such purpose. You are further requested to disburse such sum, once withdrawn, directly to the Settlor in the following manner: [DESCRIBE: CHECK, WIRE TRANSFER, ETC.] on or before _____, 1994.

We recognize and agree that you shall not be obligated to make any such disbursement to the Settlor unless and until the Settlor has received written releases of

any liens, security interests or claims of the payee as to which such disbursement is being made against the Settlor or its property.

WITNESS my hand this _____ day of _____, 1994.

IES UTILITIES INC.

By _____
Duly Authorized Representative

By _____
Duly Authorized Representative

[PROJECT MANAGER]

By _____
Duly Authorized Representative

**MELLON BANK FEE SCHEDULE
FOR
IES INDUSTRIES, INC.
MAY, 1994**

Account Manager Fee:

\$2,500 per account per annum

Sub-Account Fee:

\$500 per account per annum

Asset Base Fee:

.05 of 1% (.00050) per annum on the first \$25,000,000
.025 of 1% (.00025) per annum on the next \$25,000,000
.02 of 1% (.00020) per annum on the next \$50,000,000
.01 of 1% (.00010) per annum thereafter

Security Transaction Fee:

\$18 per Domestic Purchase/Sale/Maturity
(Options/Futures Fee quoted on request)

Cash Sweep:

.12 of 1% (.00120) per annum based on daily balances

Non-Periodic Disbursements:

\$8 per payee plus postage

Performance Measurement Fee:

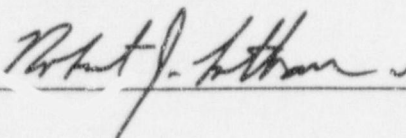
Customized NDT Performance Service \$5,000 base (includes up to 4 manager accounts) for pre and after tax returns and customized benchmark comparisons.

Tax Reporting:

\$65 per hour (Optional)

Note: Mellon Bank offers other services not covered under the above schedule. These services are covered under separate fee schedules and include: Executive Workbench, Global Custody, Futures, Options, Special Investments and Proxy Services.

Acknowledgement: _____



FIRST AMENDMENT
TO
IES UTILITIES INC. IES DECOMMISSIONING TRUST FUND
FOR DUANE ARNOLD ENERGY CENTER NUCLEAR PLANT
TRUST AGREEMENT BETWEEN IES UTILITIES INC. and MELLON BANK, N.A.

THIS AMENDMENT, entered into on this 4th day of October, 1996,
by and between IES UTILITIES INC., an Iowa corporation (hereinafter referred to as the
"Settlor"), and MELLON BANK, N.A. (hereinafter referred to as the "Trustee"),

WITNESSETH

WHEREAS, the Settlor and the Trustee entered into a certain Decommissioning
Trust Agreement, as of May 23, 1994 ("the Agreement");

WHEREAS, the Settlor and the Trustee desire to amend the Agreement to comply
with Internal Revenue Service Treas. Reg. Section 1.468A-5(4) ; and

WHEREAS, Section 2.09 of the Agreement provides that the Agreement may be
amended at any time to comply with changes in tax regulations, effective upon the IUB
approving such changes.

NOW, THEREFORE, the Settlor and the Trustee agree and mutually consent to
amend the Agreement in the following respects:

I.

The representations and definitions set forth above are incorporated herein by this
reference thereto.

II.

The following sentence shall be added to Section 1.02:

"The assets in the Qualified Fund shall be used as authorized by section 468A of the Code and the regulations thereunder."

The following sentence shall be added to Section 2.09:

"Notwithstanding the foregoing, the Agreement may not be amended so as to violate section 468A of the Code or the regulations thereunder."

III

All other terms and conditions of the Agreement shall remain in full force and effect.

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

IES UTILITIES INC.

By: Dennis B. Vass
Name: Dennis B. Vass
Title: Treasurer

MELLON BANK, N.A.

By: E. J. [Signature]
Name:
Title:



CIPCO Decommissioning Funding Report

March 31, 1999

1.) Amount of decommissioning funds estimated to be required pursuant to 10 CFR 50.75(b) and (c).

In a report dated November, 1998 ABZ, Inc. prepared a site-specific Decommissioning Cost Study for DAEC. This study includes cost estimates for basic NRC radiological decommissioning within the meaning of 10 CFR 50.75(b) & (c) (hereafter, Basic Radiological Decommissioning), as well as for spent fuel management and for non-radiological decommissioning activities. In addition, IES has calculated the NRC minimum formula amount in accordance with 10 CFR 50.75(c), NUREG-1307, Rev. 8, and Regulatory Guide 1.159. The 1998 total decommissioning costs, the Basic Radiological Decommissioning costs and the NRC minimum for CIPCO's 20% share of DAEC can be broken down as follows:

Total Site Specific	Basic Radiological	NRC Minimum
118,125,000	82,221,000	63,828,767

2.) Amount accumulated to the end of the calendar year preceding the date of the report.

