Section 1: 10-K (10-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2017
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 001-3034

Xcel Energy Inc.

(Exact name of registrant as specified in its charter)

Minnesota	**41-0448030**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

414 Nicollet Mall
Minneapolis, MN 55401
(Address of principal executive offices)

Registrant's telephone number, including area code: **612-330-5500**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, $2.50 par value per share	Nasdaq Stock Market LLC

Securities registered pursuant to section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 and Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. ☒ Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer (Do not check if a smaller reporting company) ☐ Smaller Reporting Company ☐ Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

As of June 30, 2017, the aggregate market value of the voting common stock held by non-affiliates of the Registrants was $23,304,874,235 and there were 507,952,795 shares of common stock outstanding.

As of Feb. 19, 2018, there were 508,064,983 shares of common stock outstanding, $2.50 par value.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's Definitive Proxy Statement for its 2018 Annual Meeting of Shareholders is incorporated by reference into Part III of this Form 10-K.

TABLE OF CONTENTS

Index

PART I

Item 1 — Business

DEFINITION OF ABBREVIATIONS AND INDUSTRY TERMS

Xcel Energy Inc.'s Subsidiaries and Affiliates (current and former)	
Capital Services	Capital Services, LLC
Eloigne	Eloigne Company
NCE	New Century Energies, Inc.
NSP-Minnesota	Northern States Power Company, a Minnesota corporation
NSP System	The electric production and transmission system of NSP-Minnesota and NSP-Wisconsin operated on an integrated basis and managed by NSP-Minnesota
NSP-Wisconsin	Northern States Power Company, a Wisconsin corporation
Operating companies	NSP-Minnesota, NSP-Wisconsin, PSCo and SPS
PSCo	Public Service Company of Colorado
SPS	Southwestern Public Service Co.
Utility subsidiaries	NSP-Minnesota, NSP-Wisconsin, PSCo and SPS
WGI	WestGas InterState, Inc.
WYCO	WYCO Development, LLC
Xcel Energy	Xcel Energy Inc. and its subsidiaries
XETD	Xcel Energy Transmission Development Company, LLC
XEST	Xcel Energy Southwest Transmission Company, LLC
XEWT	Xcel Energy West Transmission Company, LLC
Federal and State Regulatory Agencies	
CFTC	Commodity Futures Trading Commission
CPUC	Colorado Public Utilities Commission
D.C. Circuit	United States Court of Appeals for the District of Columbia Circuit
DOC	Minnesota Department of Commerce
DOE	United States Department of Energy
DOT	United States Department of Transportation
EPA	United States Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
Fifth Circuit	United States Court of Appeals for the Fifth Circuit
IRS	Internal Revenue Service
MPSC	Michigan Public Service Commission
MPUC	Minnesota Public Utilities Commission
NDPSC	North Dakota Public Service Commission
NERC	North American Electric Reliability Corporation
NMPRC	New Mexico Public Regulation Commission
NRC	Nuclear Regulatory Commission
PHMSA	Pipeline and Hazardous Materials Safety Administration
PSCW	Public Service Commission of Wisconsin
PUCT	Public Utility Commission of Texas
SDPUC	South Dakota Public Utilities Commission
SEC	Securities and Exchange Commission

Electric, Purchased Gas and Resource Adjustment Clauses	
CIP	Conservation improvement program
DCRF	Distribution cost recovery factor
DSM	Demand side management
DSMCA	Demand side management cost adjustment
ECA	Retail electric commodity adjustment
EE	Energy efficiency
EECRF	Energy efficiency cost recovery factor
EIR	Environmental improvement rider (recovers the costs associated with investments in environmental improvements to fossil fuel generation plants)
FCA	Fuel clause adjustment
FPPCAC	Fuel and purchased power cost adjustment clause
GCA	Gas cost adjustment
GUIC	Gas utility infrastructure cost rider
PCCA	Purchased capacity cost adjustment
PCRF	Power cost recovery factor (recovers the costs of certain purchased power costs)
PGA	Purchased gas adjustment
RDF	Renewable development fund
RER	Renewable energy rider
RES	Renewable energy standard
RESA	Renewable energy standard adjustment (recovers the costs of new renewable generation)
PSIA	Pipeline system integrity adjustment
SCA	Steam cost adjustment
SEP	State energy policy rider
TCA	Transmission cost adjustment
TCR	Transmission cost recovery adjustment
TCRF	Transmission cost recovery factor (recovers transmission infrastructure improvement costs and changes in wholesale transmission charges)
WCA	Windsource® cost adjustment
Other Terms and Abbreviations	
AFUDC	Allowance for funds used during construction
ALJ	Administrative law judge
APBO	Accumulated postretirement benefit obligation
ARO	Asset retirement obligation
ASC	FASB Accounting Standards Codification
ASU	FASB Accounting Standards Update
BART	Best available retrofit technology
C&I	Commercial and Industrial
CAA	Clean Air Act
CACJA	Clean Air Clean Jobs Act
CAIR	Clean Air Interstate Rule
CAISO	California Independent System Operator
CapX2020	Alliance of electric cooperatives, municipals and investor-owned utilities in the upper Midwest involved in a joint transmission line planning and construction effort
CCN	Certificate of convenience and necessity
CIG	Colorado Interstate Gas Company, LLC
CO_2	Carbon dioxide
CON	Certificate of need

CPCN	Certificate of public convenience and necessity
CPP	Clean Power Plan
CSAPR	Cross-State Air Pollution Rule
CWA	Clean Water Act
CWIP	Construction work in progress
EEI	Edison Electric Institute
EGU	Electric generating unit
EPS	Earnings per share
EPU	Extended power uprate
ERCOT	Electric Reliability Council of Texas
ETR	Effective tax rate
FASB	Financial Accounting Standards Board
FTR	Financial transmission right
FTY	Forecast test year
GAAP	Generally accepted accounting principles
GHG	Greenhouse gas
Golden Spread	Golden Spread Electric Cooperative, Inc.
HTY	Historic test year
IM	Integrated market
IPP	Independent power producing entities
IRC	Internal Revenue Code
IRP	Integrated Resource Plan
ISFSI	Independent Spent Fuel Storage Installation
ITC	Investment Tax Credit
LCM	Life cycle management
LLW	Low-level radioactive waste
LNG	Liquefied natural gas
MGP	Manufactured gas plant
MISO	Midcontinent Independent System Operator, Inc.
Moody's	Moody's Investor Services
MWTG	Mountain West Transmission Group
NAAQS	National Ambient Air Quality Standard
Native load	Customer demand of retail and wholesale customers that a utility has an obligation to serve under statute or long-term contract
NAV	Net asset value
NOL	Net operating loss
NO_X	Nitrogen oxide
NTC	Notifications to construct
O&M	Operating and maintenance
OATT	Open Access Transmission Tariff
OCC	Office of Consumer Counsel
OCI	Other comprehensive income
PI	Prairie Island nuclear generating plant
PJM	PJM Interconnection, LLC
PM	Particulate matter
PPA	Purchased power agreement
PRP	Potentially responsible party
PTC	Production tax credit
PV	Photovoltaic
QF	Qualifying facilities
R&E	Research and experimentation
REC	Renewable energy credit

RFP	Request for proposal
ROE	Return on equity
RPS	Renewable portfolio standards
RTO	Regional Transmission Organization
SIP	State implementation plan
SO_2	Sulfur dioxide
SPP	Southwest Power Pool, Inc.
S&P	Standard & Poor's Ratings Services
TCJA	2017 federal tax reform enacted as Public Law No: 115-97, commonly referred to as the Tax Cuts and Jobs Act
TOs	Transmission owners
TransCo	Transmission-only subsidiary
TSR	Total shareholder return
VIE	Variable interest entity

Measurements	
Bcf	Billion cubic feet
GWh	Gigawatt hours
KV	Kilovolts
KWh	Kilowatt hours
Mcf	Thousand cubic feet
MMBtu	Million British thermal units
MW	Megawatts
MWh	Megawatt hours

COMPANY OVERVIEW

Xcel Energy Inc. is a holding company with subsidiaries engaged primarily in the utility business. In 2017, Xcel Energy Inc.'s continuing operations included the activity of four wholly owned utility subsidiaries that serve electric and natural gas customers in portions of Colorado, Michigan, Minnesota, New Mexico, North Dakota, South Dakota, Texas and Wisconsin. These utility subsidiaries are NSP-Minnesota, NSP-Wisconsin, PSCo and SPS, and serve customers. Along with WYCO, a joint venture formed with CIG to develop and lease natural gas pipelines, storage, and compression facilities, and WGI, an interstate natural gas pipeline company, these companies comprise the regulated utility operations.

Xcel Energy Inc. was incorporated under the laws of Minnesota in 1909. Xcel Energy's executive offices are located at 414 Nicollet Mall, Minneapolis, Minn. 55401. Its website address is www.xcelenergy.com. Xcel Energy makes available, free of charge through its website, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after the reports are electronically filed with or furnished to the SEC. The public may read and copy any materials that Xcel Energy files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov.

NSP-Minnesota

NSP-Minnesota is a utility primarily engaged in the generation, purchase, transmission, distribution and sale of electricity in Minnesota, North Dakota and South Dakota. NSP-Minnesota also purchases, transports, distributes and sells natural gas to retail customers and transports customer-owned natural gas in Minnesota and North Dakota. NSP-Minnesota provides electric utility service to approximately 1.5 million customers and natural gas utility service to approximately 0.5 million customers. Approximately 88 percent of NSP-Minnesota's retail electric operating revenues were derived from operations in Minnesota during 2017 and 2016. Although NSP-Minnesota's large C&I electric retail customers are comprised of many diversified industries, a significant portion of NSP-Minnesota's large C&I electric sales include: petroleum refining and related industries, food products and health services. For small C&I customers, significant electric retail sales include the following industries: real estate and educational services. Generally, NSP-Minnesota's earnings contribute approximately 35 percent to 45 percent of Xcel Energy's consolidated net income.

The electric production and transmission costs of the entire NSP System are shared by NSP-Minnesota and NSP-Wisconsin. A FERC-approved Interchange Agreement between the two companies provides for the sharing of all generation and transmission costs of the NSP System.

The wholesale customers served by NSP-Minnesota comprised approximately 14 percent of its total KWh sold in 2017.

NSP-Minnesota owns the following direct subsidiary: United Power and Land Company, which holds real estate.

NSP-Wisconsin

NSP-Wisconsin is a utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of northwestern Wisconsin and in the western portion of the Upper Peninsula of Michigan. NSP-Wisconsin purchases, transports, distributes and sells natural gas to retail customers and transports customer-owned natural gas in this service territory. NSP-Wisconsin provides electric utility service to approximately 259,000 customers and natural gas utility service to approximately 114,000 customers. Approximately 98 percent of NSP-Wisconsin's retail electric operating revenues were derived from operations in Wisconsin during 2017 and 2016. Although NSP-Wisconsin's large C&I electric retail customers are comprised of many diversified industries, a significant portion of NSP-Wisconsin's large C&I electric sales include: food products, paper, allied products and electric, gas and sanitary services. For small C&I customers, significant electric retail sales include the following industries: grocery and dining establishments, educational services and health services. Generally, NSP-Wisconsin's earnings contribute approximately five percent to 10 percent of Xcel Energy's consolidated net income.

The management of the electric generation and transmission system of NSP-Wisconsin is integrated with NSP-Minnesota.

NSP-Wisconsin owns the following direct subsidiaries: Chippewa and Flambeau Improvement Co., which operates hydro reservoirs; Clearwater Investments Inc., which owns interests in affordable housing; and NSP Lands, Inc., which holds real estate.

PSCo

PSCo is a utility engaged primarily in the generation, purchase, transmission, distribution and sale of electricity in Colorado. PSCo also purchases, transports, distributes and sells natural gas to retail customers and transports customer-owned natural gas. PSCo provides electric utility service to approximately 1.5 million customers and natural gas utility service to approximately 1.4 million customers. All of PSCo's retail electric operating revenues were derived from operations in Colorado. Although PSCo's large C&I electric retail customers are comprised of many diversified industries, a significant portion of PSCo's large C&I electric sales include: fabricated metal products, communications and health services. For small C&I customers, significant electric retail sales include the following industries: real estate and dining establishments. Generally, PSCo's earnings contribute approximately 35 percent to 45 percent of Xcel Energy's consolidated net income.

The wholesale customers served by PSCo comprised approximately 14 percent of its total KWh sold in 2017.

PSCo owns the following direct subsidiaries: 1480 Welton, Inc. and United Water Company, both of which own certain real estate interests; and Green and Clear Lakes Company, which owns water rights and certain real estate interests. PSCo also holds a controlling interest in several other relatively small ditch and water companies.

SPS

SPS is a utility engaged primarily in the generation, purchase, transmission, distribution and sale of electricity in portions of Texas and New Mexico. SPS provides electric utility service to approximately 390,000 retail customers in Texas and New Mexico. Approximately 71 percent of SPS' retail electric operating revenues were derived from operations in Texas during 2017 and 2016. Although SPS' large C&I electric retail customers are comprised of many diversified industries, a significant portion of SPS' large C&I electric sales include: oil and gas extraction, as well as petroleum refining and related industries. For small C&I customers, significant electric retail sales include the following industries: oil and gas extraction and grocery establishments. Generally, SPS' earnings contribute approximately 10 percent to 15 percent of Xcel Energy's consolidated net income.

The wholesale customers served by SPS comprised approximately 29 percent of its total KWh sold in 2017.

Other Subsidiaries

WGI is a small interstate natural gas pipeline company engaged in transporting natural gas from the PSCo system near Chalk Bluffs, Colo., to Cheyenne, Wyo.

WYCO was formed as a joint venture with CIG to develop and lease natural gas pipeline, storage, and compression facilities. Xcel Energy has a 50 percent ownership interest in WYCO. The gas pipeline and storage facilities are leased under a FERC-approved agreement to CIG.

Xcel Energy Services Inc. is the service company for Xcel Energy Inc.

XETD and XEST are TransCos that will, respectively, participate in MISO and SPP competitive bidding processes for transmission projects. XEWT is a TransCo formed to competitively bid on transmission projects in the western United States.

Xcel Energy Inc.'s nonregulated subsidiaries include Eloigne and Capital Services. Eloigne invests in rental housing projects that qualify for low-income housing tax credits, and Capital Services procures equipment for construction of renewable generation facilities at other subsidiaries.

Xcel Energy conducts its utility business in the following reportable segments: regulated electric utility, regulated natural gas utility and all other. See Note 17 to the consolidated financial statements for further discussion relating to comparative segment revenues, income from operations and related financial information.

ELECTRIC UTILITY OPERATIONS

NSP-Minnesota

Public Utility Regulation

Summary of Regulatory Agencies and Areas of Jurisdiction — Retail rates, services and other aspects of NSP-Minnesota's operations are regulated by the MPUC, the NDPSC and the SDPUC within their respective states. The MPUC also has regulatory authority over security issuances, property transfers, mergers, dispositions of assets and transactions between NSP-Minnesota and its affiliates. In addition, the MPUC reviews and approves NSP-Minnesota's IRPs for meeting customers' future energy needs. The MPUC also certifies the need and siting for generating plants greater than 50 MW and transmission lines greater than 100 KV that will be located within the state. No large power plant or transmission line may be constructed in Minnesota except on a site or route designated by the MPUC. The NDPSC and SDPUC have regulatory authority over generation and transmission facilities, along with the siting and routing of new generation and transmission facilities in North Dakota and South Dakota, respectively.

NSP-Minnesota is subject to the jurisdiction of the FERC for its wholesale electric operations, hydroelectric licensing, accounting practices, wholesale sales for resale, transmission of electricity in interstate commerce, compliance with NERC electric reliability standards, asset transfers and mergers, and natural gas transactions in interstate commerce. NSP-Minnesota is a transmission owning member of the MISO RTO and operates within the MISO RTO and MISO wholesale market. NSP-Minnesota and NSP-Wisconsin are jointly authorized by the FERC to make wholesale electric sales at market-based prices.

Fuel, Purchased Energy and Conservation Cost-Recovery Mechanisms — NSP-Minnesota has several retail adjustment clauses that recover fuel, purchased energy and other resource costs:

- *CIP rider* — Recovers the costs of conservation and demand-side management programs.
- *EIR* — Recovers the costs of environmental improvement projects.
- *RDF* — Allocates money collected from retail customers to support the research and development of emerging renewable energy projects and technologies.
- *RES* — Recovers the cost of renewable generation in Minnesota.
- *RER* — Recovers the cost of renewable generation in North Dakota.
- *SEP* — Recovers costs related to various energy policies approved by the Minnesota legislature.
- *TCR* — Recovers costs associated with investments in electric transmission and distribution grid modernization costs.
- *Infrastructure rider* — Recovers costs for investments in generation and incremental property taxes in South Dakota.

NSP-Minnesota's retail electric rates in Minnesota, North Dakota and South Dakota include a FCA for monthly billing adjustments to recover changes in prudently incurred costs of fuel related items and purchased energy. In general, capacity costs are recovered through base rates and are not recovered through the FCA. In addition, costs associated with MISO are generally recovered through either the FCA or base rates. In 2017, the MPUC voted to change the process in which utilities seek fuel cost recovery under the FCA in Minnesota to be implemented in July 2019. Under the new process, each month utilities would collect amounts equal to the baseline cost of energy set at the start of the plan year. Monthly variations to the baseline costs would be tracked and netted over a 12-month period. Subsequently, utilities would issue refunds above the baseline costs, and could seek recovery of any overage.

Minnesota state law requires NSP-Minnesota to invest two percent of its state electric revenues and half a percent of its state gas revenues in CIP. These costs are recovered through an annual cost-recovery mechanism for electric conservation and energy management program expenditures. Minnesota state law also requires NSP-Minnesota to submit a CIP plan at least every three years.

Capacity and Demand

Uninterrupted system peak demand for the NSP System's electric utility for each of the last three years and the forecast for 2018, assuming normal weather conditions, is as follows:

	System Peak Demand (in MW)			
	2017	2016	2015	2018 Forecast
NSP System	8,546	9,002	8,621	9,208

The peak demand for the NSP System typically occurs in the summer. The 2017 system peak demand for the NSP System occurred on July 17, 2017. The decline in peak load from 2016 to 2017 is in part due to considerably cooler weather in 2017. The 2018 forecast assumes normal peak day weather, which is warmer than actual 2017 peak day weather.

Energy Sources and Related Transmission Initiatives

NSP-Minnesota expects to use existing power plants, power purchases, CIP/DSM options, new generation facilities and expansion of existing power plants to meet its system capacity requirements.

Purchased Power — NSP-Minnesota has contracts to purchase power from other utilities and IPPs. Generally, long-term dispatchable purchased power contracts require a periodic capacity payment and a charge for the delivered associated energy. Some long-term purchased power contracts only contain a charge for the purchased energy. NSP-Minnesota also makes short-term purchases to meet system load and energy requirements, to replace generation from company-owned units under maintenance or during outages, to meet operating reserve obligations, or to obtain energy at a lower cost.

Purchased Transmission Services — NSP-Minnesota and NSP-Wisconsin have contracts with MISO and other regional transmission service providers to deliver power and energy to their customers.

NSP System Resource Plans — In January 2017, the MPUC approved NSP-Minnesota's IRP that includes:

- Retirement of Sherco Unit 2 in 2023 and Sherco Unit 1 in 2026. The resulting need for 750 MW of capacity in 2026 will be addressed in a future CON proceeding;
- Acquisition of at least 1,000 MW of wind by 2019. The mix of purchased power and owned facilities was not specified;
- Acquisition of 650 MW of solar by 2021 either through the community solar gardens program or other cost-effective resources. The mix of purchased power and owned facilities was not specified;
- Acquisition of at least 400 MW of additional demand response by 2023, and a study of the technical and economic achievability of 1,000 MW of additional demand response in total by 2025; and
- Achievement of at least 444 GWh of energy efficiency in all planning years.

Minnesota Legislation — In February 2017, the Minnesota governor signed a bill into law allowing NSP-Minnesota to build a natural gas combined-cycle power plant at NSP-Minnesota's Sherco site. The plant was originally proposed as part of NSP-Minnesota's resource plan, which enables the retirement of two coal units at the Sherco site. The plant's in-service date is anticipated for 2026. Cost recovery of the plant will be subject to MPUC approval.

Wind Development — In July 2017, the MPUC approved NSP-Minnesota's proposal to add 1,550 MW of new wind generation including ownership of 1,150 MW of wind generation by NSP-Minnesota, which will help achieve NSP-Minnesota's wind acquisition goal outlined in the IRP. In March 2017, NSP-Minnesota filed an Advanced Determination of Prudence with the NDPSC and reached a settlement with the NDPSC Staff. The timing of a NDPSC order is uncertain. These projects are expected to be completed by the end of 2020 and would qualify for 100 percent of the PTC. NSP-Minnesota's total capital investment for these wind ownership projects is expected to be approximately $1.9 billion.

In September 2017, NSP-Minnesota filed with the MPUC seeking approval to build and own the Dakota Range project, a 300 MW wind project in South Dakota. The project is expected to be placed into service by the end of 2021 and qualify for 80 percent of the PTC. The DOC recommended the MPUC deny the petition on the basis that NSP-Minnesota did not follow the standard regulatory selection process of issuing a new RFP. However, the DOC acknowledged the Dakota Range project would benefit ratepayers and the MPUC could approve the project if it determines the public interest outweighs their concern about the regulatory selection process.

These wind projects are expected to provide significant savings to NSP-Minnesota's customers and substantial environmental benefits. Projected savings/benefits assume fuel costs and generation mix consistent with various commission approved resource plans**.** NSP-Minnesota will provide supplemental filings to the MPUC in March 2018, which will estimate impacts of the TCJA on the wind projects.

PPA Terminations and Amendments — In 2017, NSP-Minnesota filed requests with the MPUC and the NDPSC for several initiatives including changes to four PPAs to reduce future costs for customers. These actions include the following:

- The termination of a PPA with Benson Power LLC (Benson) for its 55 MW biomass facility in Benson, Minn., including the purchase and closure of the facility. The purchase of the Benson biomass facility requires FERC approval, which was requested in August 2017. The transaction would result in payments of $95 million to terminate the PPA and acquire the facility, as well as additional expenditures of approximately $26 million to temporarily operate and close the facility.
- The termination of a PPA with Laurentian Energy Authority I, LLC (Laurentian) for its 35 MW of biomass facilities in Hibbing and Virginia, Minn. The termination of the Laurentian PPA would result in approximately $109 million of contract cancellation payments over six years.
- The remaining two requested PPA changes involve a PPA extension of the Hennepin Energy Recovery Center (HERC) 34 MW waste-to-energy facility at a price reflective of current market conditions and termination of the Pine Bend 12 MW waste-to-energy PPA.

In November 2017, the MPUC approved NSP-Minnesota's request to terminate the Pine Bend PPA but rejected its request to extend the HERC PPA.

In January 2018, the MPUC issued an order approving NSP-Minnesota's petition to terminate the PPAs with Benson and Laurentian, as well as purchase and close the Benson biomass facility. All approved costs are expected to be recoverable through the FCA, including a return on NSP-Minnesota's total investment in the Benson transaction through 2028. NSP-Minnesota also reached a settlement agreement with the NDPSC Staff which allows for the termination of the PPAs with Benson, Laurentian and Pine Bend, as well as the purchase and closure of the Benson biomass facility. The NDPSC is expected to issue an order on the settlement in the second quarter of 2018. NSP-Minnesota and NSP-Wisconsin will jointly request FERC approval to modify the Interchange Agreement to share a portion of the termination costs with NSP-Wisconsin.

These terminations and amendments are intended to provide in excess of $600 million in net cost savings to NSP System customers over the next 10 years.

Jurisdictional Cost Recovery Allocation — In December 2016, NSP-Minnesota filed a resource treatment framework with the NDPSC and MPUC. The filing proposed a framework to allow NSP-Minnesota's operations in North Dakota and Minnesota to gradually become more independent of one another with respect to future generation resource selection while also identifying a path for cost sharing of current resources. NSP-Minnesota's filing identified two options: a legal separation, creating a separate North Dakota operating company; or a pseudo-separation, which maintains the current corporate structure but directly assigns the costs and benefits of each resource to the jurisdiction that supports it. In October 2017, NDPSC staff filed testimony recommending no change to the current system of proxy pricing and policy-based disallowances claiming there is a likelihood of overall increased costs and potential loss of resource diversity. Hearings are planned for the second quarter of 2018.

Minnesota State Right-Of-First Refusal (ROFR) Statute Complaint — In September 2017, LSP Transmission Holdings, LLC filed a complaint in the U.S. District Court for the District of Minnesota (Minnesota District Court) against the Minnesota Attorney General, the MPUC and the DOC. The complaint was in response to MISO assigning NSP-Minnesota and ITC Midwest, LLC to jointly own a new 345 KV transmission line from near Mankato, Minn. to Winnebago, Minn. The line was estimated by MISO to cost $103 million. The project was assigned to NSP-Minnesota and ITC Midwest as the incumbent utilities, consistent with a Minnesota state ROFR statute. The complaint challenges the constitutionality of the state ROFR statute and is seeking declaratory judgment that the statute violates the Commerce Clause of the U.S. Constitution and should not be enforced. The Minnesota state agencies and NSP-Minnesota filed motions to dismiss. Oral arguments were heard in February 2018, and the matter is now pending before the Minnesota District Court. The timing and outcome of the litigation is uncertain.

Nuclear Power Operations and Waste Disposal

NSP-Minnesota owns two nuclear generating plants: the Monticello plant and the PI plant. Nuclear power plant operations produce gaseous, liquid and solid radioactive wastes which are controlled by federal regulation. High-level radioactive wastes primarily include used nuclear fuel. LLW consists primarily of demineralizer resins, paper, protective clothing, rags, tools and equipment that have become contaminated through use in a plant.

NSP-Minnesota participates with regulators and in industry groups including the NRC, the Institute of Nuclear Power Operations and Utilities Service Alliance to stay informed of advancements in nuclear safety, mitigation strategies, performance and operational effectiveness. NSP-Minnesota applies this acquired knowledge by investing in technology and services that improve nuclear operations and detect, mitigate and protect NPS-Minnesota's nuclear facilities.

NRC Regulation — The NRC regulates nuclear operations. Decisions by the NRC can significantly impact the operations of the nuclear generating plants. The costs of complying with NRC orders and requirements can affect both operating expenses and capital investments of the plants. NSP-Minnesota has obtained recovery of these compliance costs in customer rates, and expects future compliance costs will continue to be recoverable from customers. Estimates of the future nuclear capital expenditures related to costs of NRC compliance are included in Xcel Energy's capital forecast for electric generation. See Item 7 for further discussion of capital requirements.

Nuclear Regulatory Performance — The NRC has a Reactor Oversight Process that classifies U.S. nuclear reactors into various categories (referred to as Columns, from 1 to 5). Issues are evaluated as either green, white, yellow, or red based on their safety significance, with green representing the least safety concern and red representing the most concern.

As of Dec. 31, 2017, Monticello and PI Units 1 and 2 were in Column 1 (licensee response) with all green performance indicators and no greater than green findings or violations. Plants in Column 1 are subject to only a pre-defined set of basic NRC inspections.

LLW Disposal — LLW from NSP-Minnesota's Monticello and PI nuclear plants is currently disposed at the Clive facility located in Utah and the Waste Control Specialists facility located in Texas. If off-site LLW disposal facilities become unavailable, NSP-Minnesota has storage capacity available on-site at PI and Monticello that would allow both plants to continue to operate until the end of their current licensed lives.

High-Level Radioactive Waste Disposal — The federal government has the responsibility to permanently dispose of domestic spent nuclear fuel and other high-level radioactive wastes. The Nuclear Waste Policy Act requires the DOE to implement a program for nuclear high-level waste management. This includes the siting, licensing, construction and operation of a repository for spent nuclear fuel from civilian nuclear power reactors and other high-level radioactive wastes at a permanent federal storage or disposal facility. The federal government has been evaluating a nuclear geologic repository at Yucca Mountain, Nevada for many years. At this time, there are no definitive plans for a permanent federal storage site at Yucca Mountain or any other site.

Review of PI Costs — As part of NSP-Minnesota's 2016 multi-year electric rate case and IRP the MPUC ordered an investigation into NSP-Minnesota's PI nuclear investments. The issue was resolved for the 2016 multi-year electric rate case settlement; however the DOC is continuing to investigate costs of operation and performance at PI in anticipation of NSP-Minnesota's 2019 resource plan.

Nuclear Spent Fuel Storage

NSP-Minnesota has interim on-site storage for spent nuclear fuel at its Monticello and PI nuclear generating plants. As of Dec. 31, 2017, there were 40 casks loaded and stored at the PI plant and 16 canisters loaded and stored at the Monticello plant. An additional 24 casks for PI and 14 canisters for Monticello have been authorized by the State of Minnesota. This currently authorized storage capacity is sufficient to allow NSP-Minnesota to operate until the end of the operating licenses in 2030 for Monticello, 2033 for PI Unit 1, and 2034 for PI Unit 2. Authorizations for additional spent fuel storage capacity may be required at each site to support either continued operation or decommissioning if the federal government does not begin operation of a consolidated interim storage installation.

In 2013, NSP-Minnesota's Monticello nuclear generating plant loaded and placed five storage canisters (canisters #11-15) in the ISFSI and a sixth canister (canister #16) was loaded but remained in the plant pending resolution of weld inspection issues. Successful pressure and leak testing demonstrated the safety and integrity of all six canisters involved. NSP-Minnesota took several actions to assure compliance with the NRC's regulations and Monticello's storage license.

In 2016, the NRC issued an order approving a settlement in which NSP-Minnesota agreed to a timeline for attaining compliance on all six canisters, as well as additional training and communications. During 2016, the NRC approved an exemption request for the completion of canister #16. That canister is now considered in compliance, and was placed in the ISFSI during 2016. In 2017, NSP-Minnesota submitted a plan and request to the NRC to restore Monticello canisters #11-15 to compliance through an exemption request. NSP-Minnesota requested that the NRC grant the exemption by October 2018.

Costs attributable to Monticello canisters #11-15 achieving full regulatory compliance within five years are currently being evaluated. No public safety issues have been raised, or are believed to exist, in this matter.

See Note 14 to the consolidated financial statements for further discussion regarding nuclear related items.

Energy Source Statistics

	Year Ended Dec. 31					
	2017		2016		2015	
NSP System	Millions of KWh	Percent of Generation	Millions of KWh	Percent of Generation	Millions of KWh	Percent of Generation
Nuclear	14,167	30%	14,191	30%	12,425	27%
Coal	14,737	30	13,681	28	15,961	35
Wind [a]	8,893	18	7,897	16	6,235	14
Natural Gas	5,786	12	7,810	16	6,689	15
Hydroelectric	3,080	6	3,203	7	3,326	7
Other [b]	2,052	4	1,480	3	1,083	2
Total	48,715	100%	48,262	100%	45,719	100%
Owned generation	36,640	75%	36,381	75%	33,818	74%
Purchased generation	12,075	25	11,881	25	11,901	26
Total	48,715	100%	48,262	100%	45,719	100%

(a) This category includes wind energy de-bundled from RECs and also includes Windsource® RECs. The NSP System uses RECs to meet or exceed state resource requirements and may sell surplus RECs.
(b) Includes energy from other sources, including solar, biomass, oil and refuse. Distributed generation from the Solar*Rewards® program is not included, and was approximately 17, 21 and eight million net KWh for 2017, 2016, and 2015, respectively.

Fuel Supply and Costs

The following table shows the delivered cost per MMBtu of each significant category of fuel consumed for owned electric generation, the percentage of total fuel requirements represented by each category of fuel and the total weighted average cost of all fuels.

	Coal [a]		Nuclear		Natural Gas		Weighted Average Owned Fuel Cost
NSP System Generating Plants	Cost	Percent	Cost	Percent	Cost	Percent	
2017	$ 2.08	45%	$ 0.78	45%	$ 4.10	10%	$ 1.72
2016	2.03	42	0.80	44	3.30	14	1.67
2015	2.15	47	0.83	40	3.89	13	1.85

(a) Includes refuse-derived fuel and wood.

See Items 1A and 7 for further discussion of fuel supply and costs.

Fuel Sources

Nuclear — NSP-Minnesota secures contracts for uranium concentrates, uranium conversion, uranium enrichment and fuel fabrication to operate its nuclear plants. The contract strategy involves a portfolio of spot purchases and medium and long-term contracts for uranium concentrates, conversion services and enrichment services with multiple producers and with a focus on diversification to minimize potential impacts caused by supply interruptions due to geographical and world political issues.

- Current nuclear fuel supply contracts cover 100 percent of uranium concentrates requirements through 2021 and approximately 57 percent of the requirements for 2022 through 2033;
- Current contracts for conversion services cover 100 percent of the requirements through 2021 and approximately 50 percent of the requirements for 2022 through 2033; and
- Current enrichment service contracts cover 100 percent of the requirements through 2025 and approximately 29 percent of the requirements for 2026 through 2033.

Fabrication services for Monticello and PI are 100 percent committed through 2030 and 2019, respectively.

NSP-Minnesota expects sufficient uranium concentrates, conversion services and enrichment services to be available for the total fuel requirements of its nuclear generating plants. Some exposure to market price volatility will remain due to index-based pricing structures contained in certain supply contracts.

Coal — The NSP System normally maintains approximately 41 days of coal inventory. Coal supply inventories at Dec. 31, 2017 and 2016 were approximately 53 and 55 days of usage, respectively. Milder weather, purchase commitments and relatively low power and natural gas prices resulted in coal inventories being above optimal levels. NSP-Minnesota's generation stations use low-sulfur western coal purchased primarily under contracts with suppliers operating in Wyoming and Montana. Coal requirements for the NSP System's major coal-fired generating plants were approximately 8.0 million tons for 2017 and 7.5 million tons for 2016. Coal requirements for 2017 increased primarily due to slightly higher natural gas prices during the year. The estimated coal requirements for 2018 are approximately 8.3 million tons.

NSP-Minnesota and NSP-Wisconsin have contracted for coal supplies to provide 79 percent of their estimated coal requirements in 2018 and a declining percentage of the requirements in subsequent years. The NSP System's general coal purchasing objective is to contract for approximately 75 percent of requirements for the first year, 40 percent of requirements in year two and 20 percent of requirements in year three. Remaining requirements will be filled through the procurement process or over-the-counter transactions.

NSP-Minnesota and NSP-Wisconsin have coal transportation contracts that provide for delivery of 100 and 25 percent of their coal requirements in 2018 and 2019, respectively. Coal delivery may be subject to interruptions or reductions due to operation of the mines, transportation problems, weather and availability of equipment.

Natural gas — The NSP System uses both firm and interruptible natural gas supply in combustion turbines and certain boilers. Natural gas supplies, transportation and storage services for power plants are procured under contracts to provide an adequate supply of fuel. However, as natural gas primarily serves intermediate and peak demand, remaining forecasted requirements are able to be procured through a liquid spot market. Generally, natural gas supply contracts have variable pricing that is tied to various natural gas indices. Most transportation contract pricing is based on FERC approved transportation tariff rates. Certain natural gas supply and transportation agreements include obligations for the purchase and/or delivery of specified volumes of natural gas or to make payments in lieu of delivery. At Dec. 31, 2017 and 2016, the NSP System did not have any commitments related to gas supply contracts; however commitments related to gas transportation and storage contracts were approximately $398 million and $382 million, respectively. Commitments related to gas transportation and storage contracts expire in various years from 2018 to 2037.

The NSP System also has limited on-site fuel oil storage facilities and primarily relies on the spot market for incremental supplies.

Renewable Energy Sources

The NSP System's renewable energy portfolio includes wind, hydroelectric, biomass and solar power from both owned generating facilities and PPAs. As of Dec. 31, 2017, the NSP System was in compliance with mandated RPS, which require generation from renewable resources of 25.0 percent and 12.9 percent of NSP-Minnesota and NSP-Wisconsin electric retail sales, respectively.

Renewable energy as a percentage of the NSP System's total energy:

	2017	2016
Renewable	28.8%	26.1%
Wind	18.3	16.4
Hydroelectric	6.3	6.6
Biomass and solar	4.2	3.1

The NSP System also offers customer-focused renewable energy initiatives. Windsource allows customers in Minnesota, Wisconsin and Michigan to purchase electricity from renewable sources. The number of customers utilizing Windsource increased to approximately 60,900 in 2017 from 54,000 in 2016.

Additionally, to encourage the growth of solar energy in Minnesota, customers are offered incentives to install solar panels on their homes and businesses under the Solar*Rewards® and Made in Minnesota solar incentive programs. Over 2,800 PV systems with approximately 33.75 MW of aggregate capacity have been installed in Minnesota as of Dec. 31, 2017 and 2,000 PV systems with approximately 25.2 MW of aggregate capacity were installed as of Dec. 31, 2016. The Solar*Rewards® Community® program is another option made available to encourage use of solar energy in Minnesota. This program allows for offsite development of solar and bill credits to customers based on an approved tariffed rate.

Wind — The NSP System acquires the majority of its wind energy from PPAs. Currently, the NSP System has more than 130 of these agreements in place, with facilities ranging in size from under one MW to more than 200 MW. The NSP System owns and operates five wind farms which have the capacity to generate 852 MW.

- The NSP System had approximately 2,600 MW of wind energy on its system at the end of 2017 and 2016. In addition to receiving purchased wind energy under these agreements, the NSP System typically receives wind RECs, which are used to meet state renewable resource requirements.
- The average cost per MWh of wind energy under existing contracts was approximately $44 for 2017 and $43 for 2016. The cost per MWh of wind energy varies by contract and may be influenced by a number of factors including regulation, state-specific renewable resource requirements and the year of contract execution. Generally, contracts executed in 2017 continued to benefit from improvements in technology, excess capacity among manufacturers and motivation to commence new construction prior to the anticipated expiration of the federal PTCs. In December 2015, the federal PTCs were extended through 2019 with a phase down on sites that began construction in 2017.

Hydroelectric — The NSP System acquires its hydroelectric energy from both owned generation and PPAs. The NSP System owns 20 hydroelectric plants throughout Wisconsin and Minnesota which provide approximately 263 MW of capacity. For 2017, PPAs provided approximately 34 MW of hydroelectric capacity. Additionally, the NSP System purchases approximately 850 MW of generation from Manitoba Hydro, which is sourced primarily from its fleet of hydroelectric facilities.

Wholesale and Commodity Marketing Operations

NSP-Minnesota conducts various wholesale marketing operations, including the purchase and sale of electric capacity, energy, ancillary services and energy-related products. NSP-Minnesota uses physical and financial instruments to minimize commodity price and credit risk and hedge sales and purchases. NSP-Minnesota also engages in trading activity unrelated to hedging and sharing of any margins is determined through state regulatory proceedings as well as the operation of the FERC approved joint operating agreement. NSP-Minnesota does not serve any wholesale requirements customers at cost-based regulated rates. See Item 7 for further discussion.

NSP-Wisconsin

Public Utility Regulation

Summary of Regulatory Agencies and Areas of Jurisdiction — Retail rates, services and other aspects of NSP-Wisconsin's operations are regulated by the PSCW and the MPSC, within their respective states. In addition, each of the state commissions certifies the need for new generating plants and electric transmission lines before the facilities may be sited and built. NSP-Wisconsin is subject to the jurisdiction of the FERC for its wholesale electric operations, hydroelectric generation licensing, accounting practices, wholesale sales for resale, the transmission of electricity in interstate commerce, compliance with NERC electric reliability standards, asset transactions and mergers and natural gas transactions in interstate commerce. NSP- Wisconsin is a transmission owning member of the MISO RTO and operates within the MISO RTO and wholesale energy market. NSP-Wisconsin and NSP-Minnesota are jointly authorized by the FERC to make wholesale electric sales at market-based prices.

The PSCW has a biennial base rate filing requirement. By June of each odd numbered year, NSP-Wisconsin must submit a rate filing for the test year beginning the following January. In recent years, NSP-Wisconsin has been submitting rate filings each year.

Fuel and Purchased Energy Cost Recovery Mechanisms — NSP-Wisconsin does not have an automatic electric fuel adjustment clause for Wisconsin retail customers. Instead, under Wisconsin rules, utilities submit a forward-looking annual fuel cost plan to the PSCW for approval. Once the PSCW approves the fuel cost plan, utilities defer the amount of any fuel cost under-recovery or over-recovery in excess of a two percent annual tolerance band, for future rate recovery or refund. Approval of a fuel cost plan and any rate adjustment for refund or recovery of deferred costs is determined by the PSCW. Rate recovery of deferred fuel cost is subject to an earnings test based on the utility's most recently authorized ROE. Fuel cost under-collections that exceed the two percent annual tolerance band may not be recovered if the utility earnings for that year exceed the authorized ROE.

NSP-Wisconsin's electric fuel costs for 2017 were lower than authorized in rates and outside the two percent annual tolerance band, primarily due to lower purchased power costs coupled with moderate weather and generation sales into the MISO market. Under the fuel cost recovery rules, NSP-Wisconsin may retain approximately $4 million of fuel costs and defer approximately $10 million through Dec. 31, 2017. NSP-Wisconsin will file a reconciliation of 2017 fuel costs with the PSCW. The amount of any potential refund is subject to review and approval by the PSCW, which is not expected until mid-2018.

NSP-Wisconsin's retail electric rate schedules for Michigan customers include power supply cost recovery factors, which are based on 12-month projections. After each 12-month period, a reconciliation is submitted whereby over-recoveries are refunded and any under-recoveries are collected from the customers over the subsequent 12-month period.

Wisconsin Energy Efficiency Program — In Wisconsin, the primary energy efficiency program is funded by the state's utilities, but operated by independent contractors subject to oversight by the PSCW and the utilities. NSP-Wisconsin recovers these costs in rates charged to Wisconsin retail customers.

Capacity and Demand

NSP-Wisconsin operates an integrated system with NSP-Minnesota. See NSP-Minnesota Capacity and Demand.

Energy Sources and Related Transmission Initiatives

NSP-Wisconsin operates an integrated system with NSP-Minnesota. See NSP-Minnesota Energy Sources and Related Transmission Initiatives.

NSP-Wisconsin / American Transmission Company, LLC (ATC) - La Crosse to Madison, Wis. Transmission Line — In 2013, NSP-Wisconsin and ATC jointly filed an application with the PSCW for a CPCN for a 345 KV transmission line that would extend from La Crosse, Wis. to Madison, Wis. NSP-Wisconsin's half of the line will be shared with three co-owners, Dairyland Power Cooperative, WPPI Energy and Southern Minnesota Municipal Power Agency-Wisconsin.

In 2015, the PSCW issued its order approving a CPCN and route for the project. Two groups have appealed the CPCN order to the La Crosse County Circuit Court (Circuit Court). In May 2017, the Circuit Court determined that the project was necessary, allowing construction to continue on a seven mile segment near La Crosse, Wis. The parties have appealed various aspects of the case to the Wisconsin Court of Appeals which is currently pending. The CPCN remains in full effect unless one of the parties seeks and receives a stay from the court and posts a bond to cover damages the utilities may incur due to delay. The 180-mile project is expected to cost approximately $541 million. NSP-Wisconsin's portion of the investment, which includes AFUDC, is estimated to be approximately $200 million. Construction on the line began in January 2016, with completion anticipated by late 2018.

Fuel Supply and Costs

NSP-Wisconsin operates an integrated system with NSP-Minnesota. See NSP-Minnesota Fuel Supply and Costs.

Wholesale and Commodity Marketing Operations

NSP-Wisconsin operates an integrated system with NSP-Minnesota. NSP-Wisconsin does not serve any wholesale requirements customers at cost-based regulated rates. See NSP-Minnesota Wholesale and Commodity Marketing Operations.

PSCo

Public Utility Regulation

Summary of Regulatory Agencies and Areas of Jurisdiction — PSCo is regulated by the CPUC with respect to its facilities, rates, accounts, services and issuance of securities. PSCo is regulated by the FERC for its wholesale electric operations, accounting practices, hydroelectric licensing, wholesale sales for resale, transmission of electricity in interstate commerce, compliance with the NERC electric reliability standards, asset transactions and mergers and natural gas transactions in interstate commerce. PSCo is not presently a member of an RTO and does not operate within an RTO energy market. PSCo is authorized by the FERC to make wholesale electric sales at market-based prices to customers outside PSCo's balancing authority area.

Fuel, Purchased Energy and Conservation Cost-Recovery Mechanisms — PSCo has several retail adjustment clauses that recover fuel, purchased energy and other resource costs:

- *ECA* — Recovers fuel and purchased energy costs. Short-term sales margins are shared with retail customers through the ECA. The ECA is revised quarterly.
- *PCCA* — Recovers purchased capacity payments.
- *SCA* — Recovers the difference between PSCo's actual cost of fuel and the amount of these costs recovered under its base steam service rates. The SCA rate is revised on a quarterly basis.
- *DSMCA* — Recovers DSM, interruptible service costs and performance initiatives for achieving energy savings goals.
- *RESA* — Recovers the incremental costs of compliance with the RES with a maximum of two percent of the customer's bill.
- *WCA* — Premium service for customers who choose to pay for renewable resources.
- *TCA* — Recovers costs associated with transmission investment outside of rate cases.
- *CACJA* — Recovers costs associated with the CACJA.

PSCo recovers fuel and purchased energy costs from its wholesale electric customers through a fuel cost adjustment clause approved by the FERC. PSCo's wholesale customers pay the full cost of certain renewable energy purchase and generation costs through a fuel clause and in exchange receive RECs associated with those resources. The wholesale customers pay their jurisdictional allocation of production costs through a fully forecasted formula rate with true-up.

Capacity and Demand

Uninterrupted system peak demand for PSCo's electric utility for each of the last three years and the forecast for 2018, assuming normal weather conditions, is as follows:

	System Peak Demand (in MW)			
	2017	2016	2015	2018 Forecast
PSCo	6,671	6,585	6,284	6,462

The peak demand for PSCo's system typically occurs in the summer. The 2017 system peak demand for PSCo occurred on July 19, 2017. The 2017 system peak demand was higher than 2016 due to warmer July summer weather. The forecast of system peak assumes normal weather conditions.

Energy Sources and Related Transmission Initiatives

PSCo expects to meet its system capacity requirements through existing electric generating stations, power purchases, new generation facilities, DSM options and phased expansion of existing generation at select power plants.

Purchased Power — PSCo has contracts to purchase power from other utilities and IPPs. Long-term purchased power contracts for dispatchable resources typically require a periodic capacity charge and an energy charge for energy actually purchased. PSCo also contracts to purchase power for both wind and solar resources. In addition, PSCo makes short-term purchases to meet system load and energy requirements, to replace generation from company-owned units under maintenance or during outages, to meet operating reserve obligations, or to obtain energy at a lower cost.

Purchased Transmission Services — In addition to using its own transmission system, PSCo has contracts with regional transmission service providers to deliver energy to PSCo's customers.

Rush Creek Wind Ownership Proposal — In 2016, the CPUC granted PSCo a CPCN to build, own and operate a 600 MW wind generation facility in Colorado at Rush Creek. The CPCN includes a hard cost-cap of $1.096 billion (including transmission costs) and a capital cost sharing mechanism between customers and PSCo of 82.5 percent to customers and 17.5 percent to PSCo for every $10 million the project comes in below the cost-cap.

All major contracts required to complete the project have been executed. PTC components for safe harboring the facility have been fabricated and construction began in April 2017.

Investment costs will be recovered through the RESA and ECA riders until PSCo's next rate case following Rush Creek's in-service date. The wind generation facility is anticipated to be in service in October 2018.

Colorado Energy Plan (CEP) — In 2016, PSCo filed its 2016 Electric Resource Plan (ERP) which included the estimated need for additional generation resources through spring of 2024. In 2017, PSCo filed an updated capacity need with the CPUC of 450 MW in 2023.

In August 2017, PSCo and various other stakeholders filed a stipulation agreement proposing the CEP, an alternative plan that increases the amount of new resources sought under the ERP. The CEP would increase PSCo's potential capacity need up to 1,110 MW due to the proposed retirement of two coal units. The major components include:

- Early retirement of 660 MWs of coal-fired generation at Comanche Units 1 (2022) and 2 (2025);
- Accelerated depreciation for the early retirement of the two Comanche units and establishment of a regulatory asset to collect the incremental depreciation expense and related costs;
- A RFP for up to 1,000 MW of wind, 700 MW of solar and 700 MW of natural gas and/or storage;
- Utility ownership targets of 50 percent renewable generation resources and 75 percent of natural gas-fired, storage, or renewable with storage generation resources;
- Reduction of the RESA rider, from two percent to one percent effective beginning 2021 or 2022; and
- Construction of a new transmission switching station to further the development of renewable generating resources.

Hearings were held in February 2018 with two parties opposing both the coal retirements and utility ownership. Fifteen parties in the proceeding support the CEP. The CPUC is expected to rule on the stipulation agreement in March 2018. PSCo is currently evaluating bids from a RFP and anticipates filing its recommended portfolios in April 2018. A CPUC decision on the recommended portfolio is anticipated in the summer of 2018.

Approval of the CEP portfolio could increase capital investment up to $1.5 billion, based on a preliminary estimate. The level of capital investment may decline due to lower renewable pricing and the ultimate composition of assets selected as part of the RFP process. The expected cost and potential capital investment of the CEP will be determined once a recommended portfolio is filed with the CPUC. The CEP portfolio is not included in PSCo and Xcel Energy's base capital expenditures forecast. See Item 7. Management's Discussion and Analysis of Financial Condition and Result of Operations - Liquidity and Capital Resources for further discussion of the capital forecast.

Boulder, Colorado Municipalization — In 2011, in the City of Boulder, Colorado (Boulder), voters passed a ballot measure authorizing the formation of an electric municipal utility, subject to certain conditions. Since that time, there have been various legal proceedings in multiple venues with jurisdiction over Boulder's plan. In 2014, the Boulder City Council passed an ordinance to establish an electric utility. PSCo challenged the formation of this utility as premature and the Colorado Court of Appeals ruled in PSCo's favor, vacating a lower court decision. Subsequently, the Colorado Supreme Court granted Boulder's petition to review the Court of Appeals decision and oral arguments were held on Feb. 14, 2018. A ruling on the petition is anticipated in 2018.

In 2015, the Boulder District Court (District Court) affirmed a prior CPUC decision that Boulder cannot serve customers outside its city limits; these customers were included in Boulder's plan at the time. The District Court also ruled the CPUC has jurisdiction over the transfer of any facilities to Boulder and in determining how the systems are separated. Further, the District Court found that the CPUC must give approval before Boulder files any condemnation proceeding. Boulder does not have authorization to initiate a condemnation proceeding at this time.

Boulder has filed multiple separation applications, the most recent one being in May 2017, which was challenged by PSCo and other intervenors. In September 2017, the CPUC issued a written decision, agreeing with several key aspects of PSCo's position, stating PSCo is not required to undertake many of Boulder's proposals, such as acting as a financier and contractor for Boulder. Additionally, the CPUC approved the designation of some electrical distribution assets for transfer, subject to Boulder completing certain items, including:

- Filing an agreement between Boulder and PSCo providing permanent rights for PSCo to place and access facilities in Boulder needed to continue to serve its customers;
- Filing a complete and accurate revised list of distribution assets desired to be transferred; and
- Filing an agreement to address payments from Boulder to PSCo for costs of Boulder's municipalization efforts.

Boulder has requested that the CPUC grant an extension through March 13, 2018 to complete such filings. Once those filings have been submitted, additional hearings may be held.

In November 2017, Boulder voters passed certain measures regarding Boulder's pursuit of municipalization, including an extension and increase of the Utility Occupational Tax for funding Boulder's exploration of municipalization.

MWTG — PSCo, along with nine other electric service providers from the Rocky Mountain region, have been considering creating and operating a joint transmission tariff to increase wholesale market efficiency and improve regional transmission planning. In September 2017, the MWTG determined that membership in the SPP RTO could provide opportunities to reduce customer costs, and maximize resource and electric grid utilization. In October 2017, the MWTG commenced negotiations with SPP through the SPP public stakeholder process.

SPP's Board of Directors and organizational groups have begun to address the MWTG's proposed terms for integration into the SPP RTO. Should the MWTG decide to move forward, SPP would make filings with the FERC and PSCo would make filings with the CPUC and the FERC, in the later part of 2018. If approved, MWTG operations within the SPP RTO would not be expected to begin until late 2019 at the earliest. PSCo recently engaged a consultant to conduct an analysis of the benefits associated with membership in the SPP RTO. The analysis assumed gas price forecasts that are lower than gas price forecasts used by the other MWTG utilities in their analysis of the benefits associated with membership in the SPP RTO. PSCo is in the process of evaluating that analysis.

Energy Source Statistics

	Year Ended Dec. 31					
	2017		2016		2015	
PSCo	Millions of KWh	Percent of Generation	Millions of KWh	Percent of Generation	Millions of KWh	Percent of Generation
Coal	14,609	44%	15,895	47%	18,601	54%
Natural Gas	9,195	28	8,632	25	7,948	23
Wind [(a)]	7,804	24	8,106	24	6,699	19
Hydroelectric	624	2	1,179	3	662	2
Other [(b)]	670	2	393	1	705	2
Total	32,902	100%	34,205	100%	34,615	100%
Owned generation	23,053	70%	22,753	67%	22,981	66%
Purchased generation	9,849	30	11,452	33	11,634	34
Total	32,902	100%	34,205	100%	34,615	100%

(a) This category includes wind energy de-bundled from RECs and also includes Windsource RECs. PSCo uses RECs to meet or exceed state resource requirements and may sell surplus RECs.
(b) Distributed generation from the Solar*Rewards program is not included, and was approximately 393, 396 and 245 million net KWh for 2017, 2016, and 2015, respectively.

Fuel Supply and Costs

The following table shows the delivered cost per MMBtu of each significant category of fuel consumed for owned electric generation, the percentage of total fuel requirements represented by each category of fuel and the total weighted average cost of all fuels.

	Coal		Natural Gas		Weighted Average Owned Fuel Cost
PSCo Generating Plants	Cost	Percent	Cost	Percent	
2017	$ 1.56	70%	$ 3.82	30%	$ 2.25
2016	1.75	72	3.79	28	2.33
2015	1.75	75	3.89	25	2.29

See Items 1A and 7 for further discussion of fuel supply and costs.

Fuel Sources

Coal — PSCo normally maintains approximately 35 - 50 days of coal inventory. Coal supply inventories at Dec. 31, 2017 and 2016 were approximately 48 and 36 days of usage, respectively. PSCo has contracted for coal supply to provide 75 percent of its 9.1 million tons of estimated coal requirements in 2018, and a declining percentage of requirements in subsequent years. PSCo's general coal purchasing objective is to contract for approximately 75 percent of requirements for the first year, 40 percent of requirements in year two, and 20 percent of requirements in year three. Remaining requirements will be filled through the procurement process or over-the-counter transactions.

PSCo has coal transportation contracts that provide for delivery of 100 percent its coal requirements in 2018 and 2019. Coal delivery may be subject to interruptions or reductions due to operation of the mines, transportation problems, weather and availability of equipment.

Natural gas — PSCo uses both firm and interruptible natural gas supply in combustion turbines and certain boilers. Natural gas supplies for PSCo's power plants are procured under contracts to provide an adequate supply of fuel. However, as natural gas primarily serves intermediate and peak demand, any remaining forecasted requirements are able to be procured through a liquid spot market. The majority of natural gas supply under contract is covered by a long-term agreement with Anadarko Energy Services Company and the balance of natural gas supply contracts have variable pricing features tied to changes in various natural gas indices. PSCo hedges a portion of that risk through financial instruments. See Note 11 to the consolidated financial statements for further discussion.

Most transportation contract pricing is based on FERC approved transportation tariff rates. Certain natural gas supply and transportation agreements include obligations for the purchase and/or delivery of specified volumes of natural gas or to make payments in lieu of delivery.

- At Dec. 31, 2017, PSCo's commitments related to gas supply contracts, which expire between 2021 through 2023, were approximately $545 million and commitments related to gas transportation and storage contracts, which expire between 2018 through 2040, were approximately $620 million.
- At Dec. 31, 2016, PSCo's commitments related to gas supply contracts were approximately $654 million and commitments related to gas transportation and storage contracts were approximately $573 million.

PSCo has limited on-site fuel oil storage facilities and primarily relies on the spot market for incremental supplies.

Renewable Energy Sources

PSCo's renewable energy portfolio includes wind, hydroelectric, biomass and solar power from both owned generating facilities and PPAs. As of Dec. 31, 2017, PSCo was in compliance with mandated RPS, which requires generation from renewable resources of 20.0 percent of electric retail sales.

Renewable energy as a percentage of PSCo' total energy:

	2017	2016
Renewable	27.7%	28.3%
Wind	23.7	23.7
Hydroelectric, biomass and solar	3.9	4.6

PSCo also offers customer-focused renewable energy initiatives. Windsource® allows customers to purchase electricity from renewable sources. The number of customers utilizing Windsource increased to approximately 50,000 in 2017 from 46,000 in 2016.

Additionally, to encourage the growth of solar energy on the system, customers are offered incentives to install solar panels on their homes and businesses under the Solar*Rewards® program. Over 34,900 PV systems with approximately 310 MW of aggregate capacity have been installed in Colorado as of Dec. 31, 2017 and over 32,500 PV systems with approximately 276 MW of aggregate capacity were installed as of Dec. 31, 2016. Additionally, 33 community solar gardens with 33.5 MW of capacity have been completed in Colorado as of Dec. 31, 2017.

Wind — PSCo acquires the majority of its wind energy from PPAs. Currently, PSCo has 18 of these agreements in place, with facilities ranging in size from two MW to over 300 MW.

- PSCo had approximately 2,560 MW of wind energy on its system at the end of 2017 and 2016. In addition to receiving purchased wind energy under these agreements, PSCo typically receives wind RECs which are used to meet state renewable resource requirements.
- The average cost per MWh of wind energy under these contracts was approximately $42 in 2017 and 2016. The cost per MWh of wind energy varies by contract and may be influenced by a number of factors including regulation, state-specific renewable resource requirements, and the year of contract execution. Generally, previously executed contracts continued to benefit from improvements in wind technology, excess capacity among manufacturers, and motivation to commence new construction prior to the anticipated expiration of the federal PTCs. In December 2015, the federal PTCs were extended through 2019 with a phase down on sites that began construction in 2017.

Wholesale and Commodity Marketing Operations

PSCo conducts various wholesale marketing operations, including the purchase and sale of electric capacity, energy, ancillary services and energy related products. PSCo uses physical and financial instruments to minimize commodity price and credit risk and hedge sales and purchases. PSCo also engages in trading activity unrelated to hedging and sharing of any margins is determined through state regulatory proceedings as well as the operation of the FERC approved joint operating agreement. See Item 7 for further discussion.

SPS

Public Utility Regulation

Summary of Regulatory Agencies and Areas of Jurisdiction — The PUCT and NMPRC regulate SPS' retail electric operations and have jurisdiction over its retail rates and services and the construction of transmission or generation in their respective states. The municipalities in which SPS operates in Texas have original jurisdiction over SPS' rates in those communities. The municipalities' rate setting decisions are subject to review by the PUCT, which has ultimate authority to set the rates SPS charges in the municipalities. The NMPRC also has jurisdiction over the issuance of securities. SPS is regulated by the FERC for its wholesale electric operations, accounting practices, wholesale sales for resale, the transmission of electricity in interstate commerce, compliance with NERC electric reliability standards, asset transactions and mergers, and natural gas transactions in interstate commerce. As approved by the FERC, SPS is a transmission-owning member of the SPP RTO and operates within the SPP RTO and SPP IM wholesale market. SPS is authorized to make wholesale electric sales at market-based prices.

Fuel, Purchased Energy and Conservation Cost-Recovery Mechanisms — SPS has several retail adjustment clauses that recover fuel, purchased energy and other resource costs:

- *DCRF* — Recovers distribution costs in Texas that are not included in base rates.
- *EECRF* — Recovers costs associated with providing energy efficiency programs in Texas.
- *EE rider* — Recovers costs associated with providing energy efficiency programs in New Mexico.
- *FPPCAC* — Adjusts monthly to recover the actual fuel and purchased power costs.
- *PCRF* — Allows recovery of certain purchased power costs in Texas that are not included in base rates.
- *RPS* — Recovers deferred costs associated with renewable energy programs in New Mexico.
- *TCRF* — Recovers certain transmission infrastructure improvement costs and changes in wholesale transmission charges in Texas that are not included in base rates.

Fuel and purchased energy costs are recovered in Texas through a fixed fuel and purchased energy recovery factor, which is part of SPS' retail electric tariff. SO_2 and NOx allowance revenues and costs are also recovered through the fixed fuel and purchased energy recovery factor. The regulations allow retail fuel factors to change up to three times per year.

The fixed fuel and purchased energy recovery factor provides for the over- or under-recovery of fuel and purchased energy expenses. Regulations also require refunding or surcharging over- or under- recovery amounts, including interest, when they exceed four percent of the utility's annual fuel and purchased energy costs on a rolling 12-month basis, if this condition is expected to continue.

PUCT regulations require periodic examination of SPS' fuel and purchased energy costs, the efficient use of fuel and purchased energy, fuel acquisition and management policies and purchased energy commitments. SPS is required to file an application for the PUCT to retrospectively review fuel and purchased energy costs at least every three years. In June 2016, SPS filed its fuel reconciliation application which reconciled fuel and purchased power costs for 2013 through 2015. In March 2017, the PUCT approved the application.

SPS recovers fuel and purchased energy costs from its wholesale customers through a monthly wholesale fuel and purchased economic energy cost adjustment clause accepted for filing by the FERC.

Capacity and Demand

Uninterrupted system peak demand for SPS for each of the last three years and the forecast for 2018, assuming normal weather conditions, is as follows:

	System Peak Demand (in MW)			
	2017	2016	2015	2018 Forecast
SPS	4,374	4,836	4,678	4,483

The peak demand for the SPS system typically occurs in the summer. The 2017 system peak demand for SPS occurred on July 26, 2017. The decline in peak load from 2016 to 2017 is in part due to cooler weather in 2017. Additionally, the partial requirement contract with Golden Spread ended May 2017, contributing to the lower actual peak demand for SPS. The 2018 forecast assumes normal peak day weather.

Energy Sources and Related Transmission Initiatives

SPS expects to use existing electric generating stations, power purchases, DSM and new generation options to meet its system capacity requirements. In addition, SPS has evaluated water supply issues at its Tolk facility, concluding that additional resource investment will be required to operate the plant through its existing life. The Ogallala aquifer in this region of the country has depleted more rapidly than expected and SPS installed a horizontal water well that could help to delay the need for a more substantial investment solution. As a result of this issue and to a lesser extent, future environmental rules facing the plant, SPS is seeking a decrease to the remaining life of the facility in its current Texas and New Mexico rate case proceedings (see Note 12).

Purchased Power — SPS has contracts to purchase power from other utilities and IPPs. Long-term purchased power contracts typically require a periodic capacity charge and an energy charge for energy actually purchased. SPS also makes short-term purchases to meet system load and energy requirements, to replace generation from company-owned units under maintenance or during outages, to meet operating reserve obligations or to obtain energy at a lower cost.

Purchased Transmission Services — SPS has contractual arrangements with SPP and regional transmission service providers to deliver power and energy to its native load customers.

TUCO Substation to Yoakum County Substation to Hobbs Plant Substation 345 KV Transmission Line — In 2014, SPP evaluated anticipated transmission needs for certain parts of the SPP region which is commonly known as the High Priority Incremental Load Study. As a result, SPS received 44 transmission projects, with an original estimated cost of $557 million. The most significant of these projects are the TUCO Substation to the Yoakum County Substation to the Hobbs Plant Substation and the Hobbs Plant Substation to the China Draw Substation transmission line projects.

In 2016 and 2017, SPS received CCNs for the three segments of the TUCO Substation to Yoakum County Substation to Hobbs Plant Substation 345 KV transmission line, which are expected to be in service in the second quarter of 2020. This 345 KV transmission line is part of a larger project which includes an additional 345 KV transmission line from the Hobbs Plant Substation to the China Draw Substation, which was approved by the NMPRC in 2016 and is anticipated to be in service by June 2018. The estimated total investment for these transmission lines is approximately $402 million.

Wind Proposals — In March 2017, SPS filed proposals with the NMPRC and the PUCT to build, own and operate 1,000 MW of new wind generation through two wind farms for a cost of approximately $1.6 billion. In addition, the proposal includes a PPA for 230 MW of wind.

In December 2017, SPS and parties filed a unanimous stipulation with the NMPRC. The stipulation is subject to approval by the NMPRC. The key terms of the stipulation are listed below:

- An investment cap of $1,675 per KW, which is equal to 102.5 percent of the estimated construction costs;
- SPS customers would receive a credit to their bills if actual capacity factors fall below 48 percent;
- SPS customers would receive 100 percent of the federal PTC; and
- SPS can file a HTY rate case and include projected capital additions for the wind farms five months beyond the end of the test year. Interim rates would also be made effective 30 days after filing which will allow SPS to closely match the start of cost recovery for that wind farm with the in service date.

On Feb. 9, 2018, the Hearing Examiner issued a certification of stipulation (certification) recommending approval of all but one aspect of the stipulation, which is the provision for interim rate recovery of SPS' investment in the two wind farms. On Feb. 19, 2018, SPS filed exceptions to the recommended decision, as did other parties to the stipulation.

In addition, SPS has reached a settlement in principle with parties in Texas and is working towards finalizing a stipulation. SPS has shared an updated analysis with all parties which shows the wind projects remain cost-effective following the passage of the TCJA. The settlements require approval by the NMPRC and PUCT. Both commissions are expected to rule on the settlements by the end of the first quarter of 2018. The Hale wind project in Texas and the Sagamore wind project in New Mexico are scheduled to be in service by mid-2019 and year-end 2020, respectively.

Lubbock Power & Light's (LP&L's) Request for Participation in ERCOT — In September 2017, LP&L filed its application with the PUCT and proposed to transition a portion of its load to ERCOT no later than June 2021. As a result of LP&L's proposal, approximately $18 million in wholesale transmission revenue would be reallocated to remaining SPS transmission customers at the time of the load transition. In November 2017, SPS and various other parties, including the PUCT Staff, filed direct testimony in response to LP&L's application. SPS proposed an Interconnection Switching Fee to be determined by the PUCT.

In February 2018, SPS, LP&L, the PUCT Staff and various other parties filed a stipulation that provides SPS' customers with an Interconnection Switching Fee of approximately $24 million to compensate them for the transfer of LP&L's load from SPP to ERCOT. Under the settlement, SPS would allocate the Interconnection Switching Fee to its Texas and New Mexico retail and wholesale transmission customers through a bill credit following LP&L's load transition to ERCOT (tentatively, June 2021). A PUCT decision is expected in March 2018. No final decision regarding LP&L's departure or its potential timing is expected until completion of the PUCT proceedings.

Texas State ROFR Request for Declaratory Order — In February 2017, SPS and SPP filed a joint petition with the PUCT for a declaratory order regarding SPS' ROFR. SPS contended that Texas law grants an incumbent electric utility, operating in areas outside of ERCOT, the ROFR to construct new transmission facilities located in the utility's service area. SPP stated that Texas law does not provide a clear statement regarding the ROFR for incumbent utilities and therefore SPP was abiding by the portion of its OATT, which requires competitive solicitation to construct and operate new transmission facilities within areas of Texas' SPP footprint.

In October 2017, the PUCT issued an order finding that SPS does not possess an exclusive right to construct and operate transmission facilities within its service area. In January 2018, SPS and two other parties filed appeals of the PUCT's order in the Texas State District Court. The appeals have been consolidated. A schedule has not been set for the case.

Energy Source Statistics

	Year Ended Dec. 31					
	2017		2016		2015	
SPS	Millions of KWh	Percent of Generation	Millions of KWh	Percent of Generation	Millions of KWh	Percent of Generation
Coal	10,999	40%	10,990	39%	12,441	44%
Natural Gas	9,950	36	10,909	38	10,514	36
Wind [a]	5,828	21	6,120	22	5,252	19
Other [b]	770	3	347	1	150	1
Total	27,547	100%	28,366	100%	28,357	100%
Owned generation	12,845	47%	15,015	53%	16,480	58%
Purchased generation	14,702	53	13,351	47	11,877	42
Total	27,547	100%	28,366	100%	28,357	100%

(a) This category includes wind energy de-bundled from RECs and also includes Windsource RECs. SPS uses RECs to meet or exceed state resource requirements and may sell surplus RECs.
(b) Distributed generation from the Solar*Rewards program is not included, was approximately 26, 14 and 13 million net KWh for 2017, 2016, and 2015, respectively.

Fuel Supply and Costs

The following table shows the delivered cost per MMBtu of each significant category of fuel consumed for owned electric generation, the percentage of total fuel requirements represented by each category of fuel and the total weighted average cost of all fuels.

	Coal		Natural Gas		Weighted Average Owned Fuel Cost
SPS Generating Plants	Cost	Percent	Cost	Percent	
2017	$ 2.18	74%	$ 3.39	26%	$ 2.50
2016	2.12	70	2.81	30	2.32
2015	2.12	73	3.11	27	2.39

See Items 1A and 7 for further discussion of fuel supply and costs.

Fuel Sources

Coal — SPS purchases all of the coal requirements for its two coal facilities, Harrington and Tolk electric generating stations, from TUCO. TUCO arranges for the purchase, receiving, transporting, unloading, handling, crushing, weighing and delivery of coal to meet SPS' requirements. TUCO is responsible for negotiating and administering contracts with coal suppliers, transporters and handlers. The coal supply contract with TUCO expires on Dec. 31, 2022 for both Harrington and Tolk.

SPS normally maintains approximately 35 - 50 days of coal inventory. As of Dec. 31, 2017 and 2016, coal inventories at SPS were approximately 52 and 64 day supply, respectively. Milder weather, purchase commitments and relatively low power and natural gas prices resulted in coal inventories being above optimal levels. SPS' generation stations primarily use low-sulfur western coal from mines operating in Wyoming. TUCO has coal agreements to supply 79 percent of SPS' estimated coal requirements in 2018 and a declining percentage of requirements in subsequent years. SPS' general coal purchasing objective is to contract for approximately 75 percent of requirements for the first year, 40 percent of requirements in year two and 20 percent of requirements in year three.

Natural gas — SPS uses both firm and interruptible natural gas supply in combustion turbines and certain boilers. Natural gas for SPS' power plants is procured under contracts to provide an adequate supply of fuel, which typically is purchased with terms of one year or less. The transportation and storage contracts expire between 2018 to 2033. All of the natural gas supply contracts have variable pricing that is tied to various natural gas indices.

Most transportation contract pricing is based on FERC and Railroad Commission of Texas approved transportation tariff rates. Certain natural gas supply and transportation agreements include obligations for the purchase and/or delivery of specified volumes of natural gas or to make payments in lieu of delivery. SPS' commitments related to gas supply contracts were approximately $11 million and $17 million and commitments related to gas transportation and storage contracts were approximately $191 million and $161 million at Dec. 31, 2017 and 2016, respectively.

SPS has limited on-site fuel oil storage facilities and primarily relies on the spot market for incremental supplies.

Renewable Energy Sources

SPS' renewable energy portfolio includes wind and solar power from PPAs. As of Dec. 31, 2017, SPS is in compliance with mandated RPS, which require generation from renewable resources of 3.7 percent of Texas electric retail sales and 15.0 percent of New Mexico electric retail sales.

Renewable energy as a percentage of SPS' total energy:

	2017	2016
Renewable	24.0%	22.8%
Wind	21.2	21.6
Solar	1.8	1.2

SPS also offers customer-focused renewable energy initiatives. Windsource® allows customers in New Mexico to purchase electricity from renewable sources. The number of customers utilizing Windsource increased to approximately 940 in 2017 from 900 in 2016.

Wind — SPS acquires its wind energy from IPP contracts and QF tariffs. SPS currently has 24 of these agreements in place, with facilities ranging in size from under two MW to 250 MW.

- SPS had approximately 1,500 MW of wind energy on its system at the end of 2017 and 2016. In addition to receiving purchased wind energy under these agreements, SPS typically receives wind RECs on certain agreements which are used to meet state renewable resource requirements.
- The average cost per MWh of wind energy under the IPP contracts and QF tariffs was approximately $27 for 2017 and $25 for 2016. The cost per MWh of wind energy varies by contract and may be influenced by a number of factors including regulation, state-specific renewable resource requirements and the year of contract execution. Generally, contracts executed in 2017 continued to benefit from improvements in technology, excess capacity among manufacturers, and motivation to commence new construction prior to the anticipated expiration of the federal PTCs. In December 2015, the federal PTCs were extended through 2019 with a phase down on sites that began construction in 2017.

Wholesale and Commodity Marketing Operations

SPS conducts various wholesale marketing operations, including the purchase and sale of electric capacity, energy, ancillary services and energy related products. SPS uses physical and financial instruments to minimize commodity price and credit risk and hedge sales and purchases. See Item 7 for further discussion.

Summary of Recent Federal Regulatory Developments

The FERC has jurisdiction over rates for electric transmission service in interstate commerce and electricity sold at wholesale, hydro facility licensing, natural gas transportation, asset transactions and mergers, accounting practices and certain other activities of Xcel Energy Inc.'s utility subsidiaries and TransCos, including enforcement of NERC mandatory electric reliability standards. State and local agencies have jurisdiction over many of Xcel Energy Inc.'s utility subsidiaries' activities, including regulation of retail rates and environmental matters. In addition to the matters discussed below, see Note 12 to the accompanying consolidated financial statements for a discussion of other regulatory matters.

Xcel Energy attempts to mitigate the risk of regulatory penalties through formal training on prohibited practices and a compliance function that reviews interaction with the markets under FERC and CFTC jurisdictions. Public campaigns are conducted to raise awareness of the public safety issues of interacting with our electric systems. While programs to comply with regulatory requirements are in place, there is no guarantee the compliance programs or other measures will be sufficient to ensure against violations.

FERC Order, ROE Policy — In June 2014, the FERC adopted a two-step ROE methodology for electric utilities in an order issued in a complaint proceeding involving New England Transmission Owners (NETOs). The issue of how to apply the FERC ROE methodology has been contested in various complaint proceedings, including two ROE complaints involving the MISO TOs, which include NSP-Minnesota and NSP-Wisconsin. In April 2017, the District of Columbia Circuit (D.C. Circuit) vacated and remanded the June 2014 ROE order. The D.C. Circuit found that the FERC had not properly determined that the ROE authorized for the NETOs prior to June 2014 was unjust and unreasonable. The D.C. Circuit also found that the FERC failed to justify the new ROE methodology. The FERC has yet to act on the D.C. Circuit's decision. See Note 12 to the consolidated financial statements for discussion of the D.C. Circuit's decision and the impact on the MISO ROE Complaints.

DOE Grid Resiliency Notice of Proposed Rule (NOPR) — In September 2017, the DOE requested the FERC to consider and adopt a Grid Resiliency and Pricing Rule to address threats to the U.S. electrical grid. Under the proposed rule, coal and nuclear generation facilities would have to meet certain criteria to qualify for full recovery of their costs including a fair rate of return. In January 2018, the FERC rejected the DOE's proposal, but alternatively initiated an inquiry into how RTOs and Independent System Operators address grid resilience. Efforts to resolve U.S. grid resilience issues may result from this proceeding and Xcel Energy plans to monitor and respond as necessary.

Public Utility Regulatory Policies Act (PURPA) Enforcement Complaint against CPUC — In December 2016, Sustainable Power Group, LLC (sPower) petitioned the FERC to initiate an enforcement action in federal court against the CPUC under PURPA. The petition asserts that a December 2016 CPUC ruling, which indicated that a QF must be a successful bidder in a PSCo resource acquisition bidding process, violated PURPA and FERC rules. In January 2017, PSCo filed a motion to intervene and protest, arguing that the FERC should decline the petition. The CPUC filed a similar pleading. sPower has proposed to construct 800 MW of solar generation and 700 MW of wind generation in Colorado and seeks to require PSCo to contract for these resources under PURPA.

If sPower were to prevail, PSCo's ability to select generation resources through competitive bidding would be negatively affected. However, due to a lack of quorum at the FERC, the FERC did not act on that petition within the sixty days contemplated by PURPA.
Subsequently sPower filed a complaint for declaratory and injunctive relief in the United States District Court for the District of Colorado (District Court) requesting that the court find the bidding requirement in the CPUC QF rules to be unlawful. PSCo intervened in that proceeding and the CPUC filed a motion to dismiss. In June 2017, the United States Magistrate Judge issued a recommendation to the District Court that sPower's complaint be dismissed because sPower failed to establish that it faced a substantial risk of harm. In October 2017, the District Court denied the CPUC's motion to dismiss and instead allowed sPower to file an amended complaint. The case effectively started over and PSCo intervened. The CPUC filed a motion to dismiss the amended complaint which is currently pending before the District Court. The timing of a resolution in this case is unclear.

Electric Operating Statistics

Electric Sales Statistics

	Year Ended Dec. 31		
	2017	**2016**	**2015**
Electric sales (Millions of KWh)			
Residential	24,216	24,726	24,498
Large C&I	27,951	27,664	27,719
Small C&I	35,493	35,830	35,806
Public authorities and other	1,055	1,103	1,071
Total retail	88,715	89,323	89,094
Sales for resale	18,349	18,694	15,283
Total energy sold	107,064	108,017	104,377
Number of customers at end of period			
Residential	3,082,974	3,053,732	3,023,494
Large C&I	1,241	1,228	1,229
Small C&I	433,883	432,012	429,617
Public authorities and other	69,376	68,935	68,595
Total retail	3,587,474	3,555,907	3,522,935
Wholesale	58	52	47
Total customers	3,587,532	3,555,959	3,522,982
Electric revenues (Millions of Dollars)			
Residential	$ 2,975	$ 2,966	$ 2,891
Large C&I	1,779	1,707	1,690
Small C&I	3,463	3,328	3,304
Public authorities and other	143	140	137
Total retail	8,360	8,141	8,022
Wholesale	719	693	660
Other electric revenues	597	666	594
Total electric revenues	$ 9,676	$ 9,500	$ 9,276
KWh sales per retail customer	24,729	25,120	25,290
Revenue per retail customer	$ 2,330	$ 2,289	$ 2,277
Residential revenue per KWh	12.29¢	11.99¢	11.80¢
Large C&I revenue per KWh	6.36	6.17	6.10
Small C&I revenue per KWh	9.76	9.29	9.23
Total retail revenue per KWh	9.42	9.11	9.00
Wholesale revenue per KWh	3.92	3.71	4.32

Energy Source Statistics

	Year Ended Dec. 31					
	2017		2016		2015	
Xcel Energy	Millions of KWh	Percent of Generation	Millions of KWh	Percent of Generation	Millions of KWh	Percent of Generation
Coal	40,344	36%	40,566	36%	47,003	43%
Natural Gas	24,932	23	27,351	25	25,151	23
Wind [a]	22,526	21	22,123	20	18,186	17
Nuclear	14,168	13	14,191	13	12,895	12
Hydroelectric	3,866	4	4,435	4	4,001	4
Other [b]	3,329	3	2,167	2	1,456	1
Total	109,165	100%	110,833	100%	108,692	100%
Owned generation	72,539	66%	74,149	67%	73,279	67%
Purchased generation	36,626	34	36,684	33	35,413	33
Total	109,165	100%	110,833	100%	108,692	100%

(a) This category includes wind energy de-bundled from RECs and also includes Windsource RECs. Xcel Energy uses RECs to meet or exceed state resource requirements and may sell surplus RECs.

(b) Includes energy from other sources, including solar, biomass, oil and refuse. Distributed generation from the Solar*Rewards program is not included, and was approximately 435, 430 and 266 million net KWh for 2017, 2016 and 2015, respectively.

NATURAL GAS UTILITY OPERATIONS

Overview

Xcel Energy operates natural gas local distribution companies in six states, including Minnesota, Wisconsin, Michigan, South Dakota, North Dakota, and Colorado with PSCo being the largest. The most significant developments in the natural gas operations of the utility subsidiaries are uncertainty regarding political and regulatory developments that impact hydraulic fracturing, safety requirements for natural gas pipelines and the continued trend of declining use per residential and small C&I customer, as a result of improved building construction technologies, higher appliance efficiencies and conservation. From 2000 to 2017, average annual sales to the typical residential customer declined 17 percent, while sales to the typical small C&I customer declined 10 percent, each on a weather-normalized basis. Although wholesale price increases do not directly affect earnings because of natural gas cost-recovery mechanisms, high prices can encourage further efficiency efforts by customers.

The PHMSA

Pipeline Safety Act — The Pipeline Safety, Regulatory Certainty, and Job Creation Act (Pipeline Safety Act) requires additional verification of pipeline infrastructure records by pipeline owners and operators to confirm the maximum allowable operating pressure of lines located in high consequence areas or more-densely populated areas. In April 2016, the PHMSA released proposed rules that address this verification requirement along with a number of other significant changes to gas transmission regulations. These changes include requirements around use of automatic or remote-controlled shut-off valves, testing of certain previously untested transmission lines and expanding integrity management requirements. The Pipeline Safety Act also includes a maximum penalty for violating pipeline safety rules of $2 million per day for related violations.

PHMSA is currently working through the rule with its Pipeline Advisory Committee. Current estimates are the rule will likely go into effect in late 2018 or early 2019.

Xcel Energy has been taking actions that were intended to comply with the Pipeline Safety Act and any related PHMSA regulations as they become effective. PSCo and NSP-Minnesota can generally recover costs to comply with the transmission and distribution integrity management programs through the PSIA and GUIC riders, respectively.

NSP-Minnesota

Public Utility Regulation

Summary of Regulatory Agencies and Areas of Jurisdiction — Retail rates, services and other aspects of NSP-Minnesota's retail natural gas operations are regulated by the MPUC and the NDPSC within their respective states. The MPUC has regulatory authority over security issuances, certain property transfers, mergers with other utilities and transactions between NSP-Minnesota and its affiliates. In addition, the MPUC reviews and approves NSP-Minnesota's natural gas supply plans for meeting customers' future energy needs. NSP-Minnesota is subject to the jurisdiction of the FERC with respect to certain natural gas transactions in interstate commerce. NSP-Minnesota is subject to the DOT, the Minnesota Office of Pipeline Safety, the NDPSC and the SDPUC for pipeline safety compliance, including pipeline facilities used in electric utility operations for fuel deliveries.

Purchased Gas and Conservation Cost-Recovery Mechanisms — NSP-Minnesota's retail natural gas rates for Minnesota and North Dakota include a PGA clause that provides for prospective monthly rate adjustments to reflect the forecasted cost of purchased natural gas, transportation service and storage service. The annual difference between the natural gas cost revenues collected through PGA rates and the actual natural gas costs is collected or refunded over the subsequent 12-month period.

NSP-Minnesota also recovers costs associated with transmission and distribution pipeline integrity management programs through its GUIC rider. Costs recoverable under the GUIC rider include funding for pipeline assessments as well as deferred costs from NSP-Minnesota's existing sewer separation and pipeline integrity management programs. The MPUC and NDPSC have the authority to disallow recovery of certain costs if they find the utility was not prudent in its procurement activities.

Minnesota state law requires utilities to invest 0.5 percent of their state natural gas revenues in CIP. These costs are recovered through customer base rates and an annual cost-recovery mechanism for the CIP expenditures.

Capability and Demand

Natural gas supply requirements are categorized as firm or interruptible (customers with an alternate energy supply). The maximum daily send-out (firm and interruptible) for NSP-Minnesota was 893,062 MMBtu, which occurred on Dec. 26, 2017 and 800,232 MMBtu, which occurred on Jan. 18, 2016.

NSP-Minnesota purchases natural gas from independent suppliers, generally based on market indices that reflect current prices. The natural gas is delivered under transportation agreements with interstate pipelines. These agreements provide for firm deliverable pipeline capacity of 640,489 MMBtu per day. In addition, NSP-Minnesota contracts with providers of underground natural gas storage services. These agreements provide storage for approximately 26 percent of winter natural gas requirements and 29 percent of peak day firm requirements of NSP-Minnesota.

NSP-Minnesota also owns and operates one LNG plant with a storage capacity of 2.0 Bcf equivalent and three propane-air plants with a storage capacity of 1.3 Bcf equivalent to help meet its peak requirements. These peak-shaving facilities have production capacity equivalent to 246,000 MMBtu of natural gas per day, or approximately 30 percent of peak day firm requirements. LNG and propane-air plants provide a cost-effective alternative to annual fixed pipeline transportation charges to meet the peaks caused by firm space heating demand on extremely cold winter days.

NSP-Minnesota is required to file for a change in natural gas supply contract levels to meet peak demand, to redistribute demand costs among classes, or to exchange one form of demand for another. In February 2017, the MPUC approved NSP-Minnesota's contract demand levels for the 2016 through 2017 heating season. Demand levels for the 2017 through 2018 heating season were filed with the MPUC in August 2017.

Natural Gas Supply and Costs

NSP-Minnesota actively seeks natural gas supply, transportation and storage alternatives to yield a diversified portfolio that provides increased flexibility, decreased interruption and financial risk and economical rates. In addition, NSP-Minnesota conducts natural gas price hedging activity that has been approved by the MPUC.

The following table summarizes the average delivered cost per MMBtu of natural gas purchased for resale by NSP-Minnesota's regulated retail natural gas distribution business:

2017	$	3.89
2016		3.47
2015		4.07

The cost of natural gas in 2017 increased due to higher wholesale commodity prices.

NSP-Minnesota has firm natural gas transportation contracts with several pipelines, which expire in various years from 2018 through 2033.

NSP-Minnesota has certain natural gas supply, transportation and storage agreements that include obligations for the purchase and/or delivery of specified volumes of natural gas or to make payments in lieu of delivery. At Dec. 31, 2017, NSP-Minnesota was committed to approximately $439 million in such obligations under these contracts.

NSP-Minnesota purchases firm natural gas supply utilizing long-term and short-term agreements from approximately 27 domestic and Canadian suppliers. This diversity of suppliers and contract lengths allows NSP-Minnesota to maintain competition from suppliers and minimize supply costs.

See Items 1A and 7 for further discussion of natural gas supply and costs.

NSP-Wisconsin

Public Utility Regulation

Summary of Regulatory Agencies and Areas of Jurisdiction — NSP-Wisconsin is regulated by the PSCW and the MPSC. The PSCW has a biennial base-rate filing requirement. By June of each odd-numbered year, NSP-Wisconsin must submit a rate filing for the test year period beginning the following January. NSP-Wisconsin is subject to the jurisdiction of the FERC with respect to certain natural gas transactions in interstate commerce. NSP-Wisconsin is subject to the DOT, the PSCW and the MPSC for pipeline safety compliance.

Natural Gas Cost-Recovery Mechanisms — NSP-Wisconsin has a retail PGA cost-recovery mechanism for Wisconsin operations to recover the actual cost of natural gas and transportation and storage services. The PSCW has the authority to disallow certain costs if it finds NSP-Wisconsin was not prudent in its procurement activities.

NSP-Wisconsin's natural gas rate schedules for Michigan customers include a natural gas cost-recovery factor, which is based on 12-month projections and trued-up to the actual amounts on an annual basis.

Capability and Demand

Natural gas supply requirements are categorized as firm or interruptible (customers with an alternate energy supply). The maximum daily send-out (firm and interruptible) for NSP-Wisconsin was 160,170 MMBtu, which occurred on Dec. 26, 2017 and 155,583 MMBtu, which occurred on Jan. 18, 2016.

NSP-Wisconsin purchases natural gas from independent suppliers, generally based on market indices that reflect current prices. The natural gas is delivered under transportation agreements with interstate pipelines. These agreements provide for firm deliverable pipeline capacity of approximately 139,293 MMBtu per day. In addition, NSP-Wisconsin contracts with providers of underground natural gas storage services. These agreements provide storage for approximately 33 percent of winter natural gas requirements and 34 percent of peak day firm requirements of NSP-Wisconsin.

NSP-Wisconsin also owns and operates one LNG plant with a storage capacity of 270,000 Mcf equivalent to help meet its peak requirements. This peak-shaving facility has a production capacity equivalent to 18,000 MMBtu of natural gas per day, or approximately 12 percent of peak day firm requirements. LNG plants provide a cost-effective alternative to annual fixed pipeline transportation charges to meet the peaks caused by firm space heating demand on extremely cold winter days.

NSP-Wisconsin is required to file a natural gas supply plan with the PSCW annually to change natural gas supply contract levels to meet peak demand. NSP-Wisconsin's winter 2017-2018 supply plan was approved by the PSCW in October 2017.

Natural Gas Supply and Costs

NSP-Wisconsin actively seeks natural gas supply, transportation and storage alternatives to yield a diversified portfolio that provides increased flexibility, decreased interruption and financial risk and economical rates. In addition, NSP-Wisconsin conducts natural gas price hedging activity that has been approved by the PSCW.

The following table summarizes the average delivered cost per MMBtu of natural gas purchased for resale by NSP-Wisconsin's regulated retail natural gas distribution business:

2017	$	3.88
2016		3.62
2015		4.11

The cost of natural gas in 2017 increased due to higher commodity prices.

The cost of natural gas supply, transportation service and storage service is recovered through various cost-recovery adjustment mechanisms. NSP-Wisconsin has firm natural gas transportation contracts with several pipelines, which expire in various years from 2018 through 2029.

NSP-Wisconsin has certain natural gas supply, transportation and storage agreements that include obligations for the purchase and/or delivery of specified volumes of natural gas or to make payments in lieu of delivery. At Dec. 31, 2017, NSP-Wisconsin was committed to approximately $84 million in such obligations under these contracts.

NSP-Wisconsin purchased firm natural gas supply utilizing long-term and short-term agreements from approximately 10 domestic and Canadian suppliers. This diversity of suppliers and contract lengths allows NSP-Wisconsin to maintain competition from suppliers and minimize supply costs.

See Items 1A and 7 for further discussion of natural gas supply and costs.

PSCo

Public Utility Regulation

Summary of Regulatory Agencies and Areas of Jurisdiction — PSCo is regulated by the CPUC with respect to its facilities, rates, accounts, services and issuance of securities. PSCo holds a FERC certificate that allows it to transport natural gas in interstate commerce without PSCo becoming subject to full FERC jurisdiction under the Federal Natural Gas Act. PSCo is subject to the DOT and the CPUC with regards to pipeline safety compliance.

Purchased Natural Gas and Conservation Cost-Recovery Mechanisms — PSCo has retail adjustment clauses that recover purchased natural gas and other resource costs:

- *GCA* — Recovers the actual costs of purchased natural gas and transportation to meet the requirements of its customers and is revised quarterly to allow for changes in natural gas rates.
- *DSMCA* — Recovers costs of DSM and performance initiatives to achieve various energy savings goals.
- *PSIA* — Recovers costs associated with transmission and distribution pipeline integrity management programs and two projects to replace large transmission pipelines.

Capability and Demand

Natural gas supply requirements are categorized as firm or interruptible (customers with an alternate energy supply). The maximum daily send-out (firm and interruptible) for PSCo was 1,948,167 MMBtu, which occurred on Jan. 5, 2017 and 1,932,070 MMBtu, which occurred on Dec. 17, 2016.

PSCo purchases natural gas from independent suppliers, generally based on market indices that reflect current prices. The natural gas is delivered under transportation agreements with interstate pipelines. These agreements provide for firm deliverable pipeline capacity of approximately 1,818,151 MMBtu per day, which includes 854,852 MMBtu of natural gas held under third-party underground storage agreements. In addition, PSCo operates three company-owned underground storage facilities, which provide approximately 43,500 MMBtu of natural gas supplies on a peak day. The balance of the quantities required to meet firm peak day sales obligations are primarily purchased at PSCo's city gate meter stations.

PSCo is required by CPUC regulations to file a natural gas purchase plan each year projecting and describing the quantities of natural gas supplies, upstream services and the costs of those supplies and services for the 12-month period of the following year. PSCo is also required to file a natural gas purchase report by October of each year reporting actual quantities and costs incurred for natural gas supplies and upstream services for the previous 12-month period.

Natural Gas Supply and Costs

PSCo actively seeks natural gas supply, transportation and storage alternatives to yield a diversified portfolio that provides increased flexibility, decreased interruption and financial risk and economical rates. In addition, PSCo conducts natural gas price hedging activities that have been approved by the CPUC.

The following table summarizes the average delivered cost per MMBtu of natural gas purchased for resale by PSCo's regulated retail natural gas distribution business:

2017	$	3.45
2016		3.27
2015		3.92

The cost of natural gas in 2017 increased due to higher wholesale commodity prices.

PSCo has natural gas supply, transportation and storage agreements that include obligations for the purchase and/or delivery of specified volumes of natural gas or to make payments in lieu of delivery. At Dec. 31, 2017, PSCo was committed to approximately $1.4 billion in such obligations under these contracts, which expire in various years from 2018 through 2029.

PSCo purchases natural gas by optimizing a balance of long-term and short-term natural gas purchases, firm transportation and natural gas storage contracts. During 2017, PSCo purchased natural gas from approximately 31 suppliers.

See Items 1A and 7 for further discussion of natural gas supply and costs.

SPS

Natural Gas Facilities Used for Electric Generation

SPS does not provide retail natural gas service, but purchases and transports natural gas for certain of its generation facilities and operates natural gas pipeline facilities connecting the generation facilities to interstate natural gas pipelines. SPS is subject to the jurisdiction of the FERC with respect to certain natural gas transactions in interstate commerce, and to the jurisdiction of the PHMSA and the PUCT for pipeline safety compliance.

See Items 1A and 7 for further discussion of natural gas supply and costs.

Natural Gas Operating Statistics

	Year Ended Dec. 31		
	2017	2016	2015
Natural gas deliveries (Thousands of MMBtu)			
Residential	134,189	132,853	135,394
C&I	87,271	84,082	86,093
Total retail	221,460	216,935	221,487
Transportation and other	142,497	133,498	125,263
Total deliveries	363,957	350,433	346,750
Number of customers at end of period			
Residential	1,856,221	1,835,507	1,814,321
C&I	157,798	157,286	156,306
Total retail	2,014,019	1,992,793	1,970,627
Transportation and other	7,705	7,316	6,981
Total customers	2,021,724	2,000,109	1,977,608
Natural gas revenues (Millions of Dollars)			
Residential	$ 1,006	$ 930	$ 1,043
C&I	524	469	547
Total retail	1,530	1,399	1,590
Transportation and other	120	132	82
Total natural gas revenues	$ 1,650	$ 1,531	$ 1,672
MMBtu sales per retail customer	109.96	108.86	112.39
Revenue per retail customer	$ 760	$ 702	$ 807
Residential revenue per MMBtu	7.50	7.00	7.70
C&I revenue per MMBtu	6.00	5.58	6.36
Transportation and other revenue per MMBtu	0.84	0.99	0.65

GENERAL

Seasonality

The demand for electric power and natural gas is affected by seasonal differences in the weather. In general, peak sales of electricity occur in the summer months, and peak sales of natural gas occur in the winter months. As a result, the overall operating results may fluctuate substantially on a seasonal basis. Additionally, Xcel Energy's operations have historically generated less revenues and income when weather conditions are milder in the winter and cooler in the summer. See Item 7 for further discussion.

Competition

Xcel Energy is a vertically integrated utility in all of its jurisdictions, subject to traditional cost-of-service regulation by state public utilities commissions. However, Xcel Energy is subject to different public policies that promote competition and the development of energy markets. Xcel Energy's industrial and large commercial customers have the ability to own or operate facilities to generate their own electricity. In addition, customers may have the option of substituting other fuels, such as natural gas, steam or chilled water for heating, cooling and manufacturing purposes, or the option of relocating their facilities to a lower cost region. Customers also have the opportunity to supply their own power with distributed generation including solar generation and in most jurisdictions can avoid paying for most of the fixed production, transmission and distribution costs incurred to serve them. Several states have policies designed to promote the development of solar and other distributed energy resources through significant incentive policies; with these incentives and federal tax subsidies, distributed generating resources are potential competitors to Xcel Energy's electric service business.

The FERC has continued to promote competitive wholesale markets through open access transmission and other means. As a result, Xcel Energy Inc.'s utility subsidiaries and their wholesale customers can purchase the output from generation resources of competing wholesale suppliers and use the transmission systems of the utility subsidiaries on a comparable basis to serve their native load.

In addition, FERC Order 1000 seeks to establish competition for construction and operation of certain new electric transmission facilities. State public utilities commissions have created resource planning programs that promote competition in the acquisition of electricity generation resources used to provide service to retail customers. Xcel Energy Inc.'s utility subsidiaries also have franchise agreements with certain cities subject to periodic renewal. If a city elected not to renew the franchise agreement, it could seek alternative means for its citizens to access electric power or gas, such as municipalization. While each of Xcel Energy Inc.'s utility subsidiaries faces these challenges, Xcel Energy believes their rates and services are competitive with currently available alternatives.

ENVIRONMENTAL MATTERS

Xcel Energy's facilities are regulated by federal and state environmental agencies. These agencies have jurisdiction over air emissions, water quality, wastewater discharges, solid wastes and hazardous substances. Various company activities require registrations, permits, licenses, inspections and approvals from these agencies. Xcel Energy has received all necessary authorizations for the construction and continued operation of its generation, transmission and distribution systems. Xcel Energy's facilities have been designed and constructed to operate in compliance with applicable environmental standards. However, it is not possible to determine when or to what extent additional facilities or modifications of existing or planned facilities will be required as a result of changes to environmental regulations, interpretations or enforcement policies or what effect future laws or regulations may have upon Xcel Energy's operations. See Item 7 and Notes 12 and 13 to the consolidated financial statements for further discussion.

There are significant present and future environmental regulations to encourage the use of clean energy technologies and regulate emissions of GHGs to address climate change. Xcel Energy has undertaken a number of initiatives to meet current requirements and prepare for potential future regulations, reduce GHG emissions and respond to state renewable and energy efficiency goals. If these future environmental regulations do not provide credit for the investments we have already made to reduce GHG emissions, or if they require additional initiatives or emission reductions, then their requirements would potentially impose additional substantial costs. Xcel Energy believes, based on prior state commission practice, it would recover the cost of these initiatives through rates.

Xcel Energy is committed to addressing climate change and potential climate change regulation through efforts to reduce its GHG emissions in a balanced, cost-effective manner. Starting in 2011, Xcel Energy began reporting GHG emissions to the EPA under the EPA's mandatory GHG Reporting Program.

Xcel Energy estimates that in 2017, it reduced the CO_2 emissions associated with the electric generating resources used to serve its customers by 35 percent from 2005 levels. This reduction accounts for emissions both from electric generating plants owned by Xcel Energy as well as purchased power. To achieve this goal, Xcel Energy primarily relied on strategies that resulted in:

- Development of renewable energy facilities;
- Retirement and replacement of existing generating plants; and
- Customer energy efficiency programs.

CAPITAL SPENDING AND FINANCING

See Item 7 for a discussion of expected capital expenditures and funding sources.

EMPLOYEES

As of Dec. 31, 2017, Xcel Energy had 11,075 full-time employees and 59 part-time employees, of which 5,115 were covered under collective-bargaining agreements. See Note 9 to the consolidated financial statements for further discussion.

EXECUTIVE OFFICERS [a]

Name	Age [b]	Current and Recent Positions Held
Ben Fowke	59	Chairman of the Board, President and Chief Executive Officer and Director, Xcel Energy Inc., August 2011 to present. Chief Executive Officer, NSP-Minnesota, NSP-Wisconsin, PSCo, and SPS, January 2015 to present. Previously, President and Chief Operating Officer, Xcel Energy Inc., August 2009 to August 2011.
Christopher B. Clark	51	President and Director, NSP-Minnesota, January 2015 to present. Previously, Regional Vice President, Rates and Regulatory Affairs, NSP-Minnesota, October 2012 to December 2014; Managing Director, Government and Regulatory Affairs, NSP-Minnesota, January 2012 to October 2012; Managing Attorney, Xcel Energy Inc., November 2007 to January 2012.
David L. Eves	59	President and Director, PSCo, January 2015 to present. Previously, President, Director and Chief Executive Officer, PSCo, December 2009 to December 2014. Effective March 1, 2018 he will serve as Executive Vice President and Group President, Utilities.
Robert C. Frenzel	47	Executive Vice President, Chief Financial Officer, Xcel Energy Inc., May 2016 to present. Previously, Senior Vice President and Chief Financial Officer, Luminant, a subsidiary of Energy Future Holdings Corp., an electric utility and power generation company, February 2012 to April 2016; Senior Vice President for Corporate Development, Strategy and Mergers and Acquisitions, Energy Future Holdings Corp., February 2009 to February 2012. In April 2014, Energy Future Holdings Corp., the majority of its subsidiaries, including Texas Competitive Energy Holdings (TCEH) the parent company of Luminant, filed a voluntary bankruptcy petition under Chapter 11 of the United States Bankruptcy Code. TCEH emerged from Chapter 11 in October 2016.
David T. Hudson	57	President and Director, SPS, January 2015 to present. Previously, President, Director and Chief Executive Officer, SPS, January 2014 to December 2014; Director, Community Service & Economic Development, SPS, April 2011 to January 2014; Director, Strategic Planning, SPS, May 2008 to April 2011.
Kent T. Larson	58	Executive Vice President and Group President Operations, Xcel Energy Inc., January 2015 to present. Previously, Senior Vice President, Group President Operations, Xcel Energy Services Inc., August 2014 to December 2014; Senior Vice President Operations, Xcel Energy Services Inc., September 2011 to August 2014; Chief Energy Supply Officer, Xcel Energy Services Inc., March 2010 to September 2011.
Marvin E. McDaniel, Jr.	58	Executive Vice President, Group President, Utilities, and Chief Administrative Officer, Xcel Energy Inc., January 2015 to present. Previously, Senior Vice President, Chief Administrative Officer, Xcel Energy Inc., August 2012 to December 2014; Senior Vice President and Chief Administrative Officer, Xcel Energy Services Inc., September 2011 to August 2012; Vice President and Chief Administrative Officer, Xcel Energy Services Inc., August 2009 to September 2011 and Vice President, Talent and Technology Business Areas, Xcel Energy Services Inc., August 2009 to September 2011. Xcel Energy has previously announced that Marvin E. McDaniel, Jr. will retire in 2018. Effective March 1, 2018 he will serve as Executive Vice President and Chief Administrative Officer.
Timothy O'Connor	58	Senior Vice President, Chief Nuclear Officer, Xcel Energy Services Inc., February 2013 to present. Previously, Acting Chief Nuclear Officer, NSP-Minnesota, September 2012 to February 2013; Vice President, Engineering and Nuclear Regulatory Compliance and Licensing July 2012 to September 2012; Monticello Site Vice President, May 2007 to July 2012.
Judy M. Poferl	58	Senior Vice President, Corporate Secretary and Executive Services, Xcel Energy Inc., January 2015 to present. Previously, Vice President, Corporate Secretary, Xcel Energy Inc., May 2013 to December 2014; President, Director and Chief Executive Officer, NSP-Minnesota, August 2009 to May 2013.
Jeffrey S. Savage	46	Senior Vice President, Controller, Xcel Energy Inc., January 2015 to present. Previously, Vice President, Controller, Xcel Energy Inc., September 2011 to December 2014; Senior Director, Financial Reporting, Corporate and Technical Accounting, Xcel Energy Services Inc., December 2009 to September 2011.
Mark E. Stoering	57	President and Director, NSP-Wisconsin, January 2015 to present. Previously, President, Director and Chief Executive Officer, NSP-Wisconsin, January 2012 to December 2014; Vice President, Portfolio Strategy and Business Development, Xcel Energy Services Inc., August 2000 to December 2011.
Scott M. Wilensky	61	Executive Vice President, General Counsel, Xcel Energy Inc., January 2015 to present. Previously, Senior Vice President, General Counsel, Xcel Energy Inc., September 2011 to December 2014; Vice President, Regulatory and Resource Planning, Xcel Energy Services Inc., September 2009 to September 2011.

[a] No family relationships exist between any of the executive officers or directors.
[b] Ages as of Dec. 31, 2017.

Item 1A — Risk Factors

Xcel Energy is subject to a variety of risks, many of which are beyond our control. Important risks that may adversely affect the business, financial condition and results of operations are further described below. These risks should be carefully considered together with the other information set forth in this report and in future reports that Xcel Energy files with the SEC.

Oversight of Risk and Related Processes

A key accountability of the Board of Directors is the oversight of material risk, and our Board of Directors employs an effective process for doing so. Management and each Board of Directors' committee have responsibility for overseeing the identification and mitigation of key risks and reporting its assessments and activities to the full Board of Directors.

Management identifies and analyzes risks to determine materiality and other attributes such as timing, probability and controllability. Management broadly considers our business, the utility industry, the domestic and global economies and the environment when identifying, assessing, managing and mitigating risk. Identification and analysis occurs formally through a key risk assessment process conducted by senior management, the financial disclosure process, the hazard risk management process and internal auditing and compliance with financial and operational controls. Management also identifies and analyzes risk through its business planning process and development of goals and key performance indicators, which include risk identification to determine barriers to implementing Xcel Energy's strategy. The business planning process also identifies areas in which there is a potential for a business area to take inappropriate risk to meet goals, and determines how to prevent inappropriate risk-taking.

At a threshold level, Xcel Energy has developed a robust compliance program and promotes a culture of compliance, including tone at the top, which mitigates risk. The process for risk mitigation includes adherence to our code of conduct and other compliance policies, operation of formal risk management structures and groups and overall business management to mitigate the risks inherent in the implementation of strategy. Building on this culture of compliance, Xcel Energy manages and further mitigates risks through operation of formal risk management structures and groups, including management councils, risk committees and the services of internal corporate areas such as internal audit, the corporate controller and legal services.

Management communicates regularly with the Board of Directors and key stakeholders regarding risk. Senior management presents a periodic assessment of key risks to the Board of Directors. The presentation and the discussion of the key risks provides the Board of Directors with information on the risks management believes are material, including the earnings impact, timing, likelihood and controllability. Management also provides information to the Board of Directors in presentations and communications over the course of the year.

The Board of Directors approaches oversight, management and mitigation of risk as an integral and continuous part of its governance of Xcel Energy. First, the Board of Directors regularly reviews management's key risk assessment and analyzes areas of existing and future risks and opportunities. In addition, the Board of Directors assigns oversight of certain critical risks to each of its four standing committees to ensure these risks are well understood and are given focused oversight by the appropriate committee. The Audit Committee is responsible for reviewing the adequacy of risk oversight and affirming that appropriate oversight occurs. New risks are considered and assigned as appropriate during the annual Board of Directors' and committee evaluation process, and committee charters and annual work plans are updated accordingly. Committees regularly report on their oversight activities and certain risk issues may be brought to the full Board of Directors for consideration where deemed appropriate to ensure broad Board of Directors' understanding of the nature of the risk. Finally, the Board of Directors conducts an annual strategy session where Xcel Energy's future plans and initiatives are reviewed.

Risks Associated with Our Business

Environmental Risks

We are subject to environmental laws and regulations, with which compliance could be difficult and costly.

We are subject to environmental laws and regulations that affect many aspects of our past, present and future operations, including air emissions, water quality, wastewater discharges and the generation, transport and disposal of solid wastes and hazardous substances. These laws and regulations require us to obtain permits, licenses, and other approvals and to comply with a wide variety of environmental requirements including those for protected natural and cultural resources (such as wetlands, endangered species and other protected wildlife, and archaeological and historical resources). Environmental laws and regulations can also require us to restrict or limit the output of certain facilities or the use of certain fuels, shift generation to lower-emitting, but potentially more costly facilities, install pollution control equipment at our facilities, clean up spills and other contamination and correct environmental hazards. Environmental regulations may also lead to shutdown of existing facilities, either due to the difficulty in assuring compliance or that the costs of compliance makes operation of the units no longer economical. Both public officials and private individuals may seek to enforce the applicable environmental laws and regulations against us. We may be required to pay all or a portion of the cost to remediate (i.e., clean-up) sites where our past activities, or the activities of certain other parties, caused environmental contamination.

We are also subject to mandates to provide customers with clean energy, renewable energy and energy conservation offerings. Failure to meet the requirements of these mandates may result in fines or penalties, which could have a material effect on our results of operations. If our regulators do not allow us to recover all or a part of the cost of capital investment or the O&M costs incurred to comply with the mandates or other environmental requirements, it could have a material effect on our results of operations, financial position or cash flows.

In addition, existing environmental laws or regulations may be revised, and new laws or regulations may be adopted or become applicable to us, including but not limited to, regulation of mercury, NO_x, SO_2, CO_2 and other GHGs, particulates, cooling water intakes, water discharges and ash management. We may also incur additional unanticipated obligations or liabilities under existing environmental laws and regulations.

We are subject to physical and financial risks associated with climate change and other weather, natural disaster and resource depletion impacts.

Climate change can create physical and financial risk. Physical risks from climate change can include changes in weather conditions, changes in precipitation and extreme weather events.

Our customers' energy needs vary with weather conditions, primarily temperature and humidity. For residential customers, heating and cooling represent their largest energy use. To the extent weather conditions are affected by climate change, customers' energy use could increase or decrease. Increased energy use due to weather changes may require us to invest in additional generating assets, transmission and other infrastructure to serve increased load. Decreased energy use due to weather changes may result in decreased revenues. Extreme weather conditions in general require more system backup, adding to costs, and can contribute to increased system stress, including service interruptions. Weather conditions could also have an impact on our revenues. We buy and sell electricity depending upon system needs and market opportunities. Extreme weather conditions creating high energy demand may raise electricity prices, which would increase the cost of energy we provide to our customers.

Severe weather impacts our service territories, primarily when thunderstorms and associated flooding, tornadoes, wildfires and snow or ice storms occur. To the extent the frequency of extreme weather events increases, this could increase our cost of providing service. Changes in precipitation resulting in droughts or water shortages, whether caused by climate change or otherwise, could adversely affect our operations, principally our fossil generating units. A negative impact to water supplies due to long-term drought or water depletion conditions could adversely impact our ability to provide electricity to customers, as well as increase the price they pay for energy. We may not recover all costs related to mitigating these physical and financial risks.

Climate change may impact a region's economic health, which could impact our revenues. Our financial performance is tied to the health of the regional economies we serve. The price of energy has an impact on the economic health of our communities. The cost of additional regulatory requirements, such as regulation of GHG or additional environmental regulation could impact the availability of goods and prices charged by our suppliers which would normally be borne by consumers through higher prices for energy and purchased goods. To the extent financial markets view climate change and emissions of GHGs as a financial risk, this could negatively affect our ability to access capital markets or cause us to receive less than ideal terms and conditions.

Financial Risks

Our profitability depends in part on the ability of our utility subsidiaries to recover their costs from their customers and there may be changes in circumstances or in the regulatory environment that impair the ability of our utility subsidiaries to recover costs from their customers.

We are subject to comprehensive regulation by federal and state utility regulatory agencies. The utility commissions in the states where we operate regulate many aspects of our utility operations, including siting and construction of facilities, customer service and the rates that we can charge customers. The FERC has jurisdiction, among other things, over wholesale rates for electric transmission service, the sale of electric energy in interstate commerce and certain natural gas transactions in interstate commerce.

The profitability of our utility operations is dependent on our ability to recover the costs of providing energy and utility services to our customers and earn a return on our capital investment. Our utility subsidiaries provide service at rates approved by one or more regulatory commissions. These rates are generally regulated and based on an analysis of the utility's costs incurred in a test year. Our utility subsidiaries are subject to both future and historical test years depending upon the regulatory mechanisms approved in each jurisdiction. Thus, the rates a utility is allowed to charge may or may not match its costs at any given time. While rate regulation is premised on providing an opportunity to earn a reasonable rate of return on invested capital, in a continued low interest rate environment there has been pressure pushing down ROE. There can also be no assurance that the applicable regulatory commission will judge all the costs of our utility subsidiaries to have been prudent, which could result in cost disallowances, or that the regulatory process in which rates are determined will always result in rates that will produce full recovery of such costs. Changes in the long-term cost-effectiveness or changes to the operating conditions of our assets may result in early retirements and while regulation typically provides relief for these types of changes, there is no assurance that regulators would allow full recovery of all remaining costs leaving all or a portion of these asset costs stranded. Higher than expected inflation may increase costs of construction and operations. Rising fuel costs could increase the risk that our utility subsidiaries will not be able to fully recover their fuel costs from their customers. Furthermore, there could be changes in the regulatory environment that would impair the ability of our utility subsidiaries to recover costs historically collected from their customers, or these factors could cause the operating utilities to exceed commitments made regarding cost caps and result in less than full recovery. Overall, management currently believes prudently incurred costs are generally recoverable given the existing regulatory mechanisms in place.

Adverse regulatory rulings or the imposition of additional regulations could have an adverse impact on our results of operations and hence could materially and adversely affect our ability to meet our financial obligations, including debt payments and the payment of dividends on our common stock.

Any reductions in our credit ratings could increase our financing costs and the cost of maintaining certain contractual relationships.

We cannot be assured that any of our current ratings or our subsidiaries' ratings will remain in effect for any given period of time, or that a rating will not be lowered or withdrawn entirely by a rating agency. Significant events including a major disallowance of costs, significantly lower returns on equity or equity ratios or impacts of tax policy changes, among others, may impact our cash flows and credit metrics, potentially resulting in a change in our credit ratings. In addition, our credit ratings may change as a result of the differing methodologies or change in the methodologies used by the various rating agencies. Any downgrade could lead to higher borrowing costs and could impact our ability to access capital markets. Also, our utility subsidiaries may enter into certain procurement and derivative contracts that require the posting of collateral or settlement of applicable contracts if credit ratings fall below investment grade.

We are subject to capital market and interest rate risks.

Utility operations require significant capital investment. As a result, we frequently need to access capital markets. Any disruption in capital markets could have a material impact on our ability to fund our operations. Capital markets are global in nature and are impacted by numerous issues and events throughout the world economy. Capital market disruption events and resulting broad financial market distress could prevent us from issuing short-term commercial paper, issuing new securities or cause us to issue securities with less than ideal terms and conditions, such as higher interest rates.

Higher interest rates on short-term borrowings with variable interest rates could also have an adverse effect on our operating results. Changes in interest rates may also impact the fair value of the debt securities in the nuclear decommissioning fund and master pension trust, as well as our ability to earn a return on short-term investments of excess cash.

We are subject to credit risks.

Credit risk includes the risk that our customers will not pay their bills, which may lead to a reduction in liquidity and an increase in bad debt expense. Credit risk is comprised of numerous factors including the price of products and services provided, the overall economy and local economies in the geographic areas we serve, including local unemployment rates.

Credit risk also includes the risk that various counterparties that owe us money or product will become insolvent and/or breach their obligations. Should the counterparties to these arrangements fail to perform, we may be forced to enter into alternative arrangements. In that event, our financial results could be adversely affected and we could incur losses.

We may at times have direct credit exposure in our short-term wholesale and commodity trading activity to various financial institutions trading for their own accounts or issuing collateral support on behalf of other counterparties. We may also have some indirect credit exposure due to participation in organized markets, such as CAISO, SPP, PJM, MISO and ERCOT, in which any credit losses are socialized to all market participants.

We do have additional indirect credit exposures to various domestic and foreign financial institutions in the form of letters of credit provided as security by power suppliers under various long-term physical purchased power contracts. If any of the credit ratings of the letter of credit issuers were to drop below the designated investment grade rating stipulated in the underlying long-term purchased power contracts, the supplier would need to replace that security with an acceptable substitute. If the security were not replaced, the party could be in technical default under the contract, which would enable us to exercise our contractual rights.

Increasing costs associated with our defined benefit retirement plans and other employee benefits may adversely affect our results of operations, financial position or liquidity.

We have defined benefit pension and postretirement plans that cover most of our employees. Assumptions related to future costs, return on investments, interest rates and other actuarial assumptions, including mortality tables, have a significant impact on our funding requirements related to these plans. These estimates and assumptions may change based on economic conditions, actual stock and bond market performance, changes in interest rates and changes in governmental regulations. In addition, the Pension Protection Act of 2006 changed the minimum funding requirements for defined benefit pension plans with modifications that allowed additional flexibility in the timing of contributions. Therefore, our funding requirements and related contributions may change in the future. Also, the payout of a significant percentage of pension plan liabilities in a single year due to high retirements or employees leaving Xcel Energy could trigger settlement accounting and could require Xcel Energy to recognize material incremental pension expense related to unrecognized plan losses in the year these liabilities are paid.

Increasing costs associated with health care plans may adversely affect our results of operations.

Our self-insured costs of health care benefits for eligible employees have increased in recent years. Increasing levels of large individual health care claims and overall health care claims could have an adverse impact on our operating results, financial position and liquidity. We believe that our employee benefit costs, including costs related to health care plans for our employees and former employees, will continue to rise. Changes in industry standards utilized by management in key assumptions (e.g., mortality tables) could have a significant impact on future liabilities and benefit costs. Legislation related to health care could also significantly change our benefit programs and costs.

We must rely on cash from our subsidiaries to make dividend payments.

We are a holding company and our investments in our subsidiaries are our primary assets. Substantially all of our operations are conducted by our subsidiaries. Consequently, our operating cash flow and our ability to service our indebtedness and pay dividends depends upon the operating cash flows of our subsidiaries and the payment of dividends to us. Our subsidiaries are separate legal entities that have no obligation to pay any amounts due pursuant to our obligations or to make any funds available for dividends on our common stock. In addition, each subsidiary's ability to pay dividends to us depends on any statutory and/or contractual restrictions which may include requirements to maintain minimum levels of equity ratios, working capital or assets. Also, our utility subsidiaries are regulated by various state utility commissions, which possess broad powers to ensure that the needs of the utility customers are being met.

If our utility subsidiaries were to cease making dividend payments, our ability to pay dividends on our common stock or otherwise meet our financial obligations could be adversely affected.

Federal tax law may significantly impact our business.

Xcel Energy's utility subsidiaries collect through regulated rates its estimated federal, state and local tax payments. There are a number of provisions in federal tax law designed to incentivize capital investments which have benefited our customers by keeping our utility subsidiaries' rates lower than rates calculated without such provisions. Examples include the use of accelerated depreciation for most of our capital investments, PTCs for wind energy, ITCs for solar energy and R&E tax credits and deductions. Changes to federal tax law may benefit or adversely affect our earnings and customer costs. Changes to tax depreciable lives and the value of various tax credits could change the economics of resources and our resource selections. While regulation allows us to incorporate changes in tax law into the rate-setting process, there could be timing delays before regulated rates provide for realization of the tax changes in revenues. In addition, certain IRS tax policies such as the requirement to utilize normalization may impact our ability to economically deliver certain types of resources relative to market prices.

Operational Risks

Our natural gas and electric transmission and distribution operations involve numerous risks that may result in accidents and other operating risks and costs.

Our natural gas transmission and distribution activities include a variety of inherent hazards and operating risks, such as leaks, explosions and mechanical problems, which could cause substantial financial losses. Our electric transmission and distribution activities also include inherent hazards and operating risks such as contact, fire and widespread outages which could cause substantial financial losses. In addition, these natural gas and electric risks could result in loss of human life, significant damage to property, environmental pollution, impairment of our operations and substantial losses to us. We maintain insurance against some, but not all, of these risks and losses.

The occurrence of any of these events not fully covered by insurance could have a material effect on our financial position and results of operations. For our natural gas transmission or distribution lines located near populated areas, the level of potential damages resulting from these risks is greater.

Additionally, for natural gas the operating or other costs that may be required in order to comply with potential new regulations, including the Pipeline Safety Act, could be significant. The Pipeline Safety Act requires verification of pipeline infrastructure records by pipeline owners and operators to confirm the maximum allowable operating pressure of lines located in high consequence areas or more-densely populated areas. We have programs in place to comply with the Pipeline Safety Act and for systematic infrastructure monitoring and renewal over time. A significant incident could increase regulatory scrutiny and result in penalties and higher costs of operations.

Our utility operations are subject to long-term planning risks.

Most electric utility investments are long-lived and are planned to be used for decades. Transmission and generation investments typically have long lead times, and therefore are planned well in advance of when they are brought in-service subject to long-term resource plans. These plans are based on numerous assumptions over the planning horizon such as: sales growth, customer usage, commodity prices, economic activity, costs, regulatory mechanisms, customer behavior, available technology and public policy. The electric utility sector is undergoing a period of significant change. For example, public policy has driven increases in appliance and lighting efficiency and energy efficient buildings, wider adoption and lower cost of renewable generation and distributed generation, including community solar gardens and customer-sited solar, shifts away from coal generation to decrease CO_2 emissions and increasing use of natural gas in electric generation driven by lower natural gas prices. Over time, customer adoption of these technologies and increased energy efficiency could result in excess transmission and generation resources as well as stranded costs if Xcel Energy is not able to fully recover the costs and investments. These changes also introduce additional uncertainty into long-term planning which gives rise to a risk that the magnitude and timing of resource additions and growth in customer demand may not coincide, and that the preference for the types of additions may change from planning to execution. In addition, we are also subject to longer-term availability of the natural resource inputs such as coal, natural gas, uranium and water to cool our facilities. Lack of availability of these resources could jeopardize long-term operations of our facilities or make them uneconomic to operate.

The resource plans reviewed and approved by our state regulators assume continuation of the traditional utility cost of service model under which utility costs are recovered from customers as they receive the benefit of service. Xcel Energy is engaged in significant and ongoing infrastructure investment programs to accommodate renewable distributed generation and to maintain high system reliability. Changing customer expectations and changing technologies are requiring significant investments in advanced grid infrastructure. This also increases the exposure to potential outdating of technologies and the resultant risks. Xcel Energy is also investing in renewable and natural gas-fired generation to reduce our CO_2 emissions profile. The inability of coal mining companies to attract capital could disrupt longer-term supplies. Early plant retirements that may result from these changes could expose us to premature financial obligations, which could result in less than full recovery of all remaining costs. Both decreasing use per customer driven by appliance and lighting efficiency and the availability of cost-effective distributed generation puts downward pressure on load growth. This could lead to under recovery of costs, excess resources to meet customer demand and increases in electric rates. Finally, multiple states served by a single system may not agree as to the appropriate resource mix and the differing views may lead to costs incurred to comply with one jurisdiction that are not recoverable across all of the jurisdictions served by the same assets.

Our subsidiary, NSP-Minnesota, is subject to the risks of nuclear generation.

NSP-Minnesota's two nuclear stations, PI and Monticello, subject it to the risks of nuclear generation, which include:

- The risks associated with use of radioactive material in the production of energy, the management, handling, storage and disposal and the current lack of a long-term disposal solution for radioactive materials;
- Limitations on the amounts and types of insurance available to cover losses that might arise in connection with nuclear operations, as well as obligations to contribute to an insurance pool in the event of damages at a covered U.S. reactor; and
- Uncertainties with respect to the technological and financial aspects of decommissioning nuclear plants at the end of their licensed lives. For example, similar to pensions, interest rate and other assumptions regarding decommissioning costs may change based on economic conditions and changes in the expected life of the asset may cause our funding obligations to change.

The NRC has authority to impose licensing and safety-related requirements for the operation of nuclear generation facilities. In the event of non-compliance, the NRC has the authority to impose fines and/or shut down a unit until compliance is achieved. Revised NRC safety requirements could necessitate substantial capital expenditures or a substantial increase in operating expenses. In addition, the Institute for Nuclear Power Operations reviews NSP-Minnesota's nuclear operations and nuclear generation facilities. Compliance with the Institute for Nuclear Power Operations' recommendations could result in substantial capital expenditures or a substantial increase in operating expenses.

If an incident did occur, it could have a material effect on our results of operations or financial condition. Furthermore, the non-compliance of other nuclear facilities operators or the occurrence of a serious nuclear incident at other facilities could result in increased regulation of the industry, which could then increase NSP-Minnesota's compliance costs and impact the results of operations of its facilities.

NSP-Wisconsin's production and transmission system is operated on an integrated basis with NSP-Minnesota's production and transmission system, and NSP-Wisconsin may be subject to risks associated with NSP-Minnesota's nuclear generation.

We are subject to commodity risks and other risks associated with energy markets and energy production.

We engage in wholesale sales and purchases of electric capacity, energy and energy-related products as well as natural gas. In many markets in which we operate, emission allowances and/or renewable energy credits are also needed to comply with various statutes and commission rulings associated with energy transactions. As a result we are subject to market supply and commodity price risk. Commodity price changes can affect the value of our commodity trading derivatives. We mark certain derivatives to estimated fair market value on a daily basis (mark-to-market accounting). Actual settlements can vary significantly from estimated fair values recorded, and significant changes from the assumptions underlying our fair value estimates could cause earnings variability.

If we encounter market supply shortages or our suppliers are otherwise unable to meet their contractual obligations, we may be unable to fulfill our contractual obligations to our customers at previously anticipated costs. Therefore, a significant disruption could cause us to seek alternative supply services at potentially higher costs or suffer increased liability for unfulfilled contractual obligations. Any significantly higher energy or fuel costs relative to corresponding sales commitments could have a negative impact on our cash flows and potentially result in economic losses. Potential market supply shortages may not be fully resolved through alternative supply sources and may cause short-term disruptions in our ability to provide electric and/or natural gas services to our customers. The impact of these cost and reliability issues vary in magnitude for each operating subsidiary depending upon unique operating conditions such as generation fuels mix, availability of water for cooling, availability of fuel transportation including rail shipments of coal, electric generation capacity, transmission, natural gas pipeline capacity, etc. Failure to provide service due to disruptions could also result in fines, penalties or cost disallowances through the regulatory process.

Public Policy Risks

We may be subject to legislative and regulatory responses to climate change, with which compliance could be difficult and costly.

Increased public awareness and concern regarding climate change may result in more state, regional and/or federal requirements to reduce or mitigate the effects of GHGs. Legislative and regulatory responses related to climate change and new interpretations of existing laws through climate change litigation create financial risk as our electric generating facilities may be subject to additional regulation at either the state or federal level in the future. Such regulations could impose substantial costs on our system. International agreements could have an impact to the extent they lead to future federal or state regulations.

In 2015, the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change reached consensus among 190 nations on an agreement (the Paris Agreement) that establishes a framework for GHG mitigation actions by all countries ("nationally determined contributions"), with a goal of holding the increase in global average temperature to below 2º Celsius above pre-industrial levels and an aspiration to limit the increase to 1.5º Celsius. If implemented, the Paris Agreement could result in future additional GHG reductions in the United States. On June 21, 2017, President Trump announced that the U.S. would withdraw from the Paris Agreement. Such a withdrawal, under terms of the Agreement, becomes effective in four years. Many state and local government entities, however, have indicated that they intend to pursue GHG mitigation with a goal of achieving the GHG reductions in the United States anticipated by the Paris Agreement.

We have been, and in the future may be, subject to climate change lawsuits. An adverse outcome in any of these cases could require substantial capital expenditures and could possibly require payment of substantial penalties or damages. Defense costs associated with such litigation can also be significant. Such payments or expenditures could affect results of operations, cash flows and financial condition if such costs are not recovered through regulated rates.

Some states and localities have indicated a desire to continue to pursue climate policies even in the absence of federal mandates. All of the steps that Xcel Energy has taken to date to reduce GHG emissions, including energy efficiency measures, adding renewable generation or retiring or converting coal plants to natural gas, occurred under state-endorsed resource plans, renewable energy standards and other state policies. While those actions likely would have put Xcel Energy in a good position to meet federal standards under the CPP or the Paris Agreement, repeal of these policies would not impact those state-endorsed actions and plans.
Whether under state or federal programs, an important factor is our ability to recover the costs incurred to comply with any regulatory requirements in a timely manner. If our regulators do not allow us to recover all or a part of the cost of capital investment or the O&M costs incurred to comply with the mandates, it could have a material effect on our results of operations.

Increased risks of regulatory penalties could negatively impact our business.

The Energy Act increased civil penalty authority for violation of FERC statutes, rules and orders. The FERC can now impose penalties of up to $1.2 million per violation per day, particularly as it relates to energy trading activities for both electricity and natural gas. Under statute, the FERC can adjust penalties for inflation. In addition, NERC electric reliability standards and critical infrastructure protection requirements are mandatory and subject to potential financial penalties by regional entities, the NERC or the FERC for violations. Additionally, the PHMSA, the Occupational Safety and Health Administration and other federal agencies also have penalty authority. In the event of serious incidents, these agencies have become more active in pursuing penalties. Some states have the authority to impose substantial penalties in the event of non-compliance. If a serious reliability or safety incident did occur, it could have a material effect on our operations or financial results.

Macroeconomic Risks

Economic conditions impact our business.

Our operations are affected by local, national and worldwide economic conditions. Growth in our customer base is correlated with economic conditions. While the number of customers is growing, sales growth is relatively modest due to an increased focus on energy efficiency including federal standards for appliance and lighting efficiency and distributed generation, primarily solar PV. Instability in the financial markets also may affect the cost of capital and our ability to raise capital, which is discussed in the capital market risk factor section above.

Economic conditions may be impacted by insufficient financial sector liquidity leading to potential increased unemployment, which may impact customers' ability to pay timely, increase customer bankruptcies, and may lead to increased bad debt.

Further, worldwide economic activity has an impact on the demand for basic commodities needed for utility infrastructure, such as steel, copper, aluminum, etc., which may impact our ability to acquire sufficient supplies. We operate in a capital intensive industry, and federal policy on trade could significantly impact the costs of the materials we use. We may be at risk for higher than anticipated inflation both with respect to our own workforce, as well as our materials and labor that we contract for with others. There may be delays before these higher costs can be recovered in rates.

Our operations could be impacted by war, acts of terrorism, threats of terrorism or disruptions in normal operating conditions due to localized or regional events.

Our generation plants, fuel storage facilities, transmission and distribution facilities and information and control systems may be targets of terrorist activities. Any such disruption could impact operations or result in a decrease in revenues and additional costs to repair and insure our assets. These disruptions could have a material impact on our financial condition and results of operations. The potential for terrorism has subjected our operations to increased risks and could have a material effect on our business. We have already incurred increased costs for security and capital expenditures in response to these risks. In addition, we may experience additional capital and operating costs to implement security for our plants, including our nuclear power plants under the NRC's design basis threat requirements. We have also already incurred increased costs for compliance with NERC reliability standards associated with critical infrastructure protection. In addition, we may experience additional capital and operating costs to comply with the NERC critical infrastructure protection standards as they are implemented and clarified.

The insurance industry has also been affected by these events and the availability of insurance may decrease. In addition, the insurance we are able to obtain may have higher deductibles, higher premiums and more restrictive policy terms.

A disruption of the regional electric transmission grid, interstate natural gas pipeline infrastructure or other fuel sources, could negatively impact our business, as well as our brand and reputation. Because our generation, the transmission systems and local natural gas distribution companies are part of an interconnected system, we face the risk of possible loss of business due to a disruption caused by the actions of a neighboring utility or an event (such as severe storm, severe temperature extremes, wildfires, solar storms, generator or transmission facility outage, breakdown or failure of equipment, pipeline rupture, railroad disruption, operator error, sudden and significant increase or decrease in wind generation or any disruption of work force such as may be caused by flu or other epidemic) within our operating systems or on a neighboring system. Any such disruption could result in a significant decrease in revenues and significant additional costs to repair assets, which could have a material impact on our financial condition and results.

The degree to which we are able to maintain day-to-day operations in response to unforeseen events will in part determine the financial impact of certain events on our financial condition and results. It is difficult to predict the magnitude of such events and associated impacts.

A cyber incident or cyber security breach could have a material effect on our business.

We operate in an industry that requires the continued operation of sophisticated information technology and control systems and network infrastructure. In addition, we use our systems and infrastructure to create, collect, use, disclose, store, dispose of and otherwise process sensitive information, including company data, customer energy usage data, and personal information regarding customers, employees and their dependents, contractors, shareholders and other individuals.

Our generation, transmission, distribution and fuel storage facilities, information technology systems and other infrastructure or physical assets, as well as the information processed in our systems (such as information about our customers, employees, operations, infrastructure and assets) could be affected by cyber security incidents, including those caused by human error. Our industry has begun to see an increased volume and sophistication of cyber security incidents from international activist organizations, Nation States and individuals. Cyber security incidents could harm our businesses by limiting our generating, transmitting and distributing capabilities, delaying our development and construction of new facilities or capital improvement projects to existing facilities, disrupting our customer operations or exposing us to liability. Our generation, transmission systems and natural gas pipelines are part of an interconnected system. Therefore, a disruption caused by the impact of a cyber security incident of the regional electric transmission grid, natural gas pipeline infrastructure or other fuel sources of our third party service providers' operations, could also negatively impact our business. Our supply chain for procurement of digital equipment may expose software or hardware to these risks and could result in a breach or significant costs of remediation. In addition, such an event would likely receive regulatory scrutiny at both the federal and state level. We are unable to quantify the potential impact of cyber security threats or subsequent related actions. These potential cyber security incidents and corresponding regulatory action could result in a material decrease in revenues and may cause significant additional costs (e.g., penalties, third party claims, repairs, insurance or compliance) and potentially disrupt our supply and markets for natural gas, oil and other fuels.

We maintain security measures designed to protect our information technology and control systems, network infrastructure and other assets. However, these assets and the information they process may be vulnerable to cyber security incidents, including the resulting disability, or failures of assets or unauthorized access to assets or information. If our technology systems were to fail or be breached, or those of our third-party service providers, we may be unable to fulfill critical business functions, including effectively maintaining certain internal controls over financial reporting. We are unable to quantify the potential impact of cyber security incidents on our business, our brand, and our reputation. The cyber security threat is dynamic and evolves continually, and our efforts to prioritize network monitoring may not be effective given the constant changes to threat vulnerability.

Rising energy prices could negatively impact our business.

Although commodity prices are currently relatively low, if fuel costs increase, customer demand could decline and bad debt expense may rise, which could have a material impact on our results of operations. While we have fuel clause recovery mechanisms in most of our states, higher fuel costs could significantly impact our results of operations if costs are not recovered. Delays in the timing of the collection of fuel cost recoveries as compared with expenditures for fuel purchases could have an impact on our cash flows. Low fuel costs could have a positive impact on sales, though low oil and natural gas prices could negatively impact oil and gas production activities and subsequently our sales volumes and revenue. We are unable to predict future prices or the ultimate impact of such prices on our results of operations or cash flows.

Our operating results may fluctuate on a seasonal and quarterly basis and can be adversely affected by milder weather.

Our electric and natural gas utility businesses are seasonal, and weather patterns can have a material impact on our operating performance. Demand for electricity is often greater in the summer and winter months associated with cooling and heating. Because natural gas is heavily used for residential and commercial heating, the demand depends heavily upon weather patterns throughout our service territory, and a significant amount of natural gas revenues are recognized in the first and fourth quarters related to the heating season. Accordingly, our operations have historically generated less revenues and income when weather conditions are milder in the winter and cooler in the summer. Unusually mild winters and summers could have an adverse effect on our financial condition, results of operations, or cash flows.

Our operations use third party contractors in addition to employees to perform periodic and on-going work.

We rely on third party contractors with specific qualifications to perform work both for ongoing operations and maintenance and for capital construction. We have contractual arrangements with these contractors which typically include performance standards, progress payments, insurance requirements and security for performance. Cyber security breaches seen in the news have at times exploited third party equipment or software in order to gain access. Poor vendor performance could impact on going operations, restoration operations, our reputation and could introduce financial risk or risks of fines.

Item 1B — Unresolved Staff Comments

None.

Item 2 — Properties

Virtually all of the utility plant property of NSP-Minnesota, NSP-Wisconsin, PSCo and SPS is subject to the lien of their first mortgage bond indentures.

Electric Utility Generating Stations:

NSP-Minnesota

Station, Location and Unit	Fuel	Installed	Summer 2017 Net Dependable Capability (MW)	
Steam:				
A.S. King-Bayport, Minn., 1 Unit	Coal	1968	511	
Sherco-Becker, Minn.				
Unit 1	Coal	1976	680	
Unit 2	Coal	1977	682	
Unit 3	Coal	1987	517	(a)
Monticello-Monticello, Minn., 1 Unit	Nuclear	1971	617	
PI-Welch, Minn.				
Unit 1	Nuclear	1973	521	
Unit 2	Nuclear	1974	519	
Various locations, 4 Units	Wood/Refuse-derived fuel	Various	36	(b)
Combustion Turbine:				
Angus Anson-Sioux Falls, S.D., 3 Units	Natural Gas	1994-2005	327	
Black Dog-Burnsville, Minn., 2 Units	Natural Gas	1987-2002	282	
Blue Lake-Shakopee, Minn., 6 Units	Natural Gas	1974-2005	453	
High Bridge-St. Paul, Minn., 3 Units	Natural Gas	2008	530	
Inver Hills-Inver Grove Heights, Minn., 6 Units	Natural Gas	1972	282	
Riverside-Minneapolis, Minn., 3 Units	Natural Gas	2009	454	
Various locations, 14 Units	Natural Gas	Various	67	
Wind:				
Border-Rolette County, N.D., 75 Units	Wind	2015	148	(c)
Courtenay Wind, N.D., 100 Units	Wind	2016	195	(c)
Grand Meadow-Mower County, Minn., 67 Units	Wind	2008	101	(c)
Nobles-Nobles County, Minn., 134 Units	Wind	2010	201	(c)
Pleasant Valley-Mower County, Minn., 100 Units	Wind	2015	196	(c)
		Total	7,319	

(a) Based on NSP-Minnesota's ownership of 59 percent.
(b) Refuse-derived fuel is made from municipal solid waste.
(c) This capacity is only available when wind conditions are sufficiently high enough to support the noted generation values above. Therefore, the on-demand net dependable capacity is zero.

NSP-Wisconsin

Station, Location and Unit	Fuel	Installed	Summer 2017 Net Dependable Capability (MW)	
Steam:				
Bay Front-Ashland, Wis., 3 Units	Coal/Wood/Natural Gas	1948-1956	56	
French Island-La Crosse, Wis., 2 Units	Wood/Refuse-derived fuel	1940-1948	16	(a)
Combustion Turbine:				
Flambeau Station-Park Falls, Wis., 1 Unit	Natural Gas	1969	—	(b)
French Island-La Crosse, Wis., 2 Units	Oil	1974	122	
Wheaton-Eau Claire, Wis., 5 Units	Natural Gas/Oil	1973	238	
Hydro:				
Various locations, 63 Units	Hydro	Various	135	
		Total	567	

(a) Refuse-derived fuel is made from municipal solid waste.

(b) Flambeau Station was retired on Dec. 31, 2017.

PSCo

Station, Location and Unit	Fuel	Installed	Summer 2017 Net Dependable Capability (MW)	
Steam:				
Comanche-Pueblo, Colo.				
Unit 1	Coal	1973	325	
Unit 2	Coal	1975	335	
Unit 3	Coal	2010	500	(b)
Craig-Craig, Colo., 2 Units	Coal	1979-1980	83	(c)
Hayden-Hayden, Colo., 2 Units	Coal	1965-1976	233	(d)
Pawnee-Brush, Colo., 1 Unit	Coal	1981	505	
Valmont-Boulder, Colo., 1 Unit	Coal	1964	—	(e)
Combustion Turbine:				
Blue Spruce-Aurora, Colo., 2 Units	Natural Gas	2003	264	
Cherokee-Denver, Colo., 1 Unit	Natural Gas	1968	310	(a)
Cherokee-Denver, Colo., 3 Units	Natural Gas	2015	576	
Fort St. Vrain-Platteville, Colo., 6 Units	Natural Gas	1972-2009	968	
Rocky Mountain-Keenesburg, Colo., 3 Units	Natural Gas	2004	580	
Various locations, 6 Units	Natural Gas	Various	171	
Hydro:				
Cabin Creek-Georgetown, Colo.				
Pumped Storage, 2 Units	Hydro	1967	210	
Various locations, 9 Units	Hydro	Various	26	
		Total	5,086	

(a) Cherokee Unit 4 was fuel switched from coal to natural gas in the third quarter of 2017.
(b) Based on PSCo's ownership interest of 67 percent of Unit 3.
(c) Based on PSCo's ownership interest of 10 percent. Craig Unit 1 is expected to be early retired in approximately 2025.
(d) Based on PSCo's ownership interest of 76 percent of Unit 1 and 37 percent of Unit 2.
(e) Valmont Unit 5 was retired in the third quarter of 2017.

SPS

Station, Location and Unit	Fuel	Installed	Summer 2017 Net Dependable Capability (MW)
Steam:			
Cunningham-Hobbs, N.M., 2 Units	Natural Gas	1957-1965	254
Harrington-Amarillo, Texas, 3 Units	Coal	1976-1980	1,018
Jones-Lubbock, Texas, 2 Units	Natural Gas	1971-1974	486
Maddox-Hobbs, N.M., 1 Unit	Natural Gas	1967	112
Nichols-Amarillo, Texas, 3 Units	Natural Gas	1960-1968	457
Plant X-Earth, Texas, 4 Units	Natural Gas	1952-1964	411
Tolk-Muleshoe, Texas, 2 Units	Coal	1982-1985	1,067
Combustion Turbine:			
Carlsbad-Carlsbad, N.M., 1 Unit	Natural Gas	1968	— [(a)]
Cunningham-Hobbs, N.M., 2 Units	Natural Gas	1998	212
Jones-Lubbock, Texas, 2 Units	Natural Gas	2011-2013	336
Maddox-Hobbs, N.M., 1 Unit	Natural Gas	1963-1976	61
		Total	4,414

(a) Carlsbad Unit 5 was retired on Dec. 31, 2017.

Electric utility overhead and underground transmission and distribution lines (measured in conductor miles) at Dec. 31, 2017:

Conductor Miles	NSP-Minnesota	NSP-Wisconsin	PSCo	SPS
500 KV	2,917	—	—	—
345 KV	9,040	1,153	2,630	8,516
230 KV	2,157	—	12,911	9,608
161 KV	417	1,656	—	—
138 KV	—	—	92	—
115 KV	7,515	1,877	4,969	13,555
Less than 115 KV	85,458	32,600	76,988	24,795

Electric utility transmission and distribution substations at Dec. 31, 2017:

	NSP-Minnesota	NSP-Wisconsin	PSCo	SPS
Quantity	349 —	203	230	454

Natural gas utility mains at Dec. 31, 2017:

Miles	NSP-Minnesota	NSP-Wisconsin	PSCo	WGI
Transmission	136	—	2,315	11
Distribution	11,320	2,542	22,540	—

Item 3 — Legal Proceedings

Xcel Energy is involved in various litigation matters that are being defended and handled in the ordinary course of business. The assessment of whether a loss is probable or is a reasonable possibility, and whether the loss or a range of loss is estimable, often involves a series of complex judgments about future events. Management maintains accruals for such losses that are probable of being incurred and subject to reasonable estimation. Management is sometimes unable to estimate an amount or range of a reasonably possible loss in certain situations, including but not limited to when (1) the damages sought are indeterminate, (2) the proceedings are in the early stages, or (3) the matters involve novel or unsettled legal theories. In such cases, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, including a possible eventual loss.

Additional Information

See Note 13 to the consolidated financial statements for further discussion of legal claims and environmental proceedings. See Item 1, Item 7 and Note 12 to the consolidated financial statements for a discussion of proceedings involving utility rates and other regulatory matters.

Item 4 — Mine Safety Disclosures

None.

PART II

Item 5 — Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Quarterly Stock Data

Xcel Energy Inc.'s common stock was listed on the New York Stock Exchange (NYSE) in 2017, but moved to the Nasdaq Global Select Market (Nasdaq) in 2018. The trading symbol is XEL. The number of common shareholders of record as of Dec. 31, 2017 was approximately 59,270. The following are the intra-day high and low stock prices based on the NYSE Composite Transactions for the quarters of 2017 and 2016 and the dividends declared per share during those quarters. See Item 7 and Note 4 to the consolidated financial statements for further discussion of Xcel Energy Inc.'s dividend policy and restrictions.

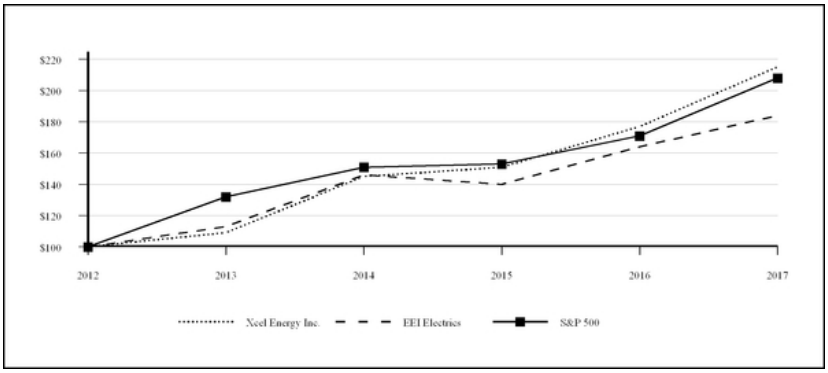
2017	High	Low	Dividends
First quarter	$ 45.06	$ 40.04	$ 0.3600
Second quarter	48.50	44.00	0.3600
Third quarter	50.56	45.18	0.3600
Fourth quarter	52.22	46.86	0.3600

2016	High	Low	Dividends
First quarter	$ 41.85	$ 35.19	$ 0.3400
Second quarter	44.78	38.43	0.3400
Third quarter	45.42	40.34	0.3400
Fourth quarter	41.80	38.00	0.3400

The following compares our cumulative TSR on common stock with the cumulative TSR of the EEI Investor-Owned Electrics Index and the S&P 500 Composite Stock Price Index over the last five years (assuming a $100 investment on Dec. 31, 2012, and the reinvestment of all dividends).

The EEI Investor-Owned Electrics Index (market capitalization-weighted) included 43 companies at year-end and is a broad measure of industry performance.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN*
Among Xcel Energy Inc., the EEI Investor-Owned Electrics
and the S&P 500



* $100 invested on Dec. 31, 2012 in stock or index — including reinvestment of dividends. Fiscal years ending Dec. 31.

	2012	2013	2014	2015	2016	2017
Xcel Energy Inc.	$ 100	$ 109	$ 145	$ 151	$ 177	$ 215
EEI Investor-Owned Electrics	100	113	146	140	164	184
S&P 500	100	132	151	153	171	208

Securities Authorized for Issuance Under Equity Compensation Plans

Information required under Item 5 — Securities Authorized for Issuance Under Equity Compensation Plans is contained in Xcel Energy Inc.'s Proxy Statement for its 2018 Annual Meeting of Shareholders, which is incorporated by reference.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information about our purchases of equity securities that are registered by Xcel Energy Inc. for the fourth quarter of fiscal year 2017, pursuant to Section 12 of the Exchange Act:

	Issuer Purchases of Equity Securities			
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
Oct. 1, 2017 — Dec. 31, 2017	—	$ —		
Total	—		—	—

Item 6 — Selected Financial Data

Set forth below is selected financial data for Xcel Energy related to the most five recent years ended Dec. 31. This information has been derived from and should be read in conjunction with the consolidated financial statements and notes appearing elsewhere in this annual report on Form 10-K.

(Millions of Dollars, Millions of Shares, Except Per Share Data)	2017	2016	2015	2014	2013
Operating revenues	$ 11,404	$ 11,107	$ 11,024	$ 11,686	$ 10,915
Operating expenses	9,214	8,893	9,024	9,738	9,067
Net income	1,148	1,123	984	1,021	948
Earnings available to common shareholders	1,148	1,123	984	1,021	948
Weighted average common shares outstanding:					
Basic	509	509	508	504	496
Diluted	509	509	508	504	497
GAAP EPS:					
Basic	$ 2.26	$ 2.21	$ 1.94	$ 2.03	$ 1.91
Diluted	2.25	2.21	1.94	2.03	1.91
Dividends declared per common share	1.44	1.36	1.28	1.20	1.11
Total assets [a] [b]	43,030	41,155	38,821	36,958	33,907
Long-term debt [b] [c]	14,520	14,195	12,399	11,500	10,911
Book value per share	22.56	21.73	20.89	20.20	19.21
Return on average common equity	10.2%	10.4%	9.5%	10.3%	10.3%
Ratio of earnings to fixed charges [d]	3.3	3.3	3.2	3.3	3.1
Non-GAAP:					
Ongoing earnings [e]	$ 1,171	$ 1,123	$ 1,064	$ 1,021	$ 968
Ongoing diluted EPS [e]	2.30	2.21	2.09	2.03	1.95

[a] As a result of adopting ASU No. 2015-17 (*Balance Sheet Classification of Deferred Taxes, Topic 740*), $140 million of current deferred income taxes was retrospectively reclassified to long-term deferred income tax liabilities on the consolidated balance sheet as of Dec. 31, 2015.

[b] As a result of adopting ASU No. 2015-03 (*Simplifying the Presentation of Debt Issuance Costs, Subtopic 835-30*), $92 million of deferred debt issuance costs was retrospectively reclassified from other non-current assets to long-term debt on the consolidated balance sheet as of Dec. 31, 2015.

[c] Includes capital lease obligations.

[d] See Exhibit 12.01.

[e] See Item 7 for reconciliations of ongoing earnings and diluted EPS to GAAP earnings and diluted EPS.

Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Segments and Organizational Overview

Xcel Energy Inc. is a public utility holding company. Xcel Energy's operations included the activity of four utility subsidiaries that serve electric and natural gas customers in eight states. These utility subsidiaries are NSP-Minnesota, NSP-Wisconsin, PSCo and SPS. These utilities serve customers in portions of Colorado, Michigan, Minnesota, New Mexico, North Dakota, South Dakota, Texas and Wisconsin. Along with the TransCo subsidiaries, WYCO, a joint venture formed with CIG to develop and lease natural gas pipelines, storage and compression facilities, and WGI, an interstate natural gas pipeline company, these companies comprise the regulated utility operations.

Xcel Energy Inc.'s nonregulated subsidiaries are Eloigne and Capital Services. Eloigne invests in rental housing projects that qualify for low-income housing tax credits, and Capital Services procures equipment for construction of renewable generation facilities at other subsidiaries.

Forward-Looking Statements

Except for the historical statements contained in this report, the matters discussed herein are forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements, including the 2018 EPS guidance, the TCJA's impact to Xcel Energy and its customers, long-term earnings per share and dividend growth rate, as well as assumptions and other statements identified in this document by the words "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "objective," "outlook," "plan," "project," "possible," "potential," "should," "will," "would" and similar expressions. Actual results may vary materially. Forward-looking statements speak only as of the date they are made, and we expressly disclaim any obligation to update any forward-looking information. The following factors, in addition to those discussed elsewhere in this Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2017 (including the items described under Factors Affecting Results of Operations; and the other risk factors listed from time to time by Xcel Energy Inc. in reports filed with the SEC, including "Risk Factors" in Item 1A of this Annual Report on Form 10-K and Exhibit 99.01 hereto), could cause actual results to differ materially from management expectations as suggested by such forward-looking information: general economic conditions, including inflation rates, monetary fluctuations and their impact on capital expenditures and the ability of Xcel Energy Inc. and its subsidiaries to obtain financing on favorable terms; business conditions in the energy industry, including the risk of a slow down in the U.S. economy or delay in growth, recovery, trade, fiscal, taxation and environmental policies in areas where Xcel Energy has a financial interest; customer business conditions; actions of credit rating agencies; competitive factors including the extent and timing of the entry of additional competition in the markets served by Xcel Energy and its subsidiaries; unusual weather; effects of geopolitical events, including war and acts of terrorism; cyber security threats and data security breaches; state, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rates or have an impact on asset operation or ownership or impose environmental compliance conditions; structures that affect the speed and degree to which competition enters the electric and natural gas markets; costs and other effects of legal and administrative proceedings, settlements, investigations and claims; financial or regulatory accounting policies imposed by regulatory bodies; outcomes of regulatory proceedings; availability or cost of capital; and employee work force factors.

Management's Strategic Priorities

Xcel Energy's vision is to be the preferred and trusted provider of the energy our customers need. We continually evolve our business to meet the changing needs of our customers, investors and policymakers. We strive to provide our investors an attractive value proposition and our customers with safe, clean and reliable energy services at a competitive price. This mission is enabled via three key strategic priorities:

- Lead the clean energy transition;
- Enhance the customer experience; and
- Keep bills low.

Successful execution of our strategic objectives should allow Xcel Energy to continue to deliver a competitive total return for our shareholders. Below is a discussion of these objectives.

Lead the clean energy transition

For more than a decade, we have managed the risk of climate change and increasing customer demand for renewable energy through a clean energy strategy that consistently reduces carbon emissions and transitions our operations for the future. As a result, we have successfully reduced our carbon emissions by 35 percent from 2005 to 2017. We expect to reduce our carbon footprint by 45 percent by 2021 and by 60 percent by 2030 (over 2005 levels).

Our service territories benefit from the geographic concentration of favorable renewable resources. Strong wind and high solar irradiance yield high generation capacity factors, which lowers the cost of these resources. The combination of high capacity factors, grid options from transmission investment and market operations, improved supply chain, technological improvements and the extension of the renewable tax credits translates into low renewable energy costs for our customers. As a result, we are able to invest in renewable generation, in which the capital costs are largely or completely offset by fuel savings. This provides us the opportunity to lower the emission profile of our generation fleet, grow our renewable portfolio and provide significant fuel savings to our customers. We call this our "Steel for Fuel" strategy.

We are transitioning how we produce, deliver and encourage the efficient use of energy through four primary mechanisms:

- Increasing the use of affordable renewable energy;
- Offering energy efficiency programs for customers;
- Retiring or repowering coals units and modernizing our generating plants; and
- Advancing power grid capabilities.

We have announced ambitious plans to add 3,680 MW of wind energy on our system by 2021. This includes:

- The 600 MW Rush Creek project in Colorado that is under construction and will be owned entirely by Xcel Energy;
- The 1,550 MW of wind generation in Minnesota and the Dakotas. This project has been approved by the MPUC and will include 1,150 MW of ownership and 400 MW of PPAs;
- The proposed 1,230 MW of wind projects in Texas and New Mexico, which includes 1,000 MW of ownership and 230 MW of PPAs; and
- The proposed 300 MW Dakota Range wind project in South Dakota.

In addition, the proposed CEP encompasses the retirement of 660 MW from two coal-fired units at Comanche and the potential addition of up to 1,000 MW of wind, 700 MW of solar and 700 MW of natural gas and/or storage.

Enhance the customer experience

The utility landscape is changing, and we must continue to thoughtfully anticipate and address the future needs of our stakeholders, including our customers, policymakers, employees and shareholders. Adapting to this changing environment is critical to our long-term success. Our customers expect to have choices, and we are committed to providing options and solutions that they want and value at a competitive price. Our continued investment in clean energy is an example of this commitment to our customers. Environmental stewardship remains foundational to Xcel Energy and our desire is to more broadly impact our customers and communities while creating shareholder value.

We will continue to expand our production of renewable energy, including wind and solar alternatives, and further develop and promote DSM, conservation and renewable programs. We are also in the process of transforming our transmission and distribution systems to accommodate increased levels of renewables, distributed energy resources and corresponding data growth, while maintaining high levels of reliability and security and keeping customer bills affordable. Finally, we are improving our communications to enable customers to interact with us in the way they prefer.

Keep bills low

Xcel Energy is very focused on our customers and the impact our actions have on the bill. Our objective is to keep total bill increases at or below the rate of inflation so our prices remain competitive relative to alternatives. We expect to continue to keep our customer bills low by executing on our Steel for Fuel plan, controlling O&M costs and promoting energy efficiency and conservation.

Xcel Energy is working to keep O&M expense relatively flat without compromising reliability or safety. We intend to accomplish this objective by continually improving our processes, leveraging technology, proactively managing risk and maintaining a workforce that is prepared to meet the needs of our business today and tomorrow. As a result of these actions, Xcel Energy's 2017 O&M was lower than 2014 levels.

Provide a competitive total return to investors and maintain strong investment grade credit rating

Through our disciplined approach to business growth, financial investment, operations and safety, we plan to:

- Deliver long-term annual EPS growth of five percent to six percent;
- Deliver annual dividend increases of five percent to seven percent;
- Target a dividend payout ratio of 60 to 70 percent of annual ongoing EPS; and
- Maintain senior secured debt credit ratings in the A range and senior unsecured debt credit ratings in the BBB+ to A range.

We have consistently achieved our financial objectives, meeting or exceeding our earnings guidance range for thirteen consecutive years, and we believe we are positioned to continue to deliver on our value proposition. Our ongoing earnings have grown approximately 5.9 percent and our dividend has grown approximately 4.4 percent annually from 2005 through 2017. In addition, our current senior unsecured debt credit ratings for Xcel Energy and its utility subsidiaries are in the BBB+ to A range, while our secured operating company debt ratings are in the A range. Although the TCJA placed pressure on our credit metrics, we are taking steps to retain the health of our credit ratings.

Responsible by nature

We understand the important role we play as a member of society: meeting a basic need, taking great care of the investments made in our company and engaging with our communities in ways that helps them thrive. We believe energy is a critical service for all people; one that enhances quality of life and enables economic progress. We know our investors and their customers are putting their faith in us to create economic value for them and their families over the long term, and we will continue to prepare for tomorrow to retain their trust in us. We exist because of the families, businesses and cities that rely on us, and we are privileged to serve them. We see our success not simply as a measure of profit but also as our broader impact on the public good.

Financial Review

The following discussion and analysis by management focuses on those factors that had a material effect on Xcel Energy's financial condition, results of operations and cash flows during the periods presented, or are expected to have a material impact in the future. It should be read in conjunction with the accompanying consolidated financial statements and the related notes to consolidated financial statements.

The only common equity securities that are publicly traded are common shares of Xcel Energy Inc. The diluted earnings and EPS of each subsidiary as well as the ROE of each subsidiary discussed below do not represent a direct legal interest in the assets and liabilities allocated to such subsidiary, but rather represent a direct interest in our assets and liabilities as a whole. Ongoing diluted EPS and ongoing ROE for Xcel Energy and by subsidiary are financial measures not recognized under GAAP. Ongoing diluted EPS is calculated by dividing the net income or loss attributable to the controlling interest of each subsidiary, adjusted for certain nonrecurring items, by the weighted average fully diluted Xcel Energy Inc. common shares outstanding for the period. Ongoing ROE is calculated by dividing the net income or loss attributable to the controlling interest of Xcel Energy or each subsidiary, adjusted for certain nonrecurring items, by each entity's average common stockholders' or stockholder's equity. We use these non-GAAP financial measures to evaluate and provide details of earnings results. We believe these measurements are useful to investors to evaluate the actual and projected financial performance and contribution of our subsidiaries. These non-GAAP financial measures should not be considered as alternatives to measures calculated and reported in accordance with GAAP.

Results of Operations

The following tables summarize diluted EPS for Xcel Energy at Dec. 31:

	2017			2016	2015		
Diluted Earnings (Loss) Per Share	**GAAP Diluted EPS**	**Impact of TCJA**	**Ongoing Diluted EPS**	**GAAP and Ongoing Diluted EPS**	**GAAP Diluted EPS**	**Loss on Monticello LCM/EPU Project**	**Ongoing Diluted EPS [b]**
NSP-Minnesota	$ 0.96	$ 0.05	$ 1.01	$ 0.96	$ 0.70	$ 0.16	$ 0.85
PSCo	0.97	(0.03)	0.94	0.91	0.92	—	0.92
SPS	0.31	(0.01)	0.30	0.30	0.25	—	0.25
NSP-Wisconsin	0.16	—	0.16	0.14	0.15	—	0.15
Equity earnings of unconsolidated subsidiaries [a]	0.07	(0.04)	0.03	0.05	0.04	—	0.04
Regulated utility [b]	$ 2.47	$ (0.03)	$ 2.45	$ 2.35	$ 2.06	$ 0.16	$ 2.21
Xcel Energy Inc. and other	(0.22)	0.07	(0.15)	(0.15)	(0.11)	—	(0.11)
Total [b]	$ 2.25	$ 0.05	$ 2.30	$ 2.21	$ 1.94	$ 0.16	$ 2.09

(a) Includes income taxes.
(b) Amounts may not add due to rounding.

Xcel Energy's management believes that ongoing earnings provide a meaningful comparison of earnings results and is representative of Xcel Energy's fundamental core earnings power. Xcel Energy's management uses ongoing earnings internally for financial planning and analysis, for reporting of results to the Board of Directors, in determining whether performance targets are met for performance-based compensation and when communicating its earnings outlook to analysts and investors.

2017 Adjustment to GAAP Earnings

Impact of the TCJA — Xcel Energy recognized an estimated one-time, non-cash, income tax expense of approximately $23 million in the fourth quarter of 2017 for net excess deferred tax assets which may not be recovered from customers or not attributable to regulated operations, increased valuation allowances, etc. due to the enactment of the TCJA in December 2017. The income tax expense associated with the TCJA enactment has been excluded from Xcel Energy's 2017 ongoing earnings, given the non-recurring nature of the TCJA's broad and sweeping reform of the IRC. See Note 6 to the consolidated financial statements for further discussion.

2015 Adjustment to GAAP Earnings

Loss on Monticello LCM/EPU Project — In March 2015, the MPUC approved full recovery, including a return, on $415 million of the project costs, inclusive of AFUDC, but only allowed recovery of the remaining $333 million of costs with no return on this portion of the investment for 2015 and beyond. As a result of this decision, Xcel Energy recorded a pre-tax charge of approximately $129 million, or $79 million net of tax, in the first quarter of 2015. See Note 12 to the consolidated financial statements for further discussion.

Earnings Adjusted for Certain Items

2017 Comparison with 2016

Xcel Energy — GAAP earnings increased $0.04 per share for 2017. Ongoing earnings increased $0.09 per share, excluding the impact of the TCJA. Earnings were higher as a result of increased electric and natural gas margins to recover infrastructure investments, reduced O&M expenses, a lower ETR and higher AFUDC. These positive factors were partially offset by increased depreciation expense, interest charges and property taxes.

NSP-Minnesota — GAAP earnings were flat for 2017. Ongoing earnings increased $0.05 per share, excluding the impact of the TCJA. The change reflects higher electric margins driven by a 2017 Minnesota rate increase as well as increased gas margins, a lower ETR and reduced O&M expenses. The decrease in the ETR is largely driven by resolution of IRS appeals/audits and an increase in wind PTCs, which are flowed back to customers and reduce electric margin. Lower O&M expenses primarily relate to reduced expenses for nuclear refueling outages and overhauls at generation facilities. These positive factors were partially offset by higher depreciation expense due to increased invested capital as well as prior year amortization of Minnesota's excess depreciation reserve and higher property taxes.

PSCo — GAAP earnings increased $0.06 per share for 2017. Ongoing earnings increased $0.03 per share, excluding the impact of the TCJA. The increase in earnings was driven by higher electric and natural gas margins, increased AFUDC primarily related to the Rush Creek wind project, a decrease in O&M expenses (timing of generation outages) and a lower ETR, partially offset by higher depreciation expense, interest charges and the impact of unfavorable weather.

SPS — GAAP earnings increased $0.01 per share for 2017. Ongoing earnings were flat, excluding the impact of the TCJA. Rate increases in Texas and New Mexico and a lower ETR were offset by higher depreciation expense (representing continued investment), O&M expenses (including the prior year deferrals associated with the Texas 2016 rate case), property taxes and the impact of unfavorable weather.

NSP-Wisconsin — GAAP and ongoing earnings increased $0.02 per share for 2017. The change in ongoing earnings was driven by a rise in electric and natural gas rates, partially offset by additional depreciation expense related to continued transmission and distribution investments and higher O&M expenses.

Equity earnings of unconsolidated subsidiaries — GAAP earnings increased $0.02 per share for 2017. Ongoing earnings of unconsolidated subsidiaries decreased $0.02 per share, excluding the impact of the TCJA. The decline primarily related to lower revenues due to lower rates at our WYCO subsidiary, which develops and leases natural gas pipelines, storage and compression facilities.

2016 Comparison with 2015

Xcel Energy — 2016 GAAP earnings increased due to the 2015 loss on Monticello LCM/EPU project; see Note 12 for further information. Ongoing earnings increased $0.12 per share (GAAP earnings increased $0.28 per share). Increases in electric and natural gas margins were primarily driven by higher rates and riders across various jurisdictions to recover our capital investments and the favorable impact of weather as compared with the previous year. These positive factors and a lower ETR were partially offset by higher depreciation, interest charges and property taxes.

NSP-Minnesota — 2016 GAAP earnings increased due to the 2015 loss on Monticello LCM/EPU project; see Note 12 for further information. Ongoing earnings increased $0.11 per share due to the following: higher electric margins primarily driven by an interim electric rate increase in Minnesota (net of estimated provision for refund); non-fuel riders; the favorable impact of weather; and a lower ETR. These positive factors were partially offset by higher depreciation, O&M expenses, interest charges and property taxes.

PSCo — Earnings decreased $0.01 per share for 2016. The positive impact of higher natural gas margins (primarily due to a rate increase), sales growth and a lower estimated electric earnings test refund, were more than offset by increased depreciation and interest charges.

SPS — Earnings increased $0.05 per share for 2016. Higher electric margins and lower O&M expenses were partially offset by an increase in depreciation and interest charges.

NSP-Wisconsin — Earnings decreased $0.01 per share for 2016. The positive impact of higher electric margins (primarily driven by an electric rate increase) was more than offset by higher O&M expenses and depreciation.

Equity earnings of unconsolidated subsidiaries — Earnings of unconsolidated subsidiaries increased $0.01 per share in 2016 due to facility expansion and increased revenue at WYCO.

Xcel Energy Inc. and other — Xcel Energy Inc. and other includes financing costs at the holding company and other items.
The decrease in earnings was primarily related to higher long-term debt levels.

Changes in Diluted EPS

The following tables summarize significant components contributing to the changes in 2017 EPS compared with the same period in 2016 and 2016 EPS compared with the same period in 2015:

Diluted Earnings (Loss) Per Share	Dec. 31
GAAP and ongoing diluted EPS — 2016	**$ 2.21**
Components of change — 2017 vs. 2016	
Higher electric margins [a]	0.16
Lower ETR [b]	0.07
Higher natural gas margins	0.03
Higher AFUDC — equity	0.03
Lower O&M expenses	0.03
Higher depreciation and amortization	(0.21)
Higher conservation and DSM program expenses [c]	(0.03)
Higher interest charges	(0.02)
Higher taxes (other than income taxes)	(0.02)
Equity earnings of unconsolidated subsidiaries	(0.02)
Other, net	0.02
GAAP diluted EPS — 2017	**2.25**
Impact of the TCJA	0.05
Ongoing diluted EPS — 2017	**$ 2.30**

(a) Includes an increase of $23 million in revenues from conservation and DSM programs, offset by related expenses, for the twelve months ended Dec. 31, 2017.
(b) The ETR includes the impact of an additional $20 million of wind PTCs for the twelve months ended Dec. 31, 2017, which are largely flowed back to customers through electric margin, as well as the impact of the TCJA recorded in the fourth quarter of 2017.
(c) Offset by higher revenues.

Diluted Earnings (Loss) Per Share	Dec. 31
GAAP diluted EPS — 2015	**$ 1.94**
Loss on Monticello LCM/EPU project	0.16
Ongoing diluted EPS — 2015[a]	**2.09**
Components of change — 2016 vs. 2015	
Higher electric margins	0.32
Lower ETR	0.06
Higher natural gas margins	0.04
Higher depreciation and amortization	(0.21)
Higher interest charges	(0.06)
Higher taxes (other than income taxes)	(0.02)
Other, net	(0.01)
GAAP and ongoing diluted EPS — 2016	**$ 2.21**

(a) Amounts may not add due to rounding.

The following tables summarize the ROE for Xcel Energy and its utility subsidiaries at Dec. 31:

ROE — 2017	NSP-Minnesota	PSCo	SPS	NSP-Wisconsin	Operating Companies	Xcel Energy
GAAP ROE	9.05%	8.90 %	7.84 %	9.41%	8.84%	10.21%
Impact of the TCJA	0.45	(0.24)	(0.30)	0.09	0.03	0.21
Ongoing ROE	9.50%	8.66 %	7.54 %	9.50%	8.87%	10.42%

ROE — 2016	NSP-Minnesota	PSCo	SPS	NSP-Wisconsin	Operating Companies	Xcel Energy
GAAP and ongoing ROE	9.29%	8.92%	8.14%	8.63%	8.94%	10.39%

The following tables provide reconciliations of GAAP earnings (net income) to ongoing earnings and GAAP diluted EPS to ongoing diluted EPS for the years ended Dec. 31:

(Millions of Dollars)	2017	2016	2015
GAAP earnings	$ 1,148	$ 1,123	$ 985
Estimated impact of TCJA	23	—	—
Loss on Monticello LCM/EPU project	—	—	79
Ongoing earnings	$ 1,171	$ 1,123	$ 1,064

Diluted Earnings Per Share	2017	2016	2015
GAAP diluted EPS	$ 2.25	$ 2.21	$ 1.94
Estimated impact of TCJA	0.05	—	—
Loss on Monticello LCM/EPU project	—	—	0.16
Ongoing diluted EPS [a]	$ 2.30	$ 2.21	$ 2.09

(a) Amounts may not add due to rounding.

Statement of Income Analysis

The following discussion summarizes the items that affected the individual revenue and expense items reported in the consolidated statements of income.

Estimated Impact of Temperature Changes on Regulated Earnings — Unusually hot summers or cold winters increase electric and natural gas sales, while mild weather reduces electric and natural gas sales. The estimated impact of weather on earnings is based on the number of customers, temperature variances and the amount of natural gas or electricity the average customer historically uses per degree of temperature. Accordingly, deviations in weather from normal levels can affect Xcel Energy's financial performance.

Degree-day or Temperature-Humidity Index (THI) data is used to estimate amounts of energy required to maintain comfortable indoor temperature levels based on each day's average temperature and humidity. Heating degree-days (HDD) is the measure of the variation in the weather based on the extent to which the average daily temperature falls below 65° Fahrenheit. Cooling degree-days (CDD) is the measure of the variation in the weather based on the extent to which the average daily temperature rises above 65° Fahrenheit. Each degree of temperature above 65° Fahrenheit is counted as one CDD, and each degree of temperature below 65° Fahrenheit is counted as one HDD. In Xcel Energy's more humid service territories, a THI is used in place of CDD, which adds a humidity factor to CDD. HDD, CDD and THI are most likely to impact the usage of Xcel Energy's residential and commercial customers. Industrial customers are less sensitive to weather.

Normal weather conditions are defined as either the 20-year or 30-year average of actual historical weather conditions. The historical period of time used in the calculation of normal weather differs by jurisdiction, based on regulatory practice. To calculate the impact of weather on demand, a demand factor is applied to the weather impact on sales as defined above to derive the amount of demand associated with the weather impact.

The percentage increase (decrease) in normal and actual HDD, CDD and THI are provided in the following table:

	2017 vs. Normal	2016 vs. Normal	2017 vs. 2016	2015 vs. Normal	2016 vs. 2015
HDD	(10.0)%	(13.4)%	2.6 %	(7.9)%	(5.5)%
CDD	6.5	11.1	(3.5)	6.2	5.1
THI	(11.3)	7.7	(18.5)	(2.3)	10.9

Weather — The following table summarizes the estimated impact of temperature variations on EPS compared with normal weather conditions:

	2017 vs. Normal	2016 vs. Normal	2017 vs. 2016	2015 vs. Normal	2016 vs. 2015
Retail electric	$ (0.036)	$ 0.004	$ (0.040)	$ (0.020)	$ 0.024
Firm natural gas	(0.023)	(0.025)	0.002	(0.018)	(0.007)
Total (excluding decoupling)	$ (0.059)	$ (0.021)	$ (0.038)	$ (0.038)	$ 0.017
Decoupling — Minnesota	0.022	(0.002)	0.024	—	(0.002)
Total (adjusted for recovery from decoupling)	$ (0.037)	$ (0.023)	$ (0.014)	$ (0.038)	$ 0.015

Sales Growth (Decline) — The following tables summarize Xcel Energy and its utility subsidiaries' sales growth (decline) for actual and weather-normalized sales for the years ended Dec. 31, compared with the previous year:

	2017 vs. 2016				
	NSP-Minnesota	PSCo	SPS	NSP-Wisconsin	Xcel Energy
Actual					
Electric residential [(a)]	(2.1)%	(1.8)%	(3.5)%	(0.8)%	(2.1)%
Electric C&I	(1.4)	(0.1)	1.3	2.2	(0.1)
Total retail electric sales	(1.6)	(0.6)	0.2	1.3	(0.7)
Firm natural gas sales	9.3	(2.2)	N/A	11.3	2.1

	2017 vs. 2016				
	NSP-Minnesota	PSCo	SPS	NSP-Wisconsin	Xcel Energy
Weather-normalized					
Electric residential [(a)]	(0.7)%	(1.6)%	(1.2)%	0.3%	(1.0)%
Electric C&I	(1.0)	0.1	1.5	2.5	0.2
Total retail electric sales	(1.0)	(0.4)	0.9	1.8	(0.2)
Firm natural gas sales	4.7	0.6	N/A	5.7	2.2

	2017 vs. 2016 (Excluding Leap Day) [b]				
	NSP-Minnesota	PSCo	SPS	NSP-Wisconsin	Xcel Energy
Weather-normalized - adjusted for leap day					
Electric residential [a]	(0.5)%	(1.3)%	(1.0)%	0.6%	(0.8)%
Electric C&I	(0.8)	0.3	1.8	2.7	0.4
Total retail electric sales	(0.7)	(0.2)	1.1	2.1	0.1
Firm natural gas sales	5.2	1.1	N/A	6.3	2.7

[a] Extreme weather variations, windchill and cloud cover may not be reflected in weather-normalized and actual growth (decline) estimates.

[b] The estimated impact of the 2016 leap day is excluded to present a more comparable year-over-year presentation. The estimated impact of the additional day of sales in 2016 was approximately 0.3 percent for retail electric and 0.5 percent for firm natural gas for the twelve months ended.

Weather-normalized 2017 Electric Sales Growth (Decline) (Excluding Leap Day)

- NSP-Minnesota's residential sales decrease was a result of lower use per customer, partially offset by customer growth. The decline in commercial and industrial (C&I) sales was largely due to reduced usage, which offset an increase in the number of customers. Declines in services more than offset increased sales to large customers in manufacturing and energy industries.
- PSCo's decline in residential sales reflects lower use per customer, partially offset by customer additions. C&I growth was mainly due to an increase in customers and higher use for large C&I customers that support the mining, oil and natural gas industries, partially offset by lower use for the small C&I class.
- SPS' residential sales fell largely due to lower use per customer. The increase in C&I sales reflects customer additions and greater use for large C&I customers driven by the oil and natural gas industry in the Permian Basin.
- NSP-Wisconsin's residential sales increase was primarily attributable to higher use per customer and customer additions. C&I growth was largely due to higher use per customer and increased sales to customers in the sand mining industry and large customers in the energy and manufacturing industries.

Weather-normalized 2017 Natural Gas Sales Growth (Excluding Leap Day)

- Across service territories, higher natural gas sales reflect an increase in the number of customers, partially offset by a decline in customer use.

Weather-normalized sales for 2018 are projected to be within a range of 0 percent to 0.5 percent over 2017 levels for retail electric customers and 0 percent to 0.5 percent below 2017 levels for firm natural gas customers.

	2016 vs. 2015				
	NSP-Minnesota	PSCo	SPS	NSP-Wisconsin	Xcel Energy
Actual					
Electric residential [a]	1.2 %	1.8 %	(1.6)%	0.3 %	0.9 %
Electric C&I	(0.5)	(0.4)	1.1	(0.1)	—
Total retail electric sales	—	0.4	0.7	(0.1)	0.3
Firm natural gas sales	(4.1)	(1.1)	N/A	(7.4)	(2.4)

	2016 vs. 2015				
	NSP-Minnesota	PSCo	SPS	NSP-Wisconsin	Xcel Energy
Weather-normalized					
Electric residential [a]	0.1 %	1.9 %	(1.3)%	(0.2)%	0.5 %
Electric C&I	(0.8)	(0.4)	0.8	(0.2)	(0.3)
Total retail electric sales	(0.5)	0.4	0.5	(0.3)	—
Firm natural gas sales	(0.3)	(0.2)	N/A	(4.3)	(0.5)

	2016 vs. 2015 (Excluding Leap Day) [b]				
	NSP-Minnesota	PSCo	SPS	NSP-Wisconsin	Xcel Energy
Weather-normalized - adjusted for leap day					
Electric residential [a]	(0.2)%	1.6 %	(1.6)%	(0.6)%	0.3 %
Electric C&I	(1.0)	(0.7)	0.5	(0.5)	(0.5)
Total retail electric sales	(0.8)	0.1	0.2	(0.6)	(0.3)
Firm natural gas sales	(0.8)	(0.7)	N/A	(4.8)	(1.0)

[a] Extreme weather variations, windchill and cloud cover may not be reflected in weather-normalized and actual growth (decline) estimates.
[b] The estimated impact of the 2016 leap day is excluded to present a more comparable year-over-year presentation. The estimated impact of the additional day of sales in 2016 was approximately 0.2 percent to 0.4 percent for retail electric and 0.5 percent for firm natural gas for the twelve months ended.

Weather-normalized 2016 Electric Sales Growth (Decline) (Excluding Leap Day)

- NSP-Minnesota's residential sales decreased as a result of lower use per customer, partially offset by customer additions. C&I sales declined primarily as a result of lower use by customers in the manufacturing and service industries.
- PSCo's residential growth reflects an increased number of customers. The C&I decline was mainly due to lower sales to certain large customers in the manufacturing, mining, oil and gas industries. The decline was partially offset by an increase in the number of small C&I customers.
- SPS' residential sales decline was primarily the result of lower use per customer, partially offset by an increased number of customers. The increase in C&I sales was driven by energy sector expansion in the Southeastern New Mexico, Permian Basin area as well as greater use by agricultural customers.
- NSP-Wisconsin's residential sales decrease was primarily attributable to lower use per customer, partially offset by customer additions. The C&I decline was largely due to reduced sales to small customers. The overall decrease was partially offset by an increase in the number of C&I customers as well as greater use in the large C&I class for the oil and gas industries.

Weather-normalized 2016 Natural Gas Sales Decline (Excluding Leap Day)

- Across natural gas service territories, lower natural gas sales reflect a decline in customer use, partially offset by a slight increase in the number of customers.

Electric Revenues and Margin

Electric revenues and fuel and purchased power expenses are impacted by fluctuation in the price of natural gas, coal and uranium used in the generation of electricity. However, these price fluctuations have minimal impact on electric margin due to fuel recovery mechanisms that recover fuel expenses. The following table details the electric revenues and margin:

(Millions of Dollars)	2017	2016	2015
Electric revenues	$ 9,676	$ 9,500	$ 9,276
Electric fuel and purchased power	(3,757)	(3,718)	(3,763)
Electric margin	$ 5,919	$ 5,782	$ 5,513

The following tables summarize the components of the changes in electric revenues and electric margin for the years ended Dec. 31:

Electric Revenues

(Millions of Dollars)	2017 vs. 2016
Retail rate increases (Texas, Minnesota, New Mexico and Wisconsin)	$ 123
Non-fuel riders	33
Conservation and DSM program revenues (offset by expenses)	23
Decoupling (weather portion — Minnesota)	18
Wholesale transmission revenue	10
Estimated impact of weather	(30)
Conservation incentive	(18)
Other, net	17
Total increase in electric revenues	$ 176

Electric Margin

(Millions of Dollars)	2017 vs. 2016
Retail rate increases (Texas, Minnesota, New Mexico and Wisconsin)	$ 123
Non-fuel riders	33
Conservation and DSM revenues (offset by expenses)	23
Decoupling (weather portion — Minnesota)	18
Purchased capacity costs	8
Wholesale transmission revenue, net of costs	(38)
Estimated impact of weather	(30)
Conservation incentive	(18)
Other, net	18
Total increase in electric margin	$ 137

Electric Revenues

(Millions of Dollars)	2016 vs. 2015
Retail rate increases [(a)]	$ 190
Transmission revenue	71
Trading	40
Non-fuel riders	28
Estimated impact of weather, excluding decoupling in Minnesota	19
Fuel and purchased power cost recovery	(127)
Other, net	3
Total increase in electric revenues	$ 224

[(a)] Increase is primarily due to interim rates in Minnesota (net of estimated provision for refund) and final rates in Wisconsin and New Mexico.

Electric Margin

(Millions of Dollars)	2016 vs. 2015
Retail rate increases [(a)]	$ 190
Non-fuel riders	28
Estimated impact of weather, excluding decoupling in Minnesota	19
Transmission revenue, net of costs	14
Retail sales growth, excluding weather impact	9
PSCo earnings test refunds	6
Conservation incentive	3
Firm wholesale	(12)
Other, net	12
Total increase in electric margin	$ 269

[(a)] Increase is primarily due to interim rates in Minnesota (net of estimated provision for refund) and final rates in Wisconsin and New Mexico.

Natural Gas Revenues and Margin

Total natural gas expense varies with changing sales requirements and the cost of natural gas. However, fluctuations in the cost of natural gas has minimal impact on natural gas margin due to natural gas cost recovery mechanisms. The following table details natural gas revenues and margin:

(Millions of Dollars)	2017	2016	2015
Natural gas revenues	$ 1,650	$ 1,531	$ 1,672
Cost of natural gas sold and transported	(823)	(733)	(905)
Natural gas margin	$ 827	$ 798	$ 767

The following tables summarize the components of the changes in natural gas revenues and natural gas margin for the years ended Dec. 31:

Natural Gas Revenues

(Millions of Dollars)	2017 vs. 2016
Purchased natural gas adjustment clause recovery	$ 88
Infrastructure and integrity riders	18
Conservation and DSM program revenues (offset by expenses)	7
Retail sales growth, excluding weather impact	7
Estimated impact of weather	1
Other, net	(2)
Total increase in natural gas revenues	$ 119

Natural Gas Margin

(Millions of Dollars)	2017 vs. 2016
Infrastructure and integrity riders	$ 18
Retail sales growth, excluding weather impact	7
Estimated impact of weather	1
Other, net	3
Total increase in natural gas margin	$ 29

Natural Gas Revenues

(Millions of Dollars)	2016 vs. 2015
Purchased natural gas adjustment clause recovery	$ (177)
Estimated impact of weather	(5)
Infrastructure and integrity riders	(5)
Retail rate increases (Colorado)	36
Conservation and DSM program revenues (offset by expenses)	8
Other, net	2
Total decrease in natural gas revenues	$ (141)

Natural Gas Margin

(Millions of Dollars)	2016 vs. 2015
Retail rate increases (Colorado)	$ 36
Conservation and DSM program revenues (offset by expenses)	8
Estimated impact of weather	(5)
Infrastructure and integrity riders	(5)
Other, net	(3)
Total increase in natural gas margin	$ 31

Non-Fuel Operating Expenses and Other Items

O&M Expenses — O&M expenses decreased $23 million, or 1.0 percent, for 2017 compared with 2016. The significant changes are summarized in the table below:

(Millions of Dollars)	2017 vs. 2016
Nuclear plant operations and amortization	$ (27)
Plant generation costs	(23)
Transmission costs	(2)
Employee benefits expense	17
Texas 2016 electric rate case cost deferral	16
Electric distribution costs	2
Other, net	(6)
Total decrease in O&M expenses	$ (23)

- Nuclear plant operations and amortization expenses are lower mostly due to reduced refueling outage costs and operating efficiencies;
- Plant generation costs decreased as a result of lower expenses associated with planned outages and overhauls at a number of generation facilities; and
- Employee benefits expense includes the recognition of an $8 million pension settlement expense in the fourth quarter of 2017.

O&M expenses decreased $4 million, or 0.1 percent for 2016 compared with 2015.

Conservation and DSM Program Expenses — Conservation and DSM program expenses increased $28 million, or 11.4 percent, for 2017 compared with 2016. The increase was due to higher customer participation in electric conservation programs and recovery rates, mostly in Minnesota. Conservation and DSM expenses, including incentives, are generally recovered in our major jurisdictions concurrently through riders and base rates. Timing of recovery may not correspond to the period in which costs were incurred.

Conservation and DSM program expenses increased $20 million, or 8.9 percent, for 2016 compared with 2015. The increase is primarily attributable to more customer participation in DSM programs.

Depreciation and Amortization — Depreciation and amortization increased $176 million, or 13.5 percent, for 2017 compared with 2016. The increase was primarily due to capital investments and prior year amortization of the excess depreciation reserve in Minnesota.

Depreciation and amortization increased $179 million, or 15.9 percent, for 2016 compared with 2015. The increase was primarily attributable to capital investments, including Pleasant Valley and Border Wind Farms, reduction of the excess depreciation reserve in Minnesota and recognition of the DOE settlement credits in 2015.

Taxes (Other Than Income Taxes) — Taxes (other than income taxes) increased $13 million, or 2.4 percent, for 2017 compared with 2016. The increase was primarily due to higher property taxes in Minnesota and Texas.

Taxes (other than income taxes) increased $20 million, or 4.0 percent, for 2016 compared with 2015. The increase was primarily due to higher property taxes in Minnesota, excluding the impact of the tax deferral related to the Minnesota 2016 multi-year electric rate case.

AFUDC, Equity and Debt — AFUDC increased $23 million for 2017 compared with 2016. The increase was primarily due to higher CWIP, particularly the Rush Creek wind project in Colorado.

AFUDC increased $5 million for 2016 compared with 2015. The increase was primarily due to the expansion of transmission facilities and other capital expenditures.

Interest Charges — Interest charges increased $16 million, or 2.5 percent, for 2017 compared with 2016. The increase was related to higher debt levels to fund capital investments, partially offset by refinancings at lower interest rates.

Interest charges increased $52 million, or 8.7 percent, for 2016 compared with 2015. The increase was related to higher long-term debt levels to fund capital investments, partially offset by refinancings at lower interest rates.

Income Taxes — Income tax expense decreased $39 million for 2017 compared with 2016. The decrease was primarily driven by increased wind PTCs, a net tax benefit related to the resolution of appeals/audits in 2017, an increase in research and experimentation credits, lower pretax earnings in 2017 and a rise in permanent plant-related adjustments. PTCs are flowed back to customers and reduce electric margin. The decrease was partially offset by the estimated one-time, non-cash, income tax expense recognized in the fourth quarter related to the TCJA. The ETR was 32.1 percent for 2017 compared with 34.1 percent for 2016. The lower ETR in 2017 was primarily due to the adjustments referenced above. Excluding the impact for the TCJA adjustment, the ETR would have been 30.7 percent for 2017. See Note 6 to the consolidated financial statements for further discussion.

Income tax expense increased $38 million for 2016 compared with 2015. The increase in income tax expense was primarily due to higher pretax earnings in 2016, partially offset by increased wind PTCs in 2016. The ETR was 34.1 percent for 2016 compared with 35.5 percent for 2015. The lower ETR was primarily due to the wind PTCs in 2016.

Xcel Energy Inc. and Other Results

The following tables summarize the net income and diluted EPS contributions of Xcel Energy Inc. and its nonregulated businesses:

	Contribution to Xcel Energy's Earnings		
(Millions of Dollars)	**2017**	**2016**	**2015**
Xcel Energy Inc. financing costs	$ (79)	$ (71)	$ (56)
Eloigne [(a)]	2	1	—
Xcel Energy Inc. taxes and other results	(35)	(6)	(3)
Total Xcel Energy Inc. and other costs	$ (112)	$ (76)	$ (59)

	Contribution to Xcel Energy's GAAP diluted EPS		
Diluted Earnings (Loss) Per Share	**2017**	**2016**	**2015**
Xcel Energy Inc. financing costs	$ (0.15)	$ (0.14)	$ (0.11)
Eloigne [(a)]	—	—	—
Xcel Energy Inc. taxes and other results	(0.07)	(0.01)	—
Total Xcel Energy Inc. and other costs	$ (0.22)	$ (0.15)	$ (0.11)

(a) Amounts include gains or losses associated with sales of properties held by Eloigne.

Xcel Energy Inc.'s results include interest charges, which are incurred at Xcel Energy Inc. and are not directly assigned to individual subsidiaries.

Factors Affecting Results of Operations

Xcel Energy's utility revenues depend on customer usage, which varies with weather conditions, general business conditions and the cost of energy services. Various regulatory agencies approve the prices for electric and natural gas service within their respective jurisdictions and affect Xcel Energy's ability to recover its costs from customers. The historical and future trends of Xcel Energy's operating results have been, and are expected to be, affected by a number of factors, including those listed below.

General Economic Conditions

Economic conditions may have a material impact on Xcel Energy's operating results. While economic growth has been improving over the past year, management cannot predict whether this trend will be sustained going forward. Other events impact overall economic conditions and management cannot predict the impact of fluctuating energy prices, terrorist activity, war or the threat of war. However, Xcel Energy could experience a material impact to its results of operations, future growth or ability to raise capital resulting from a sustained general slowdown in economic growth or a significant increase in interest rates.

Fuel Supply and Costs

Xcel Energy Inc.'s operating utilities have varying dependence on coal, natural gas and uranium. Changes in commodity prices are generally recovered through fuel recovery mechanisms and have very little impact on earnings. However, availability of supply, the potential implementation of a carbon tax or emissions-related generation restrictions and unanticipated changes in regulatory recovery mechanisms could impact our operations. See Item 1 for further discussion of fuel supply and costs.

Pension Plan Costs and Assumptions

Xcel Energy has significant net pension and postretirement benefit costs that are measured using actuarial valuations. Inherent in these valuations are key assumptions including discount rates and expected return on plan assets. Xcel Energy evaluates these key assumptions at least annually by analyzing current market conditions, which include changes in interest rates and market returns. Changes in the related net pension and postretirement benefits costs and funding requirements may occur in the future due to changes in assumptions. The payout of a significant percentage of pension plan liabilities in a single year due to high retirements or employees leaving Xcel Energy would trigger settlement accounting and could require Xcel Energy to recognize material incremental pension expense related to unrecognized plan losses in the year these liabilities are paid. For further discussion and a sensitivity analysis on these assumptions, see "Employee Benefits" under Critical Accounting Policies and Estimates.

Tax Reform

On Dec. 22, 2017, the TCJA was signed by the President, enacting significant changes to the IRC. The changes are generally effective for Xcel Energy federal tax returns for years following 2017, and include a reduction in the federal corporate income tax rate from 35 percent to 21 percent. The TCJA recognizes the unique nature of public utilities and contains certain provisions specific to the industry, including continuing certain interest expense deductibility and not allowing 100 percent expensing of capital investments.

2017 Impacts of Tax Reform

- Required the revaluation of federal deferred tax assets and liabilities using the new lower tax rate. The majority of the revaluation relates to regulated utility activities and results in the recording of regulatory assets and liabilities, with no estimated income statement impact; and
- Xcel Energy recognized approximately $23 million of income tax expense associated with the TCJA in the fourth quarter of 2017. This amount is considered to be non-recurring and has been excluded from Xcel Energy's 2017 ongoing earnings.

Future Impacts of Tax Reform

- Decreases annual revenue requirements by approximately $400 million;
- Reduces the tax benefit from holding company interest expense by approximately $20 million in 2018, negatively impacting earnings;
- Increases rate base growth for the same level of expected capital expenditures due to lower forecasted deferred tax liabilities; and
- Negative impact on cash flow from operations and credit metrics, depending on regulatory actions.

Potential Regulatory Options

The timing of revenue requirements adjustments for both the return of excess deferred taxes and the lower tax rate are subject to regulatory actions in each of the eight states in which the regulated utilities operate, as well as the FERC. Each regulatory jurisdiction has initiated active proceedings to reflect the impacts of TCJA. In addition to lower revenue requirements, the TCJA also reduces the pre-tax credit that our customers receive from the federal PTCs; this issue will be reviewed in various resource planning and asset acquisition proceedings. Additionally, Xcel Energy has open rate cases and resource acquisition dockets pending in several states that may be impacted.

Xcel Energy plans to work directly with its regulators to determine the appropriate path forward in each jurisdiction. Potential regulatory options that may be appropriate to consider either as alternatives to or in a combination with flowing back the lower revenue requirements through rates include, but are not limited to:

- Accelerating depreciation or amortization for selected assets or asset classes;
- Increasing authorized equity ratios at the operating company level;
- Modifying capital investments;
- Avoiding or deferring future rate cases; and
- Funding of certain long-dated obligations.

Xcel Energy believes that regulatory actions that include higher authorized operating company equity ratios and/or accelerated depreciation/amortization can preserve operating company credit metrics that otherwise degrade under the TCJA.

See Notes 6 and 12 to the consolidated financial statements for further discussion.

Regulation

FERC and State Regulation — The FERC and various state and local regulatory commissions regulate Xcel Energy Inc.'s utility subsidiaries, TransCo subsidiaries and WGI. Decisions by these regulators can significantly impact Xcel Energy's results of operations. Xcel Energy expects to periodically file for rate changes based on changing operating costs, new or planned investments, fluctuations in energy markets and general economic conditions.

The electric and natural gas rates charged to customers of Xcel Energy Inc.'s utility subsidiaries are approved by the FERC or the regulatory commissions in the states in which they operate. The rates are designed to recover plant investment, operating costs and an allowed return on investment. Rates charged by Xcel Energy Inc.'s TransCo subsidiaries and WGI are approved by the FERC. Xcel Energy Inc.'s utility subsidiaries request changes in rates for utility services through filings with the governing commissions. Changes in operating costs can affect Xcel Energy's financial results, depending on the timing of filing general rate cases and the implementation of final rates. In addition to changes in operating costs, other factors affecting rate filings are new investments, sales, conservation and DSM efforts, and the cost of capital. In addition, the regulatory commissions authorize the ROE, capital structure and depreciation rates in rate proceedings.

Wholesale Energy Market Regulation — Wholesale energy markets are operated by MISO in the Midwest and SPP in the South Central U.S. to centrally dispatch all regional electric generation and apply a regional transmission congestion management system. NSP-Minnesota and NSP-Wisconsin are members of MISO and SPS is a member of SPP. NSP-Minnesota, NSP-Wisconsin and SPS expect to recover RTO energy and other charges through either base rates or various recovery mechanisms. PSCo is evaluating participation in the SPP RTO energy market through the MWTG. See Item 1 and Note 12 to the consolidated financial statements for further discussion.

Capital Expenditure Regulation — Xcel Energy Inc.'s utility subsidiaries make substantial investments in renewable generation, plant additions to build and upgrade power plants, and expand and maintain the energy transmission and distribution systems. Xcel Energy Inc.'s utility subsidiaries to recover the costs associated with capital investments through rate case filings and through riders (in certain states). These non-fuel rate riders are expected to provide cash flows to enable recovery of costs incurred on a more timely basis. Xcel Energy has implemented formula rates for each of the utility subsidiaries that will provide annual rate changes as transmission or production investments increase in a manner similar to the retail rate riders for wholesale electric transmission and production services. Electric transmission investments owned by the TransCos are recoverable through FERC approved transmission formula rates for XETD and XEST. NSP-Minnesota and NSP-Wisconsin have no cost-based wholesale production customers and therefore have not implemented a production formula rate.

Environmental Matters

Environmental costs include accruals for nuclear plant decommissioning and payments for storage of spent nuclear fuel, disposal of hazardous materials and waste, remediation of contaminated sites, monitoring of discharges to the environment and compliance with laws and permits with respect to emissions. A trend of greater environmental awareness and increasingly stringent regulation may continue to cause higher operating expenses and capital expenditures for environmental compliance.

Costs charged to operating expenses for nuclear decommissioning and spent nuclear fuel disposal expenses, environmental monitoring and disposal of hazardous materials and waste were approximately:

- $303 million in 2017;
- $304 million in 2016; and
- $292 million in 2015.

Xcel Energy estimates an average annual expense of approximately $349 million from 2018 through 2022 for similar costs. The precise timing and amount of environmental costs, including those for site remediation and disposal of hazardous materials, are unknown. Additionally, the extent to which environmental costs will be included in and recovered through rates may fluctuate.

Capital expenditures for environmental improvements at regulated facilities were approximately:

- $61 million in 2017;
- $93 million in 2016; and
- $184 million in 2015.

See Item 7 — Capital Requirements for further discussion.

Xcel Energy's operations are subject to federal and state laws and regulations related to air emissions, water discharges and waste management from various sources. Such laws and regulations impose monitoring and reporting requirements and may require Xcel Energy to obtain pre-approval for the construction or modification of projects that increase air emissions, water discharges or land disposal of wastes, obtain and comply with permits that contain emission, discharge and operational limitations, or install or operate pollution control equipment at facilities. Xcel Energy will likely be required to incur capital expenditures in the future to comply with these requirements for remediation of MGP and other legacy sites and various regulations for air emissions, water intake and discharge and waste disposal. Actual expenditures could vary from the estimates presented. The scope and timing of these expenditures cannot be determined until any new or revised regulations become final or until more information is learned about the need for remediation at the legacy sites.

Pollution control equipment can be required by federal and state regulations, such as those requiring mercury emission reductions, and by state or federal implementation plans, such as those to address visibility impairment, interstate air pollution impacts or attainment of NAAQS. In 2016, the EPA adopted a federal visibility plan for Texas which imposes SO_2 emission limitations that reflect installation of dry scrubbers on Tolk Units 1 and 2, with compliance required by early 2021. This rule has been stayed by the Fifth Circuit. In March 2017, the Fifth Circuit remanded the rule to the EPA for reconsideration, while leaving the stay in effect. The Fifth Circuit is now holding the case in abeyance until the EPA completes its reconsideration of the rule.

See Note 13 to the consolidated financial statements for further discussion of Xcel Energy's environmental contingencies.

Inflation

Inflation at its current level is not expected to materially affect Xcel Energy's prices or returns to shareholders. However, potential future inflation could result from economic conditions or the economic and monetary policies of the U.S. Government and the Federal Reserve. This could lead to future price increases for materials and services required to deliver electric and natural gas services to customers. These potential cost increases could in turn lead to increased prices to customers. Likewise, lower oil and natural gas prices could lead to sustained deflation, that could also reduce general economic activity although it may lead to lower electric and natural gas prices to customers. Additionally, under statute, federal agencies such as the FERC now can adjust statutory penalties for inflation.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Preparation of the consolidated financial statements and related disclosures in compliance with GAAP requires the application of accounting rules and guidance, as well as the use of estimates. The application of these policies involves judgments regarding future events, including the likelihood of success of particular projects, legal and regulatory challenges and anticipated recovery of costs. These judgments could materially impact the consolidated financial statements and disclosures, based on varying assumptions. In addition, the financial and operating environment also may have a significant effect on the operation of the business and on the results reported. The following is a list of accounting policies and estimates that are most significant to the portrayal of Xcel Energy's financial condition and results, and require management's most difficult, subjective or complex judgments. Each of these has a higher likelihood of resulting in materially different reported amounts under different conditions or using different assumptions. Each critical accounting policy has been reviewed and discussed with the Audit Committee of Xcel Energy Inc.'s Board of Directors on a quarterly basis.

Regulatory Accounting

Xcel Energy Inc. is a holding company with rate-regulated subsidiaries that are subject to the accounting for Regulated Operations, which provides that rate-regulated entities report assets and liabilities consistent with the recovery of those incurred costs in rates, if the competitive environment makes it probable that such rates will be charged and collected. Xcel Energy's rates are derived through the ratemaking process, which results in the recording of regulatory assets and liabilities based on the probability of future cash flows. Regulatory assets generally represent incurred or accrued costs that have been deferred because future recovery from customers is probable. Regulatory liabilities generally represent amounts that are expected to be refunded to customers in future rates or amounts collected in current rates for future costs. In other businesses or industries, regulatory assets and regulatory liabilities would generally be charged to net income or OCI.

Each reporting period Xcel Energy assesses the probability of future recoveries and obligations associated with regulatory assets and liabilities. Factors such as the current regulatory environment, recently issued rate orders and historical precedents are considered. Decisions made by regulatory agencies can directly impact the amount and timing of cost recovery as well as the rate of return on invested capital, and may materially impact Xcel Energy's results of operations, financial condition or cash flows.

As of Dec. 31, 2017 and 2016, Xcel Energy has recorded regulatory assets of $3.4 billion for both periods, and regulatory liabilities of $5.3 billion and $1.6 billion, respectively. Each subsidiary is subject to regulation that varies from jurisdiction to jurisdiction. If future recovery of costs in any such jurisdiction ceases to be probable, Xcel Energy would be required to charge these assets to current net income or OCI. In assessing the probability of recovery of recognized regulatory assets, Xcel Energy noted no current or anticipated proposals or changes in the regulatory environment that it expects will materially impact the probability of recovery of the assets. See Note 15 to the consolidated financial statements for further discussion of regulatory assets and liabilities and Note 12 to the consolidated financial statements for further discussion of rate matters.

Income Tax Accruals

Judgment, uncertainty, and estimates are a significant aspect of the income tax accrual process that accounts for the effects of current and deferred income taxes. Uncertainty associated with the application of tax statutes and regulations and the outcomes of tax audits and appeals require that judgment and estimates be made in the accrual process and in the calculation of the ETR.

Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and our future ETR. The TCJA reduced the federal income tax rate from 35 percent to 21 percent, significantly impacting the recorded amounts of deferred tax assets and liabilities and reducing the ETR applicable to future periods. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Tax Reform and Notes 6 and 12 to the consolidated financial statements for further discussion.

ETRs are highly impacted by assumptions. ETR calculations are revised every quarter based on best available year-end tax assumptions (income levels, deductions, credits, etc.); adjusted in the following year after returns are filed, with the tax accrual estimates being trued-up to the actual amounts claimed on the tax returns; and further adjusted after examinations by taxing authorities have been completed.

In accordance with the interim period reporting guidance, income tax expense for the first three quarters in a year is based on the forecasted annual ETR. The forecasted ETR reflects a number of estimates including forecasted annual income, permanent tax adjustments and tax credits.

Valuation allowances are applied to deferred tax assets if it is more likely than not that at least a portion may not be realized based on an evaluation of expected future taxable income.

Accounting for income taxes also requires that only tax benefits that meet the more likely than not recognition threshold can be recognized or continue to be recognized. The change in the unrecognized tax benefits needs to be reasonably estimated based on evaluation of the nature of uncertainty, the nature of event that could cause the change and an estimated range of reasonably possible changes.

Management will use prudent business judgment to derecognize appropriate amounts of tax benefits at any period end, and as new developments occur. Unrecognized tax benefits can be recognized as issues are favorably resolved and loss exposures decline. We may adjust our unrecognized tax benefits and interest accruals to the updated estimates as disputes with the IRS and state tax authorities are resolved. These adjustments may increase or decrease earnings. See Note 6 to the consolidated financial statements for further discussion.

Employee Benefits

Xcel Energy's pension costs are based on an actuarial calculation that includes a number of key assumptions, most notably the annual return level that pension and postretirement health care investment assets are expected to earn in the future and the interest rate used to discount future pension benefit payments to a present value obligation. In addition, the pension cost calculation uses an asset-smoothing methodology to reduce the volatility of varying investment performance over time. See Note 9 to the consolidated financial statements for further discussion on the rate of return and discount rate used in the calculation of pension costs and obligations.

Pension costs are expected to decrease in 2018 and continue to decline in the following few years. Funding requirements in 2018 are expected to be consistent with 2017 and continue at that level in the following years. While investment returns were below the assumed levels in 2015 and 2016, investment returns exceeded the assumed levels in 2017. The pension cost calculation uses a market-related valuation of pension assets. Xcel Energy uses a calculated value method to determine the market-related value of the plan assets. The market-related value is determined by adjusting the fair market value of assets at the beginning of the year to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return on the market-related value) during each of the previous five years at the rate of 20 percent per year. As these differences between the actual investment returns and the expected investment returns are incorporated into the market-related value, the differences are recognized in pension cost over the expected average remaining years of service for active employees, which was approximately 12 years in 2017.

Based on current assumptions and the recognition of past investment gains and losses, Xcel Energy currently projects the pension costs recognized for financial reporting purposes will be $119 million in 2018 and $105 million in 2019, while the actual pension costs were $139 million in 2017 and $122 million in 2016. The expected decrease in 2018 and future year costs is due primarily to reductions in loss amortizations, plan design changes and an increase in expected return on assets due to planned future contributions and expected return of current assets.

In 2014, the Society of Actuaries published a new mortality table (RP-2014) that increased the overall life expectancy of males and females. In 2014, Xcel Energy adopted this mortality table, with modifications, based on its population and specific experience. During 2017, a new projection table was released (MP-2017). Xcel Energy evaluated the updated projection table and concluded that the methodology currently in use and adopted in 2016 is consistent with the recently updated 2017 table and continues to be representative of Xcel Energy's population.

At Dec. 31, 2017, Xcel Energy set the rate of return on assets used to measure pension costs at 6.87 percent, which is consistent with the rate set at Dec. 31, 2016. The rate of return used to measure postretirement health care costs is 5.80 percent at Dec. 31, 2017 and this is consistent with Dec. 31, 2016. Xcel Energy's ongoing pension investment strategy is based on plan-specific investments that seek to minimize potential investment and interest rate risk as a plan's funded status increases over time. The investments result in a greater percentage of interest rate sensitive securities being allocated to specific plans having relatively higher funded status ratios and a greater percentage of growth assets being allocated to plans having relatively lower funded status ratios.

Xcel Energy set the discount rates used to value the Dec. 31, 2017 pension at 3.63 percent and postretirement health care obligations at 3.62 percent, which represents a 50 basis point and a 51 basis point decrease from Dec. 31, 2016, respectively. Xcel Energy uses a bond matching study as its primary basis for determining the discount rate used to value pension and postretirement health care obligations. The bond matching study utilizes a portfolio of high grade (Aa or higher) bonds that matches the expected cash flows of Xcel Energy's benefit plans in amount and duration. The effective yield on this cash flow matched bond portfolio determines the discount rate for the individual plans. The bond matching study is validated for reasonableness against the Merrill Lynch Corporate 15+ Bond Index. At Dec. 31, 2017, this reference point supported the selected rate. In addition to this reference point, Xcel Energy also reviews general actuarial survey data to assess the reasonableness of the discount rate selected.

The following are the pension funding contributions across all four of Xcel Energy's pension plans, both voluntary and required, for 2015 through 2018:

- $150 million in January 2018;
- $162 million in 2017;
- $125 million in 2016; and
- $90 million in 2015.

For future years, we anticipate contributions will be made as necessary. These contributions are summarized in Note 9 to the consolidated financial statements. Future year amounts are estimates and may change based on actual market performance, changes in interest rates and any changes in governmental regulations. Therefore, additional contributions could be required in the future.

If Xcel Energy were to use alternative assumptions at Dec. 31, 2017, a one-percent change would result in the following impact on 2017 pension costs:

	Pension Costs	
(Millions of Dollars)	**+1%**	**-1%**
Rate of return	$ (17)	$ 18
Discount rate [(a)]	(6)	9

(a) These costs include the effects of regulation.

Beginning with the Dec. 31, 2017 measurement date, Xcel Energy separated its initial medical trend assumption for pre-Medicare (Pre-65) and post-Medicare (Post-65) claims costs, and assumed 7.0 percent and 5.5 percent, respectively. Xcel Energy separated the trends in order to reflect different short-term expectations based on recent experiences with Pre-65 and Post-65 claims cost increases for Xcel Energy's retiree medical plan. The ultimate trend assumption remained at 4.5 percent for both Pre-65 and Post-65 claims costs as similar long-term trend rates are expected for both populations. The period from initial trend rate until the ultimate rate is reached is five years. Xcel Energy bases its medical trend assumption on the long-term cost inflation expected in the health care market, considering the levels projected and recommended by industry experts, as well as recent actual medical cost experienced by Xcel Energy's retiree medical plan.

- Xcel Energy contributed $20 million, $18 million and $18 million during 2017, 2016 and 2015, respectively, to the postretirement health care plans.
- Xcel Energy expects to contribute approximately $12 million during 2018.

Xcel Energy recovers employee benefits costs in its regulated utility operations consistent with accounting guidance with the exception of the areas noted below.

- NSP-Minnesota recognizes pension expense in all regulatory jurisdictions as calculated using the aggregate normal cost actuarial method. Differences between aggregate normal cost and expense as calculated by pension accounting standards are deferred as a regulatory liability.
- In 2017, the PSCW approved NSP-Wisconsin's request for deferred accounting treatment of the 2017 pension settlement accounting expense.
- Colorado, Texas, New Mexico and FERC jurisdictions allow the recovery of other postretirement benefit costs only to the extent that recognized expense is matched by cash contributions to an irrevocable trust. Xcel Energy has consistently funded at a level to allow full recovery of costs in these jurisdictions.
- PSCo and SPS recognize pension expense in all regulatory jurisdictions based on expense consistent with accounting guidance. The Texas and Colorado electric retail jurisdictions and the Colorado gas retail jurisdiction, each record the difference between annual recognized pension expense and the annual amount of pension expense approved in their last respective general rate case as a deferral to a regulatory asset.

See Note 9 to the consolidated financial statements for further discussion.

Nuclear Decommissioning

Xcel Energy recognizes liabilities for the expected cost of retiring tangible long-lived assets for which a legal obligation exists. These AROs are recognized at fair value as incurred and are capitalized as part of the cost of the related long-lived assets. In the absence of quoted market prices, Xcel Energy estimates the fair value of its AROs using present value techniques, in which it makes various assumptions including estimates of the amounts and timing of future cash flows associated with retirement activities, credit-adjusted risk free rates and cost escalation rates. When Xcel Energy revises any assumptions used to estimate AROs, it adjusts the carrying amount of both the ARO liability and the related long-lived asset. Xcel Energy accretes ARO liabilities to reflect the passage of time using the interest method.

A significant portion of Xcel Energy's AROs relates to the future decommissioning of NSP-Minnesota's nuclear facilities. The total obligation for nuclear decommissioning is expected to be funded by the external decommissioning trust fund. The difference between regulatory funding (including depreciation expense less returns from the external trust fund) and expense recognized under current accounting guidance is deferred as a regulatory asset. The amounts recorded for AROs related to future nuclear decommissioning were $1.874 billion and $2.249 billion as of Dec. 31, 2017 and 2016, respectively. Based on their significance, the following discussion relates specifically to the AROs associated with nuclear decommissioning.

NSP-Minnesota obtains periodic cost studies in order to estimate the cost and timing of planned nuclear decommissioning activities. These independent cost studies are based on relevant information available at the time performed. Estimates of future cash flows for extended periods of time are by nature highly uncertain and may vary significantly from actual results. NSP-Minnesota is required to file a nuclear decommissioning filing every three years. The filing covers all expenses over the decommissioning period of the nuclear plants, including decontamination and removal of radioactive material. The MPUC approved NSP-Minnesota's currently effective decommissioning filing in October 2015. The most recent filing was submitted in December 2017 and is currently pending with the MPUC, with an order expected in 2018. See Note 13 for further discussion.

The following key assumptions have a significant effect on the estimated nuclear obligation:

- Timing — Decommissioning cost estimates are impacted by each facility's retirement date and the expected timing of the actual decommissioning activities. Currently, the estimated retirement dates coincide with the expiration of each unit's operating license with the NRC (i.e., 2030 for Monticello and 2033 and 2034 for PI's Unit 1 and 2, respectively). The estimated timing of the decommissioning activities is based upon the DECON method, which assumes prompt removal and dismantlement. The use of the DECON method is required by the MPUC. By utilizing this method, decommissioning activities are expected to begin at the end of the license date and be completed for both facilities by 2091.

- Technology and Regulation — There is limited experience with actual decommissioning of large nuclear facilities. Changes in technology and experience as well as changes in regulations regarding nuclear decommissioning could cause cost estimates to change significantly. NSP-Minnesota's most recent nuclear decommissioning filing assumed current technology and regulations.

- Escalation Rates — Escalation rates represent projected cost increases over time due to both general inflation and increases in the cost of specific decommissioning activities. NSP-Minnesota used an escalation rate of 3.42 percent in calculating the ARO related to nuclear decommissioning for the Monticello facility, a rate of 3.40 percent for PI Unit 1, and a rate of 3.40 percent for PI Unit 2. These rates are weighted averages of labor and non-labor escalation factors calculated by Goldman Sachs Asset Management.

- Discount Rates — Changes in timing or estimated expected cash flows that result in upward revisions to the ARO are calculated using the then-current credit-adjusted risk-free interest rate. The credit-adjusted risk-free rate in effect when the change occurs is used to discount the revised estimate of the incremental expected cash flows of the retirement activity. If the change in timing or estimated expected cash flows results in a downward revision of the ARO, the undiscounted revised estimate of expected cash flows is discounted using the credit-adjusted risk-free rate in effect at the date of initial measurement and recognition of the original ARO. Discount rates ranging from approximately four to seven percent have been used to calculate the net present value of the expected future cash flows over time.

Significant uncertainties exist in estimating the future cost of nuclear decommissioning including the method to be utilized, the ultimate costs to decommission, and the planned method of disposing spent fuel. If different cost estimates, life assumptions or cost escalation rates were utilized, the AROs could change materially. However, changes in estimates have minimal impact on results of operations as NSP-Minnesota expects to continue to recover all costs in future rates.

Xcel Energy continually makes judgments and estimates related to these critical accounting policy areas, based on an evaluation of the varying assumptions and uncertainties for each area. The information and assumptions underlying many of these judgments and estimates will be affected by events beyond the control of Xcel Energy, or otherwise change over time. This may require adjustments to recorded results to better reflect the events and updated information that becomes available. The accompanying financial statements reflect management's best estimates and judgments of the impact of these factors as of Dec. 31, 2017.

Derivatives, Risk Management and Market Risk

Xcel Energy Inc. and its subsidiaries are exposed to a variety of market risks in the normal course of business. Market risk is the potential loss that may occur as a result of adverse changes in the market or fair value of a particular instrument or commodity. All financial and commodity-related instruments, including derivatives, are subject to market risk. See Note 11 to the consolidated financial statements for further discussion of market risks associated with derivatives.

Xcel Energy is exposed to the impact of adverse changes in price for energy and energy-related products, which is partially mitigated by the use of commodity derivatives. In addition to ongoing monitoring and maintaining credit policies intended to minimize overall credit risk, when necessary, management takes steps to mitigate changes in credit and concentration risks associated with its derivatives and other contracts, including parental guarantees and requests of collateral. While Xcel Energy expects that the counterparties will perform under the contracts underlying its derivatives, the contracts expose Xcel Energy to some credit and non-performance risk.

Though no material non-performance risk currently exists with the counterparties to Xcel Energy's commodity derivative contracts, distress in the financial markets may in the future impact that risk to the extent it impacts those counterparties. Distress in the financial markets may also impact the fair value of the securities in the nuclear decommissioning fund and master pension trust, as well as Xcel Energy's ability to earn a return on short-term investments of excess cash.

Commodity Price Risk — Xcel Energy Inc.'s utility subsidiaries are exposed to commodity price risk in their electric and natural gas operations. Commodity price risk is managed by entering into long- and short-term physical purchase and sales contracts for electric capacity, energy and energy-related products and for various fuels used in generation and distribution activities. Commodity price risk is also managed through the use of financial derivative instruments. Xcel Energy's risk management policy allows it to manage commodity price risk within each rate-regulated operation per commission approved hedge plans.

Wholesale and Commodity Trading Risk — Xcel Energy Inc.'s utility subsidiaries conduct various wholesale and commodity trading activities, including the purchase and sale of electric capacity, energy, energy-related instruments and natural gas-related instruments, including derivatives. Xcel Energy's risk management policy allows management to conduct these activities within guidelines and limitations as approved by its risk management committee, which is made up of management personnel not directly involved in the activities governed by this policy.

At Dec. 31, 2017, the fair values by source for net commodity trading contract assets were as follows:

	Futures / Forwards					
(Millions of Dollars)	Source of Fair Value	Maturity Less Than 1 Year	Maturity 1 to 3 Years	Maturity 4 to 5 Years	Maturity Greater Than 5 Years	Total Futures / Forwards Fair Value
NSP-Minnesota	1	$ 4	$ 4	$ 3	$ —	$ 11

	Options					
(Thousands of Dollars)	Source of Fair Value	Maturity Less Than 1 Year	Maturity 1 to 3 Years	Maturity 4 to 5 Years	Maturity Greater Than 5 Years	Total Options Fair Value
NSP-Minnesota	2	$ —	$ 4	$ 1	$ —	$ 5

1 — Prices actively quoted or based on actively quoted prices.
2 — Prices based on models and other valuation methods.

Changes in the fair value of commodity trading contracts before the impacts of margin-sharing mechanisms for the years ended Dec. 31, were as follows:

(Millions of Dollars)	2017	2016
Fair value of commodity trading net contract assets outstanding at Jan. 1	$ 10	$ 11
Contracts realized or settled during the period	(5)	(5)
Commodity trading contract additions and changes during the period	11	4
Fair value of commodity trading net contract assets outstanding at Dec. 31	$ 16	$ 10

At Dec. 31, 2017, a 10 percent increase or decrease in market prices for commodity trading contracts would have an immaterial impact. At Dec. 31, 2016, a 10 percent increase in market prices for commodity trading contracts would decrease pretax income from continuing operations by approximately $1 million, whereas a 10 percent decrease would increase pretax income from continuing operations by approximately $1 million.

Xcel Energy Inc.'s utility subsidiaries' wholesale and commodity trading operations measure the outstanding risk exposure to price changes on transactions, contracts and obligations that have been entered into, but not closed, using an industry standard methodology known as Value at Risk (VaR). VaR expresses the potential change in fair value on the outstanding transactions, contracts and obligations over a particular period of time under normal market conditions.

The VaRs for the NSP-Minnesota and PSCo commodity trading operations, calculated on a consolidated basis using a Monte Carlo simulation with a 95 percent confidence level and a one-day holding period, were as follows:

(Millions of Dollars)	Year Ended Dec. 31	VaR Limit	Average	High	Low
2017	$ 0.18	$ 3.00	$ 0.21	$ 0.66	$ 0.04
2016	0.09	3.00	0.16	0.38	0.05

Nuclear Fuel Supply — NSP-Minnesota is scheduled to take delivery of approximately 58 percent of its 2018 and approximately 24 percent of its 2019 enriched nuclear material requirements from sources that could be impacted by events in Ukraine and extended sanctions against Russia. Alternate potential sources are expected to provide the flexibility to manage NSP-Minnesota's nuclear fuel supply to ensure that plant availability and reliability will not be negatively impacted in the near-term. Long-term, through 2024, NSP-Minnesota is scheduled to take delivery of approximately 35 percent of its average enriched nuclear material requirements from sources that could be impacted by events in Ukraine and extended sanctions against Russia. NSP-Minnesota is closely following the progression of these events and will periodically assess if further actions are required to assure a secure supply of enriched nuclear material.

Separately, NSP-Minnesota has enriched nuclear fuel materials in process with Westinghouse Electric Corporation (Westinghouse). Westinghouse filed for Chapter 11 bankruptcy protection in March 2017. NSP-Minnesota owns materials in Westinghouse's inventory and has contracts in place under which Westinghouse will provide certain services during an upcoming outage at Prairie Island (PI). Westinghouse will provide nuclear fuel assemblies for the upcoming PI outage under the current nuclear fuel fabrication contract. Westinghouse has indicated its intention to continue to perform under the arrangements. Based on Westinghouse's stated intent and the interim financing secured to fund its on-going operations, NSP-Minnesota does not expect the bankruptcy to materially impact NSP-Minnesota's operational or financial performance. Westinghouse announced on Jan. 4, 2018 it has agreed to be acquired by Brookfield Business Partners LP and other institutional partners. Brookfield's acquisition of Westinghouse is expected to close in the third quarter of 2018, subject to bankruptcy court and regulatory approvals. NSP-Minnesota will continue to monitor the Westinghouse acquisition process.

Interest Rate Risk — Xcel Energy is subject to the risk of fluctuating interest rates in the normal course of business. Xcel Energy's risk management policy allows interest rate risk to be managed through the use of fixed rate debt, floating rate debt and interest rate derivatives such as swaps, caps, collars and put or call options.

At Dec. 31, 2017 and 2016, a 100 basis point change in the benchmark rate on Xcel Energy's variable rate debt would impact annual pretax interest expense by approximately $9 million and $4 million, respectively. See Note 11 to the consolidated financial statements for a discussion of Xcel Energy Inc. and its subsidiaries' interest rate derivatives.

NSP-Minnesota maintains a nuclear decommissioning fund, as required by the NRC. The nuclear decommissioning fund is subject to interest rate risk and equity price risk. At Dec. 31, 2017, the fund was invested in a diversified portfolio of cash equivalents, debt securities, equity securities and other investments. These investments may be used only for activities related to nuclear decommissioning. Given the purpose and legal restrictions on the use of nuclear decommissioning fund assets, realized and unrealized gains on fund investments over the life of the fund are deferred as an offset of NSP-Minnesota's regulatory asset for nuclear decommissioning costs. Consequently, any realized and unrealized gains and losses on securities in the nuclear decommissioning fund, including any other-than-temporary impairments, are deferred as a component of the regulatory asset for nuclear decommissioning. Since the accounting for nuclear decommissioning recognizes that costs are recovered through rates, fluctuations in equity prices or interest rates affecting the nuclear decommissioning fund do not have a direct impact on earnings.

Changes in discount rates and expected return on plan assets impact the value of pension and postretirement plan assets as well as benefit costs. For further information, see "Employee Benefits" under Critical Accounting Policies and Estimates.

Credit Risk — Xcel Energy Inc. and its subsidiaries are also exposed to credit risk. Credit risk relates to the risk of loss resulting from counterparties' nonperformance on their contractual obligations. Xcel Energy Inc. and its subsidiaries maintain credit policies intended to minimize overall credit risk and actively monitor these policies to reflect changes and scope of operations.

At Dec. 31, 2017, a 10 percent increase in commodity prices would have resulted in an increase in credit exposure of $26 million, while a decrease in prices of 10 percent would have resulted in an increase in credit exposure of $7 million. At Dec. 31, 2016, a 10 percent increase in commodity prices would have resulted in an increase in credit exposure of $6 million, while a decrease in prices of 10 percent would have resulted in an increase in credit exposure of $17 million.

Xcel Energy Inc. and its subsidiaries conduct standard credit reviews for all counterparties. Xcel Energy employs additional credit risk control mechanisms when appropriate, such as letters of credit, parental guarantees, standardized master netting agreements and termination provisions that allow for offsetting of positive and negative exposures. Credit exposure is monitored and, when necessary, the activity with a specific counterparty is limited until credit enhancement is provided. Distress in the financial markets could increase Xcel Energy's credit risk.

Fair Value Measurements

Xcel Energy follows accounting and disclosure guidance on fair value measurements that contains a hierarchy for inputs used in measuring fair value and requires disclosure of the observability of the inputs used in these measurements. See Note 11 to the consolidated financial statements for further discussion of the fair value hierarchy and the amounts of assets and liabilities measured at fair value that have been assigned to Level 3.

Commodity Derivatives — Xcel Energy continuously monitors the creditworthiness of the counterparties to its commodity derivative contracts and assesses each counterparty's ability to perform on the transactions set forth in the contracts. Given this assessment and the typically short duration of these contracts, the impact of discounting commodity derivative assets for counterparty credit risk was not material to the fair value of commodity derivative assets at Dec. 31, 2017. Adjustments to fair value for credit risk of commodity trading instruments are recorded in electric revenues. Credit risk adjustments for other commodity derivative instruments are deferred as OCI or regulatory assets and liabilities. The classification as a regulatory asset or liability is based on commission approved regulatory recovery mechanisms. Xcel Energy also assesses the impact of its own credit risk when determining the fair value of commodity derivative liabilities. The impact of discounting commodity derivative liabilities for credit risk was immaterial to the fair value of commodity derivative liabilities at Dec. 31, 2017.

Commodity derivative assets and liabilities assigned to Level 3 typically consist of FTRs, as well as forward and option contracts that are long-term in nature or relate to inactive delivery locations. Level 3 commodity derivative assets and liabilities represent 1.7 percent and 4.3 percent of gross assets and liabilities, respectively, measured at fair value at Dec. 31, 2017.

Determining the fair value of FTRs requires numerous management forecasts that vary in observability, including various forward commodity prices, retail and wholesale demand, generation and resulting transmission system congestion. Given the limited observability of management's forecasts for several of these inputs, these instruments have been assigned a Level 3. Level 3 commodity derivatives assets and liabilities included $32 million and $2 million of estimated fair values, respectively, for FTRs held at Dec. 31, 2017.

Determining the fair value of certain commodity forwards and options can require management to make use of subjective price and volatility forecasts for inactive delivery locations and for contracts that extend to periods beyond those readily observable on active exchanges or quoted by brokers. When less observable forward price and volatility forecasts are significant to determining the value of commodity forwards and options, these instruments are assigned to Level 3. There were $5 million in Level 3 commodity derivative assets and no liabilities for options held at Dec. 31, 2017. There were immaterial Level 3 commodity derivative assets and liabilities for forwards held at Dec. 31, 2017.

Liquidity and Capital Resources

Cash Flows

(Millions of Dollars)	2017	2016	2015
Net cash provided by operating activities	$ 3,126	$ 3,052	$ 3,038

Net cash provided by operating activities increased by $74 million for 2017 as compared to 2016. The increase was primarily due to higher net income, excluding amounts related to non-cash operating activities (e.g., depreciation and deferred tax expenses) and the timing of customer receipts, partially offset by higher interest payments and pension contributions, refunds, timing of vendor payments and lower income tax refunds received.

Net cash provided by operating activities increased by $14 million for 2016 as compared to 2015. The increase was primarily due to timing of vendor payments and higher net income, excluding amounts related to non-cash operating activities (e.g., depreciation, deferred tax expenses and a charge related to the Monticello LCM/EPU project in 2015), partially offset by timing of customer receipts, refunds and recovery of certain electric and natural gas riders and incentive programs.

(Millions of Dollars)	2017	2016	2015
Net cash used in investing activities	$ (3,296)	$ (3,261)	$ (3,623)

Net cash used in investing activities increased by $35 million for 2017 as compared to 2016. The increase was mainly attributable to higher capital expenditures related to the Rush Creek wind generation facility, partially offset by lower capital expenditures related to the Courtenay wind farm and fewer rabbi trust investments.

Net cash used in investing activities decreased by $362 million for 2016 as compared to 2015. The decrease was primarily attributable to the acquisition of two wind projects in 2015, partially offset by the establishment of rabbi trusts in 2016 and higher insurance proceeds received in 2015.

(Millions of Dollars)	2017	2016	2015
Net cash provided by financing activities	$ 168	$ 209	$ 590

Net cash provided by financing activities decreased by $41 million for 2017 as compared to 2016. The decrease was primarily due to lower debt issuances and higher dividend payments, partially offset by higher short-term debt proceeds and lower repurchases of common stock in 2017.

Net cash provided by financing activities decreased by $381 million for 2016 as compared to 2015. The decrease was primarily due to higher repayments of long-term and short-term debt, higher dividend payments and repurchases of common stock, partially offset by higher debt issuances in 2016.

See discussion of trends, commitments and uncertainties, and the potential future impact on cash flow and liquidity under Capital Sources.

Capital Requirements

Xcel Energy expects to meet future financing requirements by periodically issuing short-term debt, long-term debt, common stock, hybrid and other securities to maintain desired capitalization ratios.

Capital Expenditures — The current estimated base capital expenditure programs of Xcel Energy's operating companies for the years 2018 through 2022 are shown in the table below:

	Capital Forecast					
(Millions of Dollars)	**2018**	**2019**	**2020**	**2021**	**2022**	**2018 - 2022 Total**
By Subsidiary						
NSP-Minnesota	$ 1,370	$ 1,910	$ 1,450	$ 1,590	$ 1,500	$ 7,820
PSCo	1,650	1,020	950	1,150	1,410	6,180
SPS	1,020	1,140	710	470	540	3,880
NSP-Wisconsin	250	250	240	280	290	1,310
Other [a]	20	(90)	(90)	(30)	—	(190)
Estimated capital reduction [b]	(100)	(100)	(100)	(100)	(100)	(500)
Total capital expenditures	$ 4,210	$ 4,130	$ 3,160	$ 3,360	$ 3,640	$ 18,500

	Capital Forecast					
(Millions of Dollars)	**2018**	**2019**	**2020**	**2021**	**2022**	**2018 - 2022 Total**
By Function						
Electric distribution	$ 750	$ 810	$ 870	$ 1,110	$ 1,380	$ 4,920
Renewables	1,410	1,860	880	270	—	4,420
Electric transmission	770	540	570	860	980	3,720
Electric generation	520	370	290	520	530	2,230
Natural gas	460	400	410	420	510	2,200
Other [c]	400	250	240	280	340	1,510
Estimated capital reduction [b]	(100)	(100)	(100)	(100)	(100)	(500)
Total capital expenditures	$ 4,210	$ 4,130	$ 3,160	$ 3,360	$ 3,640	$ 18,500

(a) Other category includes intercompany transfers for safe harbor wind turbines.
(b) Xcel Energy has reduced its capital forecast by $500 million due to the potential impact of tax reform on cash flows and credit metrics.
(c) Amounts in other category are net of intercompany transfers.

The base capital expenditure forecast does not include the CEP, which if approved could increase the total capital investment by up to $1.5 billion, based on a preliminary estimate. The level of capital investment may decline due to lower renewable pricing and the ultimate composition of assets selected as part of the RFP process. The expected cost and potential capital investment of the CEP will be determined once a recommended portfolio is filed with the CPUC.

The capital expenditure programs of Xcel Energy are subject to continuing review and modification. Actual capital expenditures may vary from estimates due to changes in electric and natural gas projected load growth, regulatory decisions, legislative initiatives, reserve margin requirements, the availability of purchased power, alternative plans for meeting long-term energy needs, compliance with environmental requirements, RPS and merger, acquisition and divestiture opportunities.

Xcel Energy issues debt and equity securities to refinance retiring maturities, reduce short-term debt, fund capital programs, infuse equity in subsidiaries, fund asset acquisitions and for other general corporate purposes.

Contractual Obligations and Other Commitments — In addition to its capital expenditure programs, Xcel Energy has contractual obligations and other commitments that will need to be funded in the future. The following is a summarized table of contractual obligations and other commercial commitments at Dec. 31, 2017. See the statements of capitalization and additional discussion in Notes 4 and 13 to the consolidated financial statements.

	Payments Due by Period				
(Millions of Dollars)	**Total**	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**After 5 Years**
Long-term debt, principal and interest payments [(a)]	$ 25,510	$ 1,073	$ 2,808	$ 2,368	$ 19,261
Capital lease obligations	302	15	28	26	233
Operating leases [(b)(c)]	3,123	238	528	527	1,830
Unconditional purchase obligations [(d)]	7,367	1,596	1,965	1,565	2,241
Other long-term obligations, including current portion [(e)]	111	43	57	11	—
Payments to vendors in process	322	322	—	—	—
Short-term debt	814	814	—	—	—
Total contractual cash obligations [(f)(g)(h)]	$ 37,549	$ 4,101	$ 5,386	$ 4,497	$ 23,565

(a) Includes interest payments over the terms of the debt. Interest is calculated using the applicable interest rate at Dec. 31, 2017, and outstanding principal for each investment with the terms ending at each instrument's maturity.

(b) Under some leases, Xcel Energy would have to sell or purchase the property that it leases if it chose to terminate before the scheduled lease expiration date. Most of Xcel Energy's railcar, vehicle and equipment and aircraft leases have these terms. At Dec. 31, 2017, the amount that Xcel Energy would have to pay if it chose to terminate these leases was approximately $28 million. In addition, at the end of the equipment lease terms, each lease must be extended, equipment purchased for the greater of the fair value or unamortized value of equipment sold to a third party with Xcel Energy making up any deficiency between the sales price and the unamortized value.

(c) Included in operating lease payments are $213 million, $474 million, $481 million and $1.7 billion, for the less than 1 year, 1-3 years, 3-5 years and after 5 years categories, respectively, pertaining to PPAs that were accounted for as operating leases.

(d) Xcel Energy Inc. and its subsidiaries have contracts providing for the purchase and delivery of a significant portion of its current coal, nuclear fuel and natural gas requirements. Additionally, the utility subsidiaries of Xcel Energy Inc. have entered into agreements with utilities and other energy suppliers for purchased power to meet system load and energy requirements, replace generation from company-owned units under maintenance and during outages, and meet operating reserve obligations. Certain contractual purchase obligations are adjusted on indices. The effects of price changes are mitigated through cost of energy adjustment mechanisms.

(e) Other long-term obligations relate primarily to amounts associated with technology agreements as well as uncertain tax positions.

(f) Xcel Energy also has outstanding authority under O&M contracts to purchase up to approximately $4.8 billion of goods and services through the year 2037, in addition to the amounts disclosed in this table.

(g) In January 2018, contributions of $150 million were made across four of Xcel Energy's pension plans. Obligations of this type are dependent on several factors, including management discretion and various minimum contribution requirements determined by the Pension Protection Act, and therefore, are not included in the table.

(h) Xcel Energy expects to contribute approximately $12 million to the postretirement health care plans during 2018. Obligations of this type are dependent on several factors, including management discretion, and therefore, are not included in the table.

Common Stock Dividends — Future dividend levels will be dependent on Xcel Energy's results of operations, financial position, cash flows, reinvestment opportunities and other factors, and will be evaluated by the Xcel Energy Inc. Board of Directors. In February 2018, Xcel Energy announced a quarterly dividend of $0.38 per share, which represents an increase of 5.6 percent. Xcel Energy's dividend policy balances the following:

- Projected cash generation;
- Projected capital investment;
- A reasonable rate of return on shareholder investment; and
- The impact on Xcel Energy's capital structure and credit ratings.

In addition, there are certain statutory limitations that could affect dividend levels. Federal law places certain limits on the ability of public utilities within a holding company system to declare dividends.

Specifically, under the Federal Power Act, a public utility may not pay dividends from any funds properly included in a capital account. The utility subsidiaries' dividends may be limited directly or indirectly by state regulatory commissions or bond indenture covenants. See Note 4 to the consolidated financial statements for further discussion of restrictions on dividend payments.

Regulation of Derivatives — In 2010, financial reform legislation was passed that provides for the regulation of derivative transactions amongst other provisions. The CFTC ruled that swap dealing activity conducted by entities for the preceding 12 months under a notional limit, initially set at $8 billion, will fall under the general de minimis threshold and will not subject an entity to registering as a swap dealer. The de minimis threshold is scheduled to be reduced to $3 billion in 2018. Xcel Energy's current and projected swap activity is well below these de minimis thresholds. The bill also contains provisions that exempt certain derivatives end users from much of the clearing and margin requirements and Xcel Energy's Board of Directors has renewed the end-user exemption on an annual basis. Xcel Energy is currently meeting all reporting requirements and transaction restrictions.

Pension Fund — Xcel Energy's pension assets are invested in a diversified portfolio of domestic and international equity securities, short-term to long-duration fixed income securities and alternative investments, including private equity, real estate and hedge funds.

The funded status and pension assumptions are summarized in the following tables:

(Millions of Dollars)	Dec. 31, 2017	Dec. 31, 2016
Fair value of pension assets	$ 3,088	$ 2,856
Projected pension obligation [(a)]	3,828	3,682
Funded status	$ (740)	$ (826)

[(a)] Excludes nonqualified plan of $37 million and $44 million at Dec. 31, 2017 and 2016, respectively.

Pension Assumptions	2017	2016
Discount rate	3.63%	4.13%
Expected long-term rate of return	6.87	6.87

Capital Sources

Short-Term Funding Sources — Xcel Energy uses a number of sources to fulfill short-term funding needs, including operating cash flow, notes payable, commercial paper and bank lines of credit. The amount and timing of short-term funding needs depend in large part on financing needs for construction expenditures, working capital and dividend payments.

Short-Term Investments — Xcel Energy Inc., NSP-Minnesota, NSP-Wisconsin, PSCo and SPS maintain cash operating and short-term investment accounts. At Dec. 31, 2017 and 2016, there was $3 million and $4 million of cash held in these accounts, respectively.

Short-Term Debt — Xcel Energy Inc., NSP-Minnesota, NSP-Wisconsin, PSCo and SPS each have individual commercial paper programs. The authorized levels for these commercial paper programs are:

- $1 billion for Xcel Energy Inc.;
- $700 million for PSCo;
- $500 million for NSP-Minnesota;
- $400 million for SPS; and
- $150 million for NSP-Wisconsin.

In addition, Xcel Energy Inc. has a 364-day term loan agreement to borrow up to $500 million. At Dec. 31, 2017, Xcel Energy Inc. had drawn $250 million on the term loan.

Short-term debt outstanding for Xcel Energy was as follows:

(Amounts in Millions, Except Interest Rates)	Three Months Ended Dec. 31, 2017
Borrowing limit	$ 3,250
Amount outstanding at period end	814
Average amount outstanding	560
Maximum amount outstanding	814
Weighted average interest rate, computed on a daily basis	1.63%
Weighted average interest rate at end of period	1.90

(Amounts in Millions, Except Interest Rates)	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015
Borrowing limit	$ 3,250	$ 2,750	$ 2,750
Amount outstanding at period end	814	392	846
Average amount outstanding	644	485	601
Maximum amount outstanding	1,247	1,183	1,360
Weighted average interest rate, computed on a daily basis	1.35%	0.74%	0.48%
Weighted average interest rate at end of period	1.90	0.95	0.82

Credit Agreements — Xcel Energy Inc., NSP-Minnesota, PSCo, and SPS each have the right to request an extension of the revolving credit facility June 2021 termination date for two additional one-year periods. NSP-Wisconsin has the right to request an extension of the revolving credit facility termination date for an additional one-year period. All extension requests are subject to majority bank group approval.

Xcel Energy Inc. entered into a 364-Day Term Loan Agreement on Dec. 5, 2017 to borrow up to $500 million. As of Dec. 31, 2017, Xcel Energy Inc. had borrowed $250 million of the Term Loan. Xcel Energy Inc. may recommit for one additional 364-day period from the December 2018 maturity date, subject to majority consent from lenders.

As of Feb. 20, 2018, Xcel Energy Inc. and its utility subsidiaries had the following committed credit facilities available to meet liquidity needs:

(Millions of Dollars)	Facility [a]	Drawn [b]	Available	Cash	Liquidity
Xcel Energy Inc.	$ 1,500	$ 877	$ 623	$ —	$ 623
PSCo	700	21	679	1	680
NSP-Minnesota	500	81	419	2	421
SPS	400	31	369	1	370
NSP-Wisconsin	150	3	147	1	148
Total	$ 3,250	$ 1,013	$ 2,237	$ 5	$ 2,242

(a) These credit facilities mature in June 2021, with the exception of Xcel Energy Inc.'s $500 million 364-day term loan agreement entered into in December 2017.
(b) Includes outstanding commercial paper, term loan borrowings and letters of credit.

Money Pool — Xcel Energy received FERC approval to establish a utility money pool arrangement with the utility subsidiaries, subject to receipt of required state regulatory approvals. The utility money pool allows for short-term investments in and borrowings between the utility subsidiaries. Xcel Energy Inc. may make investments in the utility subsidiaries at market-based interest rates; however, the money pool arrangement does not allow the utility subsidiaries to make investments in Xcel Energy Inc. The money pool balances are eliminated in consolidation.

NSP-Minnesota, PSCo and SPS participate in the money pool pursuant to approval from their respective state regulatory commissions. NSP-Wisconsin does not participate in the money pool.

Registration Statements — Xcel Energy Inc.'s Articles of Incorporation authorize the issuance of one billion shares of $2.50 par value common stock. As of Dec. 31, 2017 and 2016, Xcel Energy Inc. had approximately 508 million shares and 507 million shares of common stock outstanding, respectively. In addition, Xcel Energy Inc.'s Articles of Incorporation authorize the issuance of seven million shares of $100 par value preferred stock. Xcel Energy Inc. had no shares of preferred stock outstanding on Dec. 31, 2017 and 2016.

Xcel Energy Inc. and its utility subsidiaries have registration statements on file with the SEC pursuant to which they may sell securities from time to time. These registration statements, which are uncapped, permit Xcel Energy Inc. and its utility subsidiaries to issue debt and other securities in the future at amounts, prices and with terms to be determined at the time of future offerings, and in the case of our utility subsidiaries, subject to commission approval.

Financing Plans — Xcel Energy Inc. and its utility subsidiaries' 2018 debt financing plans reflect the following:

- Xcel Energy Inc. plans to issue approximately $750 million of senior unsecured bonds;
- NSP-Minnesota plans to issue approximately $300 million of first mortgage bonds;
- NPS-Wisconsin plans to issue approximately $200 million of first mortgage bonds;
- PSCo plans to issue approximately $750 million of first mortgage bonds; and
- SPS plans to issue approximately $350 million of first mortgage bonds.

Xcel Energy also plans to issue approximately $300 million of incremental equity in addition to $385 million of equity to be issued through the DRIP and benefit programs during the five-year forecast time period.

Financing plans are subject to change, depending on capital expenditures, regulatory outcomes, internal cash generation, market conditions and other factors.

Long-Term Borrowings and Other Financing Instruments — See the consolidated statements of capitalization and a discussion of the long-term borrowings in Note 4 to the consolidated financial statements.

Off-Balance-Sheet Arrangements

Xcel Energy does not have any off-balance-sheet arrangements, other than those currently disclosed, that have or are reasonably likely to have a current or future effect on financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Earnings Guidance

Xcel Energy's 2018 GAAP and ongoing earnings guidance is $2.37 to $2.47 per share.[(a)] Key assumptions:

- Constructive outcomes in all rate case and regulatory proceedings.
- Normal weather patterns.
- Weather-normalized retail electric sales are projected to be within a range of 0 percent to 0.5 percent over 2017 levels.
- Weather-normalized retail firm natural gas sales are projected to be within a range of 0 percent to 0.5 percent below 2017 levels.
- Capital rider revenue is projected to increase by $30 million to $40 million over 2017 levels. PTCs are flowed back to customers, primarily through capital riders and reductions to electric margin.
- O&M expenses are projected to be flat.
- Depreciation expense is projected to increase approximately $150 million to $160 million over 2017 levels. Approximately $20 million of the increase in depreciation expense reflects an increased renewable development fund, which is recovered in revenue and will not have an impact on earnings.
- Property taxes are projected to increase approximately $30 million to $40 million over 2017 levels.
- Interest expense (net of AFUDC — debt) is projected to increase $20 million to $30 million over 2017 levels.
- AFUDC — equity is projected to increase approximately $20 million to $30 million from 2017 levels.
- The ETR is projected to be approximately 8 percent to 10 percent. The lower ETR for 2018 compared to 2017 reflects the lower tax rate as part of the TCJA, including excess deferred taxes and PTCs which are flowed back to customers through margin. The ETR would be approximately 21 percent to 23 percent excluding excess deferred taxes and PTCs.

(a) Ongoing earnings is calculated using net income and adjusting for certain nonrecurring or infrequent items that are, in management's view, not reflective of ongoing operations. Ongoing earnings could differ from those prepared in accordance with GAAP for unplanned and/or unknown adjustments. Xcel Energy is unable to forecast if any of these items will occur or provide a quantitative reconciliation of the guidance for ongoing diluted EPS to corresponding GAAP diluted EPS.

Long-Term EPS and Dividend Growth Rate Objectives

Long-Term EPS and Dividend Growth Rate Objectives — Xcel Energy expects to deliver an attractive total return to our shareholders through a combination of earnings growth and dividend yield, based on the following long-term objectives:

- Deliver long-term annual EPS growth of 5 percent to 6 percent off of a 2017 base of $2.30 per share;
- Deliver annual dividend increases of 5 percent to 7 percent;
- Target a dividend payout ratio of 60 percent to 70 percent; and
- Maintain senior secured debt credit ratings in the A range and senior unsecured debt credit ratings in the BBB+ to A range.

Item 7A — Quantitative and Qualitative Disclosures About Market Risk

See Item 7, incorporated by reference.

Item 8 — Financial Statements and Supplementary Data

See Item 15-1 for an index of financial statements included herein.

See Note 18 to the consolidated financial statements for summarized quarterly financial data.

Management Report on Internal Controls Over Financial Reporting

The management of Xcel Energy Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Xcel Energy Inc.'s internal control system was designed to provide reasonable assurance to Xcel Energy Inc.'s management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

In 2016, Xcel Energy Inc. implemented the general ledger modules, as well as initiated deployment of work management systems modules, of a new enterprise resource planning system. Xcel Energy Inc. implemented additional work management systems modules in 2017. Xcel Energy Inc. does not believe this implementation had an adverse effect on its internal control over financial reporting.

Xcel Energy Inc. management assessed the effectiveness of Xcel Energy Inc.'s internal control over financial reporting as of Dec. 31, 2017. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013). Based on our assessment, we believe that, as of Dec. 31, 2017, Xcel Energy Inc.'s internal control over financial reporting is effective at the reasonable assurance level based on those criteria.

Xcel Energy Inc.'s independent registered public accounting firm has issued an audit report on the Xcel Energy Inc.'s internal control over financial reporting. Its report appears herein.

/s/ BEN FOWKE	/s/ ROBERT C. FRENZEL
Ben Fowke	Robert C. Frenzel
Chairman, President and Chief Executive Officer	Executive Vice President, Chief Financial Officer
Feb. 23, 2018	Feb. 23, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Xcel Energy Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Xcel Energy Inc. and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, cash flows, and common stockholders' equity, for each of the three years in the period ended December 31, 2017, and the related notes and the schedules listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2018, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP
Minneapolis, Minnesota
February 23, 2018

We have served as the Company's auditor since 2002.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Xcel Energy Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Xcel Energy Inc. and subsidiaries (the "Company") as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2017, of the Company and our report dated February 23, 2018, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP
Minneapolis, Minnesota
February 23, 2018

XCEL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(amounts in millions, except per share data)

	Year Ended Dec. 31		
	2017	**2016**	**2015**
Operating revenues			
Electric	$ 9,676	$ 9,500	$ 9,276
Natural gas	1,650	1,531	1,672
Other	78	76	76
Total operating revenues	11,404	11,107	11,024
Operating expenses			
Electric fuel and purchased power	3,757	3,718	3,763
Cost of natural gas sold and transported	823	733	905
Cost of sales — other	34	36	36
Operating and maintenance expenses	2,303	2,326	2,330
Conservation and demand side management program expenses	273	245	225
Depreciation and amortization	1,479	1,303	1,124
Taxes (other than income taxes)	545	532	512
Loss on Monticello life cycle management/extended power uprate project	—	—	129
Total operating expenses	9,214	8,893	9,024
Operating income	2,190	2,214	2,000
Other income, net	23	8	6
Equity earnings of unconsolidated subsidiaries	30	42	34
Allowance for funds used during construction — equity	75	60	56
Interest charges and financing costs			
Interest charges — includes other financing costs of $24, $25 and $24, respectively	663	647	595
Allowance for funds used during construction — debt	(35)	(27)	(26)
Total interest charges and financing costs	628	620	569
Income before income taxes	1,690	1,704	1,527
Income taxes	542	581	543
Net income	$ 1,148	$ 1,123	$ 984
Weighted average common shares outstanding:			
Basic	509	509	508
Diluted	509	509	508
Earnings per average common share:			
Basic	$ 2.26	$ 2.21	$ 1.94
Diluted	2.25	2.21	1.94
Cash dividends declared per common share	$ 1.44	$ 1.36	$ 1.28

See Notes to Consolidated Financial Statements

XCEL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(amounts in millions)

	Year Ended Dec. 31		
	2017	**2016**	**2015**
Net income	$ 1,148	$ 1,123	$ 984
Other comprehensive income (loss)			
Pension and retiree medical benefits:			
Net pension and retiree medical losses arising during the period, net of tax of $(2), $(5), and $(5), respectively	(3)	(8)	(8)
Amortization of losses included in net periodic benefit cost, net of tax of $5, $2, and $2, respectively	7	4	3
	4	(4)	(5)
Derivative instruments:			
Reclassification of losses to net income, net of tax of $2, $2, and $2, respectively	3	4	3
Other comprehensive income (loss)	7	—	(2)
Comprehensive income	$ 1,155	$ 1,123	$ 982

See Notes to Consolidated Financial Statements

XCEL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in millions)

	Year Ended Dec. 31		
	2017	2016	2015
Operating activities			
Net income	$ 1,148	$ 1,123	$ 984
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	1,495	1,319	1,143
Conservation and demand side management program amortization	2	4	5
Nuclear fuel amortization	114	117	106
Deferred income taxes	640	587	536
Amortization of investment tax credits	(5)	(5)	(5)
Allowance for equity funds used during construction	(75)	(60)	(56)
Equity earnings of unconsolidated subsidiaries	(30)	(42)	(34)
Dividends from unconsolidated subsidiaries	41	46	40
Provision for bad debts	39	39	36
Share-based compensation expense	57	41	45
Loss on Monticello life cycle management/extended power uprate project	—	—	129
Net realized and unrealized hedging and derivative transactions	2	8	22
Other, net	(3)	(1)	(1)
Changes in operating assets and liabilities:			
Accounts receivable	(60)	(83)	66
Accrued unbilled revenues	(34)	(75)	74
Inventories	(3)	1	(11)
Other current assets	9	61	9
Accounts payable	43	118	(120)
Net regulatory assets and liabilities	(16)	(19)	102
Other current liabilities	(38)	20	78
Pension and other employee benefit obligations	(133)	(91)	(69)
Change in other noncurrent assets	(1)	(16)	11
Change in other noncurrent liabilities	(66)	(40)	(52)
Net cash provided by operating activities	3,126	3,052	3,038
Investing activities			
Utility capital/construction expenditures	(3,319)	(3,256)	(3,683)
Allowance for equity funds used during construction	75	61	56
Proceeds from insurance recoveries	—	5	27
Purchases of investment securities	(1,697)	(547)	(1,258)
Proceeds from the sale of investment securities	1,669	479	1,237
Investments in unconsolidated subsidiaries and other	(17)	(4)	(2)
Other, net	(7)	1	—
Net cash used in investing activities	(3,296)	(3,261)	(3,623)
Financing activities			
Proceeds from (repayments of) short-term borrowings, net	422	(454)	(174)
Proceeds from issuance of long-term debt	1,518	2,424	1,626
Repayments of long-term debt, including reacquisition premiums	(1,030)	(1,036)	(251)
Proceeds from issuance of common stock	—	—	7
Repurchases of common stock	(3)	(32)	—
Dividends paid	(721)	(681)	(607)
Other	(18)	(12)	(11)
Net cash provided by financing activities	168	209	590
Net change in cash and cash equivalents	(2)	—	5
Cash and cash equivalents at beginning of period	85	85	80
Cash and cash equivalents at end of period	$ 83	$ 85	$ 85
Supplemental disclosure of cash flow information:			
Cash paid for interest (net of amounts capitalized)	$ (616)	$ (592)	$ (543)
Cash received for income taxes, net	44	62	58
Supplemental disclosure of non-cash investing and financing transactions:			
Property, plant and equipment additions in accounts payable	$ 415	$ 254	$ 322
Issuance of common stock for reinvested dividends and equity awards	31	29	53

See Notes to Consolidated Financial Statements

XCEL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(amounts in millions, except share and per share data)

	Dec. 31	
	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 83	$ 85
Accounts receivable, net	797	776
Accrued unbilled revenues	764	730
Inventories	610	604
Regulatory assets	424	364
Derivative instruments	44	38
Prepaid taxes	68	107
Prepayments and other	183	138
Total current assets	2,973	2,842
Property, plant and equipment, net	34,329	32,842
Other assets		
Nuclear decommissioning fund and other investments	2,397	2,092
Regulatory assets	3,005	3,081
Derivative instruments	48	50
Deposits and other	278	248
Total other assets	5,728	5,471
Total assets	$ 43,030	$ 41,155
Liabilities and Equity		
Current liabilities		
Current portion of long-term debt	$ 457	$ 255
Short-term debt	814	392
Accounts payable	1,243	1,045
Regulatory liabilities	239	221
Taxes accrued	448	457
Accrued interest	174	173
Dividends payable	183	172
Derivative instruments	29	27
Other	501	505
Total current liabilities	4,088	3,247
Deferred credits and other liabilities		
Deferred income taxes	3,845	6,784
Deferred investment tax credits	58	63
Regulatory liabilities	5,083	1,383
Asset retirement obligations	2,475	2,782
Derivative instruments	126	148
Customer advances	193	195
Pension and employee benefit obligations	1,042	1,112
Other	145	225
Total deferred credits and other liabilities	12,967	12,692
Commitments and contingencies		
Capitalization		
Long-term debt	14,520	14,195
Common stock — 1,000,000,000 shares authorized of $2.50 par value; 507,762,881 and 507,222,795 shares outstanding at Dec. 31, 2017 and 2016, respectively	1,269	1,268
Additional paid in capital	5,898	5,881
Retained earnings	4,413	3,982
Accumulated other comprehensive loss	(125)	(110)
Total common stockholders' equity	11,455	11,021
Total liabilities and equity	$ 43,030	$ 41,155

See Notes to Consolidated Financial Statements

XCEL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY
(amounts in millions, shares in thousands)

	Common Stock Issued					
	Shares	Par Value	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Common Stockholders' Equity
Balance at Dec. 31, 2014	505,733	$ 1,264	$ 5,837	$ 3,221	$ (108)	$ 10,214
Net income				984		984
Other comprehensive loss					(2)	(2)
Dividends declared on common stock				(652)		(652)
Issuances of common stock	1,803	5	28			33
Share-based compensation			24			24
Balance at Dec. 31, 2015	507,536	$ 1,269	$ 5,889	$ 3,553	$ (110)	$ 10,601
Net income				1,123		1,123
Dividends declared on common stock				(694)		(694)
Issuances of common stock	486	1	15			16
Repurchases of common stock	(799)	(2)	(30)			(32)
Share-based compensation			7			7
Balance at Dec. 31, 2016	507,223	$ 1,268	$ 5,881	$ 3,982	$ (110)	$ 11,021
Net income				1,148		1,148
Other comprehensive income					7	7
Dividends declared on common stock				(736)		(736)
Issuances of common stock	611	1	4			5
Repurchases of common stock	(71)	—	(3)			(3)
Share-based compensation			16	(3)		13
Adoption of ASU No. 2018-02				22	(22)	—
Balance at Dec. 31, 2017	507,763	$ 1,269	$ 5,898	$ 4,413	$ (125)	$ 11,455

See Notes to Consolidated Financial Statements

XCEL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CAPITALIZATION
(amounts in millions, except share and per share data)

	Dec. 31	
	2017	2016
Long-Term Debt		
NSP-Minnesota		
First Mortgage Bonds, Series due:		
March 1, 2018, 5.25%	$ —	$ 500
Aug. 15, 2020, 2.2%	300	300
Aug. 15, 2022, 2.15%	300	300
May 15, 2023, 2.6%	400	400
July 1, 2025, 7.125%	250	250
March 1, 2028, 6.5%	150	150
July 15, 2035, 5.25%	250	250
June 1, 2036, 6.25%	400	400
July 1, 2037, 6.2%	350	350
Nov. 1, 2039, 5.35%	300	300
Aug. 15, 2040, 4.85%	250	250
Aug. 15, 2042, 3.4%	500	500
May 15, 2044, 4.125%	300	300
Aug. 15, 2045, 4.0%	300	300
May 15, 2046, 3.6%	350	350
Sept. 15, 2047, 3.6%	600	—
Unamortized discount	(22)	(17)
Unamortized debt expense	(45)	(40)
Total NSP-Minnesota long-term debt	$ 4,933	$ 4,843
PSCo		
First Mortgage Bonds, Series due:		
Aug. 1, 2018, 5.8%	$ 300	$ 300
June 1, 2019, 5.125%	400	400
Nov. 15, 2020, 3.2%	400	400
Sept. 15, 2022, 2.25%	300	300
March 15, 2023, 2.5%	250	250
May 15, 2025, 2.9%	250	250
Sept. 1, 2037, 6.25%	350	350
Aug. 1, 2038, 6.5%	300	300
Aug. 15, 2041, 4.75%	250	250
Sept. 15, 2042, 3.6%	500	500
March 15, 2043, 3.95%	250	250
March 15, 2044, 4.30%	300	300
June 15, 2046, 3.55%	250	250
June 15, 2047, 3.8%	400	—
Capital lease obligations, through 2060, 11.2% — 14.3%	151	156
Unamortized discount	(13)	(13)
Unamortized debt expense	(29)	(27)
Total	4,609	4,216
Less current maturities	306	5
Total PSCo long-term debt	$ 4,303	$ 4,211
SPS		
First Mortgage Bonds, Series due:		
June 15, 2024, 3.3%	$ 350	$ 350
Aug. 15, 2041, 4.5%	400	400
Aug. 15, 2046, 3.4%	300	300
Aug. 15, 2047, 3.7%	450	—
Unsecured Senior G Notes, due Dec. 1, 2018, 8.75%	—	250
Unsecured Senior C and D Notes, due Oct. 1, 2033, 6%	100	100
Unsecured Senior F Notes, due Oct. 1, 2036, 6%	250	250
Unamortized discount	(2)	—
Unamortized debt expense	(18)	(14)
Total SPS long-term debt	$ 1,830	$ 1,636

XCEL ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CAPITALIZATION — (Continued)
(amounts in millions, except share and per share data)

	Dec. 31	
	2017	2016
NSP-Wisconsin		
First Mortgage Bonds, Series due:		
Oct. 1, 2018, 5.25%	$ 150	$ 150
June 15, 2024, 3.3%	200	200
Sept. 1, 2038, 6.375%	200	200
Oct. 1, 2042, 3.7%	100	100
Dec. 1, 2047, 3.75%	100	—
City of La Crosse Resource Recovery Bond, Series due Nov. 1, 2021, 6% [(a)]	19	19
Other	2	2
Unamortized discount	(3)	(3)
Unamortized debt expense	(7)	(5)
Total	761	663
Less current maturities	151	1
Total NSP-Wisconsin long-term debt	$ 610	$ 662
Other Subsidiaries		
Various Eloigne Co. Affordable Housing Project Notes, due 2018-2052, 0% — 7.05%	$ 28	$ 31
Less current maturities	2	1
Total other subsidiaries long-term debt	$ 26	$ 30
Xcel Energy Inc.		
Unsecured Senior Notes, Series due:		
June 1, 2017, 1.2%	$ —	$ 250
May 15, 2020, 4.7%	550	550
March 15, 2021, 2.4%	400	400
March 15, 2022, 2.6%	300	300
June 1, 2025, 3.3%	600	600
Dec. 1, 2026, 3.35%	500	500
July 1, 2036, 6.5%	300	300
Sept. 15, 2041, 4.8%	250	250
Elimination of PSCo capital lease obligation with affiliates	(62)	(64)
Unamortized discount	(2)	(2)
Unamortized debt expense	(20)	(23)
Total	2,816	3,061
Less current maturities (including elimination of PSCo capital lease obligation)	(2)	248
Total Xcel Energy Inc. long-term debt	2,818	2,813
Total long-term debt	$ 14,520	$ 14,195
Common Stockholders' Equity		
Common stock — 1,000,000,000 shares authorized of $2.50 par value; 507,762,881 and 507,222,795 shares outstanding at Dec. 31, 2017 and 2016, respectively	$ 1,269	$ 1,268
Additional paid in capital	5,898	5,881
Retained earnings	4,413	3,982
Accumulated other comprehensive loss	(125)	(110)
Total common stockholders' equity	$ 11,455	$ 11,021

(a) Resource recovery financing.

See Notes to Consolidated Financial Statements

XCEL ENERGY INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Business and System of Accounts — Xcel Energy Inc.'s utility subsidiaries are engaged in the regulated generation, purchase, transmission, distribution and sale of electricity and in the regulated purchase, transportation, distribution and sale of natural gas. Xcel Energy's consolidated financial statements and disclosures are presented in accordance with GAAP. All of the utility subsidiaries' underlying accounting records also conform to the FERC uniform system of accounts or to systems required by various state regulatory commissions, which are the same in all material respects.

Principles of Consolidation — In 2017, Xcel Energy's operations included the activity of NSP-Minnesota, NSP-Wisconsin, PSCo and SPS. These utility subsidiaries serve electric and natural gas customers in portions of Colorado, Michigan, Minnesota, New Mexico, North Dakota, South Dakota, Texas and Wisconsin. Also included in Xcel Energy's operations are WGI, an interstate natural gas pipeline company, and WYCO, a joint venture with CIG to develop and lease natural gas pipelines, storage and compression facilities.

Xcel Energy Inc.'s nonregulated subsidiaries include Eloigne and Capital Services. Eloigne invests in rental housing projects that qualify for low-income housing tax credits. Capital Services procures equipment for construction of renewable generation facilities at other subsidiaries. Xcel Energy Inc. owns the following additional direct subsidiaries, some of which are intermediate holding companies with additional subsidiaries: Xcel Energy Wholesale Group Inc., Xcel Energy Markets Holdings Inc., Xcel Energy Ventures Inc., Xcel Energy Retail Holdings Inc., Xcel Energy Communications Group, Inc., Xcel Energy International Inc., Xcel Energy Transmission Holding Company, LLC, Nicollet Holdings Company, LLC, Nicollet Project Holdings LLC and Xcel Energy Services Inc. Xcel Energy Inc. and its subsidiaries collectively are referred to as Xcel Energy.

Xcel Energy's consolidated financial statements include its wholly-owned subsidiaries and VIEs for which it is the primary beneficiary. In the consolidation process, all intercompany transactions and balances are eliminated. Xcel Energy uses the equity method of accounting for its investment in WYCO. Xcel Energy's equity earnings in WYCO are included on the consolidated statements of income as equity earnings of unconsolidated subsidiaries. Xcel Energy has investments in several plants and transmission facilities jointly owned with nonaffiliated utilities. Xcel Energy's proportionate share of jointly owned facilities is recorded as property, plant and equipment on the consolidated balance sheets, and Xcel Energy's proportionate share of the operating costs associated with these facilities is included in its consolidated statements of income. See Note 5 for further discussion of jointly owned generation, transmission and gas facilities, and related ownership percentages.

Xcel Energy evaluates its arrangements and contracts with other entities, including investments, PPAs and fuel contracts, to determine if the other party is a VIE, if Xcel Energy has a variable interest and if Xcel Energy is the primary beneficiary. Xcel Energy follows accounting guidance for VIEs which requires consideration of the activities that most significantly impact an entity's financial performance and power to direct those activities, when determining whether Xcel Energy is a VIE's primary beneficiary. See Note 13 for further discussion of VIEs.

Use of Estimates — In recording transactions and balances resulting from business operations, Xcel Energy uses estimates based on the best information available. Estimates are used for such items as plant depreciable lives or potential disallowances, AROs, certain regulatory assets and liabilities, tax provisions, uncollectible amounts, environmental costs, unbilled revenues, jurisdictional fuel and energy cost allocations and actuarially determined benefit costs. The recorded estimates are revised when better information becomes available or when actual amounts can be determined. Those revisions can affect operating results.

Regulatory Accounting — Our regulated utility subsidiaries account for certain income and expense items in accordance with accounting guidance for regulated operations. Under this guidance:

- Certain costs, which would otherwise be charged to expense or OCI, are deferred as regulatory assets based on the expected ability to recover the costs in future rates; and
- Certain credits, which would otherwise be reflected as income or OCI, are deferred as regulatory liabilities based on the expectation the amounts will be returned to customers in future rates, or because the amounts were collected in rates prior to the costs being incurred.

Estimates of recovering deferred costs and returning deferred credits are based on specific ratemaking decisions or precedent for each item. Regulatory assets and liabilities are amortized consistent with the treatment in the rate setting process.

If restructuring or other changes in the regulatory environment occur, regulated utility subsidiaries may no longer be eligible to apply this accounting treatment, and may be required to eliminate regulatory assets and liabilities from their balance sheets. Such changes could have a material effect on Xcel Energy's financial condition, results of operations and cash flows. See Note 15 for further discussion of regulatory assets and liabilities.

Revenue Recognition — Revenues related to the sale of energy are generally recorded when service is rendered or energy is delivered to customers. However, the determination of the energy sales to individual customers is based on the reading of their meter, which occurs on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading are estimated and the corresponding unbilled revenue is recognized. Xcel Energy presents its revenues net of any excise or other fiduciary-type taxes or fees.

NSP-Minnesota participates in MISO, and SPS participates in SPP. Xcel Energy's utility subsidiaries recognize sales to both native load and other end use customers on a gross basis. Revenues and charges for short term wholesale sales of excess energy transacted through RTOs are recorded on a gross basis in electric revenues and cost of sales. Other revenues and charges related to participating and transacting in RTOs are recorded on a net basis in cost of sales.

Xcel Energy Inc.'s utility subsidiaries have various rate-adjustment mechanisms in place that provide for the recovery of natural gas, electric fuel and purchased energy costs. These cost-adjustment tariffs may increase or decrease the level of revenue collected from customers and are revised periodically for differences between the total amount collected under the clauses and the costs incurred. When applicable, under governing regulatory commission rate orders, fuel cost over-recoveries (the excess of fuel revenue billed to customers over fuel costs incurred) are deferred as regulatory liabilities and under-recoveries (the excess of fuel costs incurred over fuel revenues billed to customers) are deferred as regulatory assets.

Certain rate rider mechanisms qualify as alternative revenue programs under GAAP. These mechanisms arise from costs imposed upon the utility by action of a regulator or legislative body related to an environmental, public safety or other mandate. When certain criteria are met, revenue is recognized equal to the revenue requirement, including return on rate base items, for the qualified mechanisms. The mechanisms are revised periodically for differences between the total amount collected under the riders and the revenue recognized, which may increase or decrease the level of revenue collected from customers.

Conservation Programs — Xcel Energy Inc.'s utility subsidiaries have implemented programs in many of their retail jurisdictions to assist customers in reducing peak demand and conserving energy on the electric and natural gas systems. These programs include efficiency and redesign programs, as well as rebates for the purchase of items such as high efficiency lighting.

The costs incurred for DSM and CIP programs are deferred if it is probable future revenue will be provided to permit recovery of the incurred cost. Recorded revenues for incentive programs designed for recovery of lost margins and/or conservation performance incentives are limited to amounts expected to be collected within 24 months from the annual period in which they are earned.

For PSCo, SPS and NSP-Minnesota, DSM and CIP program costs are recovered through a combination of base rate revenue and rider mechanisms. The revenue billed to customers recovers incurred costs for conservation programs and also incentive amounts that are designed to encourage Xcel Energy's achievement of energy conservation goals and compensate for related lost sales margin. For these utility subsidiaries, regulatory assets are recognized to reflect the amount of costs or earned incentives that have not yet been collected from customers. NSP-Wisconsin recovers approved conservation program costs in base rate revenue.

Property, Plant and Equipment and Depreciation — Property, plant and equipment is stated at original cost. The cost of plant includes direct labor and materials, contracted work, overhead costs and AFUDC. The cost of plant retired is charged to accumulated depreciation and amortization. Amounts recovered in rates for future removal costs are recorded as regulatory liabilities. Significant additions or improvements extending asset lives are capitalized, while repairs and maintenance costs are charged to expense as incurred. Maintenance and replacement of items determined to be less than a unit of property are charged to operating expenses as incurred. Planned major maintenance activities are charged to operating expense unless the cost represents the acquisition of an additional unit of property or the replacement of an existing unit of property. Property, plant and equipment also includes costs associated with property held for future use. The depreciable lives of certain plant assets are reviewed annually and revised, if appropriate.

Property, plant and equipment is tested for impairment when it is determined that the carrying value of the assets may not be recoverable. A loss is recognized in the current period if it becomes probable that part of a cost of a plant under construction or recently completed plant will be disallowed for recovery from customers and a reasonable estimate of the disallowance can be made. See Note 12 for a discussion of the loss recognized in 2015 related to the Monticello LCM/EPU project. For investments in property, plant and equipment that are abandoned and not expected to go into service, incurred costs and related deferred tax amounts are compared to the discounted estimated future rate recovery, and a loss is recognized, if necessary.

Xcel Energy records depreciation expense related to its plant using the straight-line method over the plant's useful life. Actuarial life studies are performed and submitted to the state and federal commissions for review. Upon acceptance by the various commissions, the resulting lives and net salvage rates are used to calculate depreciation. Depreciation expense, expressed as a percentage of average depreciable property, was approximately 3.1, 2.9, and 2.8 percent for the years ended Dec. 31, 2017, 2016 and 2015, respectively.

Leases — Xcel Energy evaluates a variety of contracts for lease classification at inception, including PPAs and rental arrangements for office space, vehicles and equipment. Contracts determined to contain a lease because of per unit pricing that is other than fixed or market price, terms regarding the use of a particular asset, and other factors are evaluated further to determine if the arrangement is a capital lease. See Note 13 for further discussion of leases.

AFUDC — AFUDC represents the cost of capital used to finance utility construction activity. AFUDC is computed by applying a composite financing rate to qualified CWIP. The amount of AFUDC capitalized as a utility construction cost is credited to other nonoperating income (for equity capital) and interest charges (for debt capital). AFUDC amounts capitalized are included in Xcel Energy's rate base for establishing utility service rates.

Generally, AFUDC costs are recovered from customers as the related property is depreciated. However, in some cases commissions have approved a more current recovery of the cost of capital associated with large capital projects, resulting in a lower recognition of AFUDC. In other cases, some commissions have allowed an AFUDC calculation greater than the FERC-defined AFUDC rate, resulting in higher recognition of AFUDC.

AROs — Xcel Energy Inc.'s utility subsidiaries account for AROs under accounting guidance that requires a liability for the fair value of an ARO to be recognized in the period in which it is incurred if it can be reasonably estimated, with the offsetting associated asset retirement costs capitalized as a long-lived asset. The liability is generally increased over time by applying the effective interest method of accretion, and the capitalized costs are depreciated over the useful life of the long-lived asset. Changes resulting from revisions to the timing or amount of expected asset retirement cash flows are recognized as an increase or a decrease in the ARO. Xcel Energy Inc.'s utility subsidiaries also recover through rates certain future plant removal costs in addition to AROs. The accumulated removal costs for these obligations are reflected in the balance sheets as a regulatory liability. See Note 13 for further discussion of AROs.

Nuclear Decommissioning — Nuclear decommissioning studies estimate NSP-Minnesota's ultimate costs of decommissioning its nuclear power plants and are performed at least every three years and submitted to the MPUC and other state commissions for approval. NSP-Minnesota's most recent triennial nuclear decommissioning studies were filed with the MPUC in December 2017. These studies reflect NSP-Minnesota's plans for dismantlement of the Monticello and PI facilities. These studies assume that NSP-Minnesota will store spent fuel on site pending removal to a U.S. government facility.

For rate making purposes, NSP-Minnesota recovers the total decommissioning costs related to its nuclear power plants over each facility's expected service life based on the triennial decommissioning studies filed with the MPUC and other state commissions. The studies consider estimated future costs of decommissioning and the market value of investments in trust funds, and recommend annual funding amounts. Amounts collected in rates are deposited in the trust funds. See Note 14 for further discussion of the approved nuclear decommissioning studies and funded amounts. For financial reporting purposes, NSP-Minnesota accounts for nuclear decommissioning as an ARO as described above.

Restricted funds for the payment of future decommissioning expenditures for NSP-Minnesota's nuclear facilities are included in nuclear decommissioning fund and other assets on the consolidated balance sheets. See Note 11 for further discussion of the nuclear decommissioning fund.

Nuclear Fuel Expense — Nuclear fuel expense, which is recorded as NSP-Minnesota's nuclear generating plants use fuel, includes the cost of fuel used in the current period (including AFUDC) and costs associated with the end-of-life fuel segments.

Nuclear Refueling Outage Costs — Xcel Energy uses a deferral and amortization method for nuclear refueling O&M costs. This method amortizes refueling outage costs over the period between refueling outages consistent with how the costs are recovered ratably in electric rates.

Income Taxes — Xcel Energy accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Xcel Energy defers income taxes for all temporary differences between pretax financial and taxable income, and between the book and tax bases of assets and liabilities. Xcel Energy uses the tax rates that are scheduled to be in effect when the temporary differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date.

The effects of tax rate changes that are attributable to the regulated utility subsidiaries are generally subject to a normalization method of accounting. Therefore, the revaluation of most of the utility subsidiaries' net deferred taxes upon a tax rate reduction results in the establishment of a net regulatory liability which will be refundable to utility customers over the remaining life of the related assets. A tax rate increase would result in the establishment of a similar regulatory asset. Due to the effects of past regulatory practices, when deferred taxes were not required to be recorded due to the use of flow through accounting for ratemaking purposes, the reversal of some temporary differences are accounted for as current income tax expense. Tax credits are recorded when earned unless there is a requirement to defer the benefit and amortize it over the book depreciable lives of the related property. The requirement to defer and amortize tax credits only applies to federal ITCs related to public utility property. Utility rate regulation also has resulted in the recognition of certain regulatory assets and liabilities related to income taxes, which are summarized in Note 15.

Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. In making such a determination, all available evidence is considered, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations.

Xcel Energy follows the applicable accounting guidance to measure and disclose uncertain tax positions that it has taken or expects to take in its income tax returns. Xcel Energy recognizes a tax position in its consolidated financial statements when it is more likely than not that the position will be sustained upon examination based on the technical merits of the position. Recognition of changes in uncertain tax positions are reflected as a component of income tax.

Xcel Energy reports interest and penalties related to income taxes within the other income and interest charges sections in the consolidated statements of income.

Xcel Energy Inc. and its subsidiaries file consolidated federal income tax returns as well as combined or separate state income tax returns. Federal income taxes paid by Xcel Energy Inc. are allocated to Xcel Energy Inc.'s subsidiaries based on separate company computations of tax. A similar allocation is made for state income taxes paid by Xcel Energy Inc. in connection with combined state filings. Xcel Energy Inc. also allocates its own income tax benefits to its direct subsidiaries based on the relative positive tax liabilities of the subsidiaries.

See Note 6 for further discussion of income taxes.

Types of and Accounting for Derivative Instruments — Xcel Energy uses derivative instruments in connection with its interest rate, utility commodity price, vehicle fuel price and commodity trading activities, including forward contracts, futures, swaps and options. All derivative instruments not designated and qualifying for the normal purchases and normal sales exception, as defined by the accounting guidance for derivatives and hedging, are recorded on the consolidated balance sheets at fair value as derivative instruments. This includes certain instruments used to mitigate market risk for the utility operations including transmission in organized markets and all instruments related to the commodity trading operations. The classification of changes in fair value for those derivative instruments is dependent on the designation of a qualifying hedging relationship. Changes in fair value of derivative instruments not designated in a qualifying hedging relationship are reflected in current earnings or as a regulatory asset or liability. The classification as a regulatory asset or liability is based on commission approved regulatory recovery mechanisms.

Gains or losses on commodity trading transactions are recorded as a component of electric operating revenues; hedging transactions for vehicle fuel costs are recorded as a component of capital projects and O&M costs; and interest rate hedging transactions are recorded as a component of interest expense. Certain utility subsidiaries are allowed to recover in electric or natural gas rates the costs of certain financial instruments purchased to reduce commodity cost volatility. For further information on derivatives entered to mitigate commodity price risk on behalf of electric and natural gas customers, see Note 11.

Cash Flow Hedges — Certain qualifying hedging relationships are designated as a hedge of a forecasted transaction, or future cash flow (cash flow hedge). Changes in the fair value of a derivative designated as a cash flow hedge, to the extent effective, are included in OCI or deferred as a regulatory asset or liability based on recovery mechanisms until earnings are affected by the hedged transaction.

Normal Purchases and Normal Sales — Xcel Energy enters into contracts for the purchase and sale of commodities for use in its business operations. Derivatives and hedging accounting guidance requires a company to evaluate these contracts to determine whether the contracts are derivatives. Certain contracts that meet the definition of a derivative may be exempted from derivative accounting if designated as normal purchases or normal sales.

Xcel Energy evaluates all of its contracts at inception to determine if they are derivatives and if they meet the normal purchases and normal sales designation requirements. None of the contracts entered into within the commodity trading operations qualify for a normal purchases and normal sales designation.

See Note 11 for further discussion of Xcel Energy's risk management and derivative activities.

Commodity Trading Operations — All applicable gains and losses related to commodity trading activities, whether or not settled physically, are shown on a net basis in electric operating revenues in the consolidated statements of income.

Xcel Energy's commodity trading operations are primarily conducted by NSP-Minnesota and PSCo. Commodity trading activities are not associated with energy produced from Xcel Energy's generation assets or energy and capacity purchased to serve native load. Commodity trading contracts are recorded at fair market value and commodity trading results include the impact of all margin-sharing mechanisms. See Note 11 for further discussion.

Fair Value Measurements — Xcel Energy presents cash equivalents, interest rate derivatives, commodity derivatives and nuclear decommissioning fund assets at estimated fair values in its consolidated financial statements. Cash equivalents are recorded at cost plus accrued interest; money market funds are measured using quoted NAVs. For interest rate derivatives, quoted prices based primarily on observable market interest rate curves are used as a primary input to establish fair value. For commodity derivatives, the most observable inputs available are generally used to determine the fair value of each contract. In the absence of a quoted price for an identical contract in an active market, Xcel Energy may use quoted prices for similar contracts or internally prepared valuation models to determine fair value. For the pension and postretirement plan assets and the nuclear decommissioning fund, published trading data and pricing models, generally using the most observable inputs available, are utilized to estimate fair value for each security. See Notes 9 and 11 for further discussion.

Cash and Cash Equivalents — Xcel Energy considers investments in certain instruments, including commercial paper and money market funds, with a remaining maturity of three months or less at the time of purchase, to be cash equivalents.

Accounts Receivable and Allowance for Bad Debts — Accounts receivable are stated at the actual billed amount net of an allowance for bad debts. Xcel Energy establishes an allowance for uncollectible receivables based on a policy that reflects its expected exposure to the credit risk of customers.

Inventory — All inventory is recorded at average cost.

RECs — RECs are marketable environmental instruments that represent proof that energy was generated from eligible renewable energy sources. RECs are awarded upon delivery of the associated energy and can be bought and sold. RECs are typically used as a form of measurement of compliance to RPS enacted by those states that are encouraging construction and consumption from renewable energy sources, but can also be sold separately from the energy produced. Utility subsidiaries acquire RECs from the generation or purchase of renewable power.

When RECs are purchased or acquired in the course of generation they are recorded as inventory at cost. The cost of RECs that are utilized for compliance purposes is recorded as electric fuel and purchased power expense. In certain jurisdictions, as a result of state regulatory orders, Xcel Energy reduces recoverable fuel costs for the cost of certain RECs and records that cost as a regulatory asset when the amount is recoverable in future rates.

Sales of RECs that are purchased or acquired in the course of generation are recorded in electric utility operating revenues on a gross basis. The cost of these RECs, related transaction costs, and amounts credited to customers under margin-sharing mechanisms are recorded in electric fuel and purchased power expense.

Emission Allowances — Emission allowances, including the annual SO_2 and NOx emission allowance entitlement received from the EPA, are recorded at cost plus associated broker commission fees. Xcel Energy follows the inventory accounting model for all emission allowances. Sales of emission allowances are included in electric utility operating revenue and the operating activities section of the consolidated statements of cash flows.

Environmental Costs — Environmental costs are recorded when it is probable Xcel Energy is liable for remediation costs and the liability can be reasonably estimated. Costs are deferred as a regulatory asset if it is probable that the costs will be recovered from customers in future rates. Otherwise, the costs are expensed. If an environmental expense is related to facilities currently in use, such as emission-control equipment, the cost is capitalized and depreciated over the life of the plant.

Estimated remediation costs, excluding inflationary increases, are recorded based on experience, an assessment of the current situation and the technology currently available for use in the remediation. The recorded costs are regularly adjusted as estimates are revised and remediation proceeds. If other participating PRPs exist and acknowledge their potential involvement with a site, costs are estimated and recorded only for Xcel Energy's expected share of the cost.

Any future costs of restoring sites where operation may extend indefinitely are treated as a capitalized cost of plant retirement. The depreciation expense levels recoverable in rates include a provision for removal expenses, which may include final remediation costs. Removal costs recovered in rates before the related costs are incurred are classified as a regulatory liability.

See Note 13 for further discussion of environmental costs.

Benefit Plans and Other Postretirement Benefits — Xcel Energy maintains pension and postretirement benefit plans for eligible employees. Recognizing the cost of providing benefits and measuring the projected benefit obligation of these plans under applicable accounting guidance requires management to make various assumptions and estimates.

Based on the regulatory recovery mechanisms of Xcel Energy Inc.'s utility subsidiaries, certain unrecognized actuarial gains and losses and unrecognized prior service costs or credits are recorded as regulatory assets and liabilities, rather than OCI.

See Note 9 for further discussion of benefit plans and other postretirement benefits.

Guarantees — Xcel Energy recognizes, upon issuance or modification of a guarantee, a liability for the fair market value of the obligation that has been assumed in issuing the guarantee. This liability includes consideration of specific triggering events and other conditions which may modify the ongoing obligation to perform under the guarantee.

The obligation recognized is reduced over the term of the guarantee as Xcel Energy is released from risk under the guarantee. See Note 13 for specific details of issued guarantees.

Subsequent Events — Management has evaluated the impact of events occurring after Dec. 31, 2017 up to the date of issuance of these consolidated financial statements. These statements contain all necessary adjustments and disclosures resulting from that evaluation.

2. Accounting Pronouncements

Recently Issued

Revenue Recognition — In May 2014, the FASB issued *Revenue from Contracts with Customers, Topic 606 (ASU No. 2014-09)*, which provides a new framework for the recognition of revenue. As the appropriate timing of recognition of revenue from contracts with customers in our regulated operations continues to generally be based on the delivery of electricity and natural gas, Xcel Energy's adoption will primarily result in increased disclosures regarding sources of revenues, including alternative revenue programs. The guidance is effective for interim and annual periods beginning after Dec. 15, 2017. Xcel Energy is implementing the standard on a modified retrospective basis, which requires application to contracts with customers effective Jan. 1, 2018.

Classification and Measurement of Financial Instruments — In January 2016, the FASB issued *Recognition and Measurement of Financial Assets and Financial Liabilities, Subtopic 825-10 (ASU No. 2016-01)*, which eliminates the available-for-sale classification for marketable equity securities and also replaces the cost method of accounting for non-marketable equity securities with a model for recognizing impairments and observable price changes. Under the new standard, other than when the consolidation or equity method of accounting is utilized, changes in the fair value of equity securities are to be recognized in earnings. This guidance is effective for interim and annual reporting periods beginning after Dec. 15, 2017. As a result of application of accounting principles for rate regulated entities, changes in the fair value of the securities in the nuclear decommissioning fund, historically classified as available-for-sale, will continue to be deferred to a regulatory asset, and the overall impacts of the Jan. 1, 2018 adoption will not be material.

Leases — In February 2016, the FASB issued *Leases, Topic 842 (ASU No. 2016-02)*, which for lessees requires balance sheet recognition of right-of-use assets and lease liabilities for most leases. This guidance will be effective for interim and annual reporting periods beginning after Dec. 15, 2018. Xcel Energy has not yet fully determined the impacts of implementation. However, adoption is expected to occur on Jan. 1, 2019 utilizing the practical expedients provided by the standard and proposed in *Targeted Improvements, Topic 842* (Proposed ASU 2018-200). As such, agreements entered prior to Jan. 1, 2019 that are currently considered leases are expected to be recognized on the consolidated balance sheet, including contracts for use of office space, equipment and natural gas storage assets, as well as certain purchased power agreements (PPAs) for natural gas-fueled generating facilities. Xcel Energy expects that similar agreements entered after Dec. 31, 2018 will generally qualify as leases under the new standard.

Presentation of Net Periodic Benefit Cost — In March 2017, the FASB issued *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, Topic 715 (ASU No. 2017-07)*, which establishes that only the service cost element of pension cost may be presented as a component of operating income in the income statement. Also under the guidance, only the service cost component of pension cost is eligible for capitalization. As a result of application of accounting principles for rate regulated entities, a similar amount of pension cost, including non-service components, will be recognized consistent with the historical ratemaking treatment and the impacts of adoption will be limited to changes in classification of non-service costs in the consolidated statement of income. This guidance is effective for interim and annual reporting periods beginning after Dec. 15, 2017.

Recently Adopted

Stock Compensation — In March 2016, the FASB issued *Improvements to Employee Share-Based Payment Accounting, Topic 718 (ASU No. 2016-09),* which simplifies accounting and financial statement presentation for share-based payment transactions. The guidance requires that the difference between the tax deduction available upon settlement of share-based equity awards and the tax benefit accumulated over the vesting period be recognized as an adjustment to income tax expense. Xcel Energy adopted the guidance in 2016, resulting in immaterial 2016 adjustments to income tax expense and changes in classification of cash flows related to tax withholding in the consolidated statements of cash flows for 2016 and prior presented periods.

Accounting for the TCJA — In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118 *Income Tax Accounting Implications of the Tax Cuts and Jobs Act* (SAB 118), to supplement the accounting requirements of ASC Topic 740 *Income Taxes* (ASC Topic 740) as it relates to assessing and recognizing the impacts of the TCJA in the period of enactment. SAB 118 allows an entity to recognize provisional amounts in its financial statements in circumstances in which the entity's assessment is incomplete, but for which a reasonable estimate can be made. Provisional amounts recognized are subject to adjustment for up to one year from the enactment date. For further details, see Note 6 to the consolidated financial statements.

Reporting Comprehensive Income — In February 2018, the FASB issued *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, Topic 220 (ASU No. 2018-02),* which addresses the stranded amounts of accumulated OCI which may result from enactment of a new tax law. Though accumulated OCI is presented on a net-of-tax basis, ASC Topic 740 requires that the effects of new tax laws on items in accumulated OCI be recognized without a corresponding adjustment to accumulated OCI, and instead recorded to income tax expense. ASU No. 2018-02 permits stranded amounts of accumulated OCI specifically resulting from the TCJA to be removed from accumulated OCI and reclassified to retained earnings, if elected. Xcel Energy adopted the guidance in the fourth quarter of 2017, and elected to recognize a $22 million increase to accumulated other comprehensive loss and retained earnings in the consolidated financial statements for the year ended Dec. 31, 2017, related to a revaluation of deferred income tax assets and liabilities for items in accumulated other comprehensive loss, at the TCJA federal tax rate.

3. Selected Balance Sheet Data

(Millions of Dollars)	Dec. 31, 2017	Dec. 31, 2016
Accounts receivable, net		
Accounts receivable	$ 849	$ 827
Less allowance for bad debts	(52)	(51)
	$ 797	$ 776

(Millions of Dollars)	Dec. 31, 2017	Dec. 31, 2016
Inventories		
Materials and supplies	$ 311	$ 312
Fuel	186	182
Natural gas	113	110
	$ 610	$ 604

(Millions of Dollars)	Dec. 31, 2017	Dec. 31, 2016
Property, plant and equipment, net		
Electric plant	$ 39,016	$ 38,221
Natural gas plant	5,800	5,318
Common and other property	2,013	1,888
Plant to be retired [(a)]	11	32
CWIP	2,087	1,373
Total property, plant and equipment	48,927	46,832
Less accumulated depreciation	(15,000)	(14,381)
Nuclear fuel	2,697	2,572
Less accumulated amortization	(2,295)	(2,181)
	$ 34,329	$ 32,842

(a) In the third quarter of 2017, PSCo early retired Valmont Unit 5 and converted Cherokee Unit 4 from a coal-fueled generating facility to natural gas. PSCo also expects Craig Unit 1 to be early retired in approximately 2025. Amounts are presented net of accumulated depreciation.

4. Borrowings and Other Financing Instruments

Short-Term Borrowings

Money Pool — Xcel Energy Inc. and its utility subsidiaries have established a money pool arrangement that allows for short-term investments in and borrowings between the utility subsidiaries. NSP-Wisconsin does not participate in the money pool. Xcel Energy Inc. may make investments in the utility subsidiaries at market-based interest rates; however, the money pool arrangement does not allow the utility subsidiaries to make investments in Xcel Energy Inc. The money pool balances are eliminated in consolidation.

Short-Term Debt — Xcel Energy Inc. and its utility subsidiaries meet their short-term liquidity requirements primarily through the issuance of commercial paper and borrowings under their credit facilities and term loan. Commercial paper and term loan borrowings outstanding for Xcel Energy were as follows:

(Amounts in Millions, Except Interest Rates)	Three Months Ended Dec. 31, 2017
Borrowing limit	$ 3,250
Amount outstanding at period end	814
Average amount outstanding	560
Maximum amount outstanding	814
Weighted average interest rate, computed on a daily basis	1.63%
Weighted average interest rate at period end	1.90

(Amounts in Millions, Except Interest Rates)	Year Ended Dec. 31 2017	2016	2015
Borrowing limit	$ 3,250	$ 2,750	$ 2,750
Amount outstanding at period end	814	392	846
Average amount outstanding	644	485	601
Maximum amount outstanding	1,247	1,183	1,360
Weighted average interest rate, computed on a daily basis	1.35%	0.74%	0.48%
Weighted average interest rate at end of period	1.90	0.95	0.82

Letters of Credit — Xcel Energy Inc. and its subsidiaries use letters of credit, generally with terms of one year, to provide financial guarantees for certain operating obligations. As of Dec. 31, 2017 and 2016, there were $30 million and $19 million of letters of credit outstanding, respectively, under the credit facilities. The contract amounts of these letters of credit approximate their fair value and are subject to fees.

Credit Facilities — In order to use their commercial paper programs to fulfill short-term funding needs, Xcel Energy Inc. and its utility subsidiaries must have revolving credit facilities in place at least equal to the amount of their respective commercial paper borrowing limits and cannot issue commercial paper in an aggregate amount exceeding available capacity under these credit facilities. The lines of credit provide short-term financing in the form of notes payable to banks, letters of credit and back-up support for commercial paper borrowings.

NSP-Minnesota, PSCo, SPS, and Xcel Energy Inc. each have the right to request an extension of the June 2021 termination date for two additional one-year periods. NSP-Wisconsin has the right to request an extension of the termination date for an additional one-year period. All extension requests are subject to majority bank group approval.

Other features of the credit facilities include:

- Xcel Energy Inc. may increase its credit facility by up to $200 million, NSP-Minnesota and PSCo may each increase their credit facilities by $100 million and SPS may increase its credit facility by $50 million. The NSP-Wisconsin credit facility cannot be increased.
- Each credit facility has a financial covenant requiring that the debt-to-total capitalization ratio of each entity be less than or equal to 65 percent. Each entity was in compliance as of Dec. 31, 2017 and 2016, respectively, as evidenced by the table below:

	Debt-to-Total Capitalization Ratio 2017	2016
Xcel Energy Inc.	58%	57%
NSP-Wisconsin	47	47
NSP-Minnesota	48	48
SPS	46	47
PSCo	44	45

- If Xcel Energy Inc. or any of its utility subsidiaries do not comply with the covenant, an event of default may be declared, and if not remedied, any outstanding amounts due under the facility can be declared due by the lender.
- The Xcel Energy Inc. credit facility has a cross-default provision that provides Xcel Energy Inc. will be in default on its borrowings under the facility if it or any of its subsidiaries, except NSP-Wisconsin as long as its total assets do not comprise more than 15 percent of Xcel Energy's consolidated total assets, default on certain indebtedness in an aggregate principal amount exceeding $75 million.
- Xcel Energy Inc. and its subsidiaries were in compliance with all financial covenants in their debt agreements as of Dec. 31, 2017 and 2016.

Xcel Energy Inc. entered into a 364-day term loan agreement on Dec. 5, 2017 to borrow up to $500 million. As of Dec. 31, 2017, Xcel Energy Inc. had borrowed $250 million of the Term Loan. Xcel Energy Inc. may recommit for one additional 364-day period from the December 2018 maturity date, subject to majority consent from lenders.

As of Dec. 31, 2017, Xcel Energy Inc. and its utility subsidiaries had the following committed credit facilities available:

(Millions of Dollars)	Credit Facility [a]	Drawn [b]	Available
Xcel Energy Inc.	$ 1,500	$ 783	$ 717
PSCo	700	3	697
NSP-Minnesota	500	44	456
SPS	400	2	398
NSP-Wisconsin	150	11	139
Total	$ 3,250	$ 843	$ 2,407

[a] These credit facilities mature in June 2021, with the exception of Xcel Energy Inc.'s $500 million 364-day term loan agreement entered into in December 2017.
[b] Includes outstanding commercial paper, term loan borrowings and letters of credit.

All credit facility bank borrowings, outstanding letters of credit, term loan borrowings and outstanding commercial paper reduce the available capacity under the respective credit facilities. Xcel Energy Inc. and its subsidiaries had no direct advances on the credit facilities outstanding as of Dec. 31, 2017 and 2016.

Long-Term Borrowings and Other Financing Instruments

Generally, all real and personal property of NSP-Minnesota, NSP-Wisconsin, PSCo and SPS are subject to the liens of their first mortgage indentures. Debt premiums, discounts and expenses are amortized over the life of the related debt. The premiums, discounts and expenses associated with refinanced debt are deferred and amortized over the life of the related new issuance, in accordance with regulatory guidelines.

Maturities of long-term debt are as follows:

(Millions of Dollars)	
2018	$ 457
2019	405
2020	1,256
2021	425
2022	905

During 2017, Xcel Energy Inc. and its utility subsidiaries completed the following financings:

- PSCo issued $400 million of 3.80 percent first mortgage bonds due June 15, 2047;
- SPS issued $450 million of 3.70 percent first mortgage bonds due Aug. 15, 2047;
- NSP-Minnesota issued $600 million of 3.60 percent first mortgage bonds due Sept. 15, 2017;
- NSP-Wisconsin issued $100 million of 3.75 percent first mortgage bonds due Dec. 1, 2047; and
- Xcel Energy Inc. entered into a $500 million 364-Day Term Loan Agreement.

During 2016, Xcel Energy Inc. and its utility subsidiaries completed the following financings:

- Xcel Energy Inc. issued $400 million of 2.40 percent senior notes due March 15, 2021 and $350 million of 3.30 percent senior notes due June 1, 2025;
- NSP-Minnesota issued $350 million of 3.60 percent first mortgage bonds due May 15, 2046;
- PSCo issued $250 million of 3.55 percent first mortgage bonds due June 15, 2046;
- SPS issued $300 million of 3.40 percent first mortgage bonds due Aug. 15, 2046; and
- Xcel Energy Inc. issued $300 million of 2.60 percent senior notes due March 15, 2022 and $500 million of 3.35 percent senior notes due Dec. 1, 2026.

Deferred Financing Costs — Deferred financing costs of approximately $119 million and $109 million, net of amortization, are presented as a deduction from the carrying amount of long-term debt as of Dec. 31, 2017 and 2016, respectively. Xcel Energy is amortizing these financing costs over the remaining maturity periods of the related debt.

Capital Stock — Xcel Energy Inc. has 7,000,000 shares of preferred stock authorized to be issued with a $100 par value. As of Dec. 31, 2017 and 2016, there were no shares of preferred stock outstanding.

The charters of PSCo and SPS authorize each subsidiary to issue 10,000,000 shares of preferred stock with par values of $0.01 and $1.00 per share, respectively. As of Dec. 31, 2017 and 2016, there were no preferred shares of subsidiaries outstanding.

Xcel Energy Inc. has 1 billion shares of common stock authorized to be issued with a $2.50 par value. Outstanding shares as of Dec. 31, 2017 and 2016 were 507,762,881 and 507,222,795, respectively.

Dividend and Other Capital-Related Restrictions — Xcel Energy depends on its subsidiaries to pay dividends. All of Xcel Energy Inc.'s utility subsidiaries' dividends are subject to the FERC's jurisdiction, which prohibits the payment of dividends out of capital accounts; payment of dividends is allowed out of retained earnings only. Due to certain restrictive covenants, Xcel Energy Inc. is required to be current on particular interest payments before dividends can be paid.

The most restrictive dividend limitations for NSP-Minnesota, NSP-Wisconsin and SPS are imposed by their respective state regulatory commission. PSCo's dividends are subject to the FERC's jurisdiction.

Only NSP-Minnesota has a first mortgage indenture which places certain restrictions on the amount of cash dividends it can pay to Xcel Energy Inc., the holder of its common stock. Even with this restriction, NSP-Minnesota could have paid more than $1.9 billion and $1.7 billion in additional cash dividends to Xcel Energy Inc. as of Dec. 31, 2017 and 2016, respectively.

NSP-Minnesota's state regulatory commissions indirectly limit the amount of dividends NSP-Minnesota can pay by requiring an equity-to-total capitalization ratio between 47.2 percent and 57.6 percent. NSP-Minnesota's equity-to-total capitalization ratio was 52.1 percent at Dec. 31, 2017 and $1.1 billion in retained earnings was not restricted. Total capitalization for NSP-Minnesota was $10.4 billion at Dec. 31, 2017, which did not exceed the limit of $11.2 billion.

NSP-Wisconsin cannot pay annual dividends in excess of approximately $53 million if its calendar year average equity-to-total capitalization ratio is or falls below the state commission authorized level as calculated by PSCW requirements. NSP-Wisconsin's calendar year average equity ratio calculated on this basis was 53.1 percent as of Dec. 31, 2017 and $19 million in retained earnings was not restricted. NSP-Wisconsin's authorized equity ratio was 52.5 percent for 2016 and 2017, but will be 51.5 percent for 2018.

SPS' state regulatory commissions indirectly limit the amount of dividends that SPS can pay Xcel Energy Inc. by requiring an equity-to-total capitalization ratio (excluding short-term debt) between 45.0 percent and 55.0 percent. In addition, SPS may not pay a dividend that would cause it to lose its investment grade bond rating. SPS' equity ratio (excluding short-term debt) was 53.8 percent as of Dec. 31, 2017 and $542 million in retained earnings was not restricted.

The issuance of securities by Xcel Energy Inc. generally is not subject to regulatory approval. However, utility financings and certain intra-system financings are subject to the jurisdiction of the applicable state regulatory commissions and/or the FERC. As of Dec. 31, 2017:

- PSCo has authorization to issue up to an additional $1.8 billion of long-term debt and up to $800 million of short-term debt.
- SPS has authorization to issue up to $500 million of short-term debt and SPS will file for additional long-term debt authorization.
- NSP-Wisconsin has authorization to issue an additional $250 million of long-term debt and up to $150 million of short-term debt.
- NSP-Minnesota has authorization to issue long-term securities provided the equity-to-total capitalization ratio remains between 47.2 percent and 57.6 percent and to issue short-term debt provided it does not exceed 15 percent of total capitalization. Total capitalization for NSP-Minnesota cannot exceed $11.2 billion.

Xcel Energy believes these authorizations are adequate and seeks additional authorization as necessary.

5. Joint Ownership of Generation, Transmission and Gas Facilities

Following are the investments by Xcel Energy Inc.'s utility subsidiaries in jointly owned generation, transmission and gas facilities and the related ownership percentages as of Dec. 31, 2017:

(Millions of Dollars)	Plant in Service	Accumulated Depreciation	CWIP	Ownership %
NSP-Minnesota				
Electric Generation:				
Sherco Unit 3	$ 612	$ 411	$ 1	59%
Sherco Common Facilities Units 1, 2 and 3	145	99	1	80
Sherco Substation	5	3	—	59
Electric Transmission:				
Grand Meadow Line and Substation	11	2	—	50
CapX2020 Transmission	1,039	138	2	51
Total NSP-Minnesota	$ 1,812	$ 653	$ 4	

(Millions of Dollars)	Plant in Service	Accumulated Depreciation	CWIP	Ownership %
NSP-Wisconsin				
Electric Transmission:				
CapX2020 Transmission	$ 162	$ 12	$ 103	81%
La Crosse, Wis. to Madison, Wis.	—	—	102	37
Total NSP-Wisconsin	$ 162	$ 12	$ 205	

(Millions of Dollars)	Plant in Service	Accumulated Depreciation	CWIP	Ownership %
PSCo				
Electric Generation:				
Hayden Unit 1	$ 150	$ 72	$ 1	76%
Hayden Unit 2	149	65	—	37
Hayden Common Facilities	39	20	—	53
Craig Units 1 and 2	81	39	—	10
Craig Common Facilities 1, 2 and 3	39	20	—	7
Comanche Unit 3	890	118	—	67
Comanche Common Facilities	24	2	3	82
Electric Transmission:				
Transmission and other facilities, including substations	177	67	1	Various
Gas Transportation:				
Rifle, Colo. to Avon, Colo.	22	8	—	60
Gas Transportation Compressor	8	1	—	50
Total PSCo	$ 1,579	$ 412	$ 5	

NSP-Minnesota and PSCo have approximately 517 MW and 816 MW of jointly owned generating capacity, respectively. Each Company's share of operating expenses and construction expenditures are included in the applicable utility accounts. Each of the respective owners is responsible for providing its own financing.

6. Income Taxes

Federal Tax Reform — In December 2017, the TCJA was signed into law. While the legislation will require interpretations and regulations to be issued by the IRS, the key provisions impacting Xcel Energy, generally beginning in 2018, include:

- Corporate federal tax rate reduction from 35 percent to 21 percent;
- Normalization of resulting plant-related excess deferred taxes;
- Elimination of the corporate alternative minimum tax;
- Continued interest expense deductibility and discontinued bonus depreciation for regulated public utilities;
- Limitations on certain executive compensation deductions;
- Limitations on certain deductions for NOLs arising after Dec. 31, 2017 (limited to 80 percent of taxable income);
- Repeal of the section 199 manufacturing deduction; and
- Reduced deductions for meals and entertainment as well as state and local lobbying.

Entities are required under ASC Topic 740 to recognize the accounting impacts of a tax law change, including the impacts of a change in tax rates on deferred tax assets and liabilities, in the period including the date of the tax law enactment. The SEC staff issued guidance in SAB 118 that supplements the accounting requirements of ASC Topic 740 if elements of the TCJA assessment are not complete, and provides for up to a one year period to finalize the required accounting. Xcel Energy has estimated the effects of the TCJA, which have been reflected in the Dec. 31, 2017 consolidated financial statements. Issuance of U.S. Treasury regulations interpreting the TCJA, other U.S. Treasury and IRS guidance or interpretations of the application of ASC Topic 740 may result in changes to these estimates.

Overall for Xcel Energy, reductions in deferred tax assets and liabilities due to the reduction in corporate federal tax rates result in a net tax benefit. However, as a result of IRS requirements and past regulatory treatment of deferred taxes