As of December 31, 1998, CIPCO had accumulated:

External Trust Funds	16,708,718
Internal Funds*	<u>4,864,009</u>
Total	\$21,572,727

* This is an internal fund in which funds have been set aside and invested for purposes of funding decommissioning. CIPCO is not relying upon this Internal Fund for purposes of meeting NRC's decommissioning funding assurance requirements.

3.) Schedule of the annual amount remaining to be collected.

Within the meaning of 10 CFR 50.75(e)(1)(i)(A), CIPCO establishes its own rates and is able to recover its cost of service allocable to decommissioning. A schedule of amounts to be funded is provided as Exhibit A. This schedule of amounts is based upon the 1999 planned contribution, the inflation rate assumption, and the earnings rate assumption approved by the CIPCO Board of Directors in connection with CIPCO's 1999 Annual Operating Budget. Actual annual contributions to the external sinking fund will vary based upon annual reassessments of CIPCO's decommissioning funding obligations in light of NRC requirements, actual inflation, actual fund earnings and other factors.

4.) Assumptions used regarding rates of escalation in decommissioning costs, rates of earnings on decommissioning funds, and rates of other factors used in funding projections.

The following assumptions were reviewed and approved by the CIPCO Board of Directors in connection with CIPCO's 1999 Annual Operating Budget:

Decommissioning Cost Escalation Rate	5%
Decommissioning Fund Earnings Rate	12%

5.) Any contracts upon which the licensee is relying pursuant to 10 CFR 50.75(e)(1)(v).

CIPCO is not relying upon any long-term contract for purposes of providing decommissioning funding within the meaning of 10 CFR 50.75(e)(1)(v).

6.) Any modifications occurring to a licensee's current method of providing financial assurance since the last submitted report.

CIPCO continues to use the external sinking fund method of providing decommissioning funding assurance.

7.) Any Material Changes to trust agreements.

There have been no material changes in the CIPCO trust agreements, trustee or investment manager. CIPCO's trustee remains Norwest Bank, Iowa, N.A. CIPCO's investment manager, IDS Advisory Group, Inc. has changed its name to American Express Asset Management Group.

Exhibit A

CIPCO DAEC Decommissioning Funding Report

Schedule of the annual amounts remaining to be collected

Years	Collected*	Earnings**	Total	Accumulated Balance***
				\$16,708,718
1999	880,020	2,044,650	2,924,670	19,633,388
2000	924,020	2,397,590	3,321,610	22,954,998
2001	970,220	2,798,260	3,768,480	26,723,478
2002	1,018,730	3,252,660	4,271,390	30,994,868
2003	1,069,670	3,767,520	4,837,190	35,832,058
2004	1,123,150	4,350,390	5,473,540	41,305,598
2005	1,179,310	5,009,740	6,189,050	47,494,648
2006	1,238,280	5,755,080	6,993,360	54,488,008
2007	1,300,190	6,597,070	7,897,260	62,385,268
2008	1,365,200	7,547,670	8,912,870	71,298,138
2009	1,433,460	8,620,280	10,053,740	81,351,878
2010	1,505,130	9,829,960	11,335,090	92,686,968
2011	1,580,390	11,193,550	12,773,940	105,460,908
2012	1,659,410	12,729,980	14,389,390	119,850,298
2013	1,742,380	14,460,440	16,202,820	136,053,118
2014	<u>1,829,560</u>	16,408,700	18,238,260	154,291,378

\$20,819,120

* Collections are escalated 5% annually from 1999 dollars.

** Earnings are estimated at a 12% annual rate, compounded quarterly.

The Decommissioning Trust Fund annual earnings since inception – 16.1%

*** The future value of the NRC minimum of \$63.8 million is \$139 million at 2014 assuming a 5% escalation rate.

Schedule assumes no income tax on earnings.

Corn Belt Decommissioning Funding Report

March 31, 1999

1.) Amount of decommissioning funds estimated to be required pursuant to 10 CFR 50.75(b) and (c).

In a report dated November, 1998 ABZ, Inc. prepared a site-specific Decommissioning Cost Study for DAEC. This study includes cost estimates for basic NRC radiological decommissioning within the meaning of 10 CFR 50.75(b) & (c) (hereafter, Basic Radiological Decommissioning), as well as for spent fuel management and for non-radiological decommissioning activities. In addition, IES has calculated the NRC minimum formula amount in accordance with 10 CFR 50.75(c), NUREG-1307, Rev. 8, and Regulatory Guide 1.159. The 1998 total decommissioning costs, the Basic Radiological Decommissioning costs and the NRC minimum for Corn Belt's 10% share of DAEC can be broken down as follows:

Total Site Specific	Basic Radiological	NRC Minimum
59,062,000	41,110,000	31,914,384

2.) Amount accumulated to the end of the calendar year preceding the date of the report.

As of December 31, 1998, Corn Belt had accumulated:

External Trust Funds	9,757,360
Internal Funds*	<u>6,470,188</u>
Total	\$16,227,548

* This is an internal fund in which funds have been set aside and invested for purposes of funding decommissioning. Corn Belt is not relying upon this Internal Fund for purposes of meeting NRC's decommissioning funding assurance requirements.

3.) Schedule of the annual amount remaining to be collected.

Within the meaning of 10 CFR 50.75(e)(1)(i)(A), Corn Belt establishes its own rates and is able to recover its cost of service allocable to decommissioning. A schedule of amounts to be funded is provided as Exhibit A. The following schedule of amounts is based upon the 1999 planned contribution, the inflation rate assumption, and the earnings rate assumption approved by the Corn Belt Board of Directors. Actual annual contributions to the external sinking fund will vary based upon annual reassessments of Corn Belt's decommissioning funding obligations in light of NRC requirements, actual inflation, actual fund earnings and other factors.

4.) Assumptions used regarding rates of escalation in decommissioning costs, rates of earnings on decommissioning funds, and rates of other factors used in funding projections.

The following assumptions were reviewed and approved by the Corn Belt Board of Directors:

Decommissioning Cost Escalation Rate	5%
Decommissioning Fund Earnings Rate	10%

5.) Any contracts upon which the licensee is relying pursuant to 10 CFR 50.75(e)(1)(v).

Corn Belt is not relying upon any long-term contract for purposes of providing decommissioning funding within the meaning of 10 CFR 50.75(e)(1)(v).

6.) Any modifications occurring to a licensee's current method of providing financial assurance since the last submitted report.

Corn Belt continues to use the external sinking fund method of providing decommissioning funding assurance.

7.) Any Material Changes to trust agreements.

There have been no material changes in the Corn Belt trust agreements, trustee or investment manager. Corn Belt's trustee remains Norwest Bank, Iowa, N.A. Corn Belt's investment manager, IDS Advisory Group, Inc. has changed its name to American Express Asset Management Group. In addition, Corn Belt reports that in 1993 the Corn Belt Board of Directors authorized the investment manager to increase the percentage of the total fund which can be invested in equities to 50%, plus or minus 10%.

Exhibit A

CORN BELT POWER COOPERATIVE

DAEC - DECOMMISSIONING

FUNDING REPORT

Schedule of the annual amounts remaining to be collected.

Date	Amount Funded *	Annual Earnings **	Yearly Total	Decommissioning Withdrawals	Accumulated Balance ***
1998					8,512,582
1999	895,130	964,291	1,859,421	0	10,372,003
2000	939,887	1,159,468	2,099,355	0	12,471,358
2001	986,881	1,379,469	2,366,350	0	14,837,708
2002	1,036,225	1,627,079	2,663,304	0	17,501,012
2003	1,088,036	1,905,379	2,993,415	0	20,494,427
2004	1,142,438	2,217,779	3,360,217	0	23,854,644
2005	1,199,560	2,568,056	3,767,616	0	27,622,260
2006	1,259,538	2,960,384	4,219,922	0	31,842,182
2007	1,322,515	3,399,380	4,721,895	0	36,564,077
2008	1,388,640	3,890,152	5,278,792	0	41,842,869
2009	1,458,072	4,438,345	5,896,417	0	47,739,286
2010	1,530,976	5,050,201	6,581,177	0	54,320,463
2011	1,607,525	5,732,618	7,340,143	0	61,660,606
2012	1,687,901	6,493,222	8,181,123	0	69,841,729
2013	1,772,296	7,340,437	9,112,733	0	78,954,462
2014	1,860,911	7,095,011	8,955,922	27,732,767	60,177,617
2015	0	4,236,913	4,236,913	38,910,678	25,503,852
2016	0	1,518,842	1,518,842	21,321,684	5,701,010
2017	0	544,741	544,741	1,184,382	5,061,369
2018	0	514,255	514,255	516,862	5,058,762
2019	0	249,810	249,810	5,127,286	181,286
2020	0	8,563	8,563	189,849	0
	<u>21,176,531</u>	<u>65,294,395</u>	<u>94,983,508</u>	<u>94,983,508</u>	

Assumptions:

The schedule assumes no income tax on earnings.

* Collections are escalated 5% annually from 1999 dollars.

** Earnings are estimated at 10% annual rate compounded monthly.

*** The future value of the site specific NRC minimum of \$41.1 million is \$95 million at 2014 assuming a 5% escalation rate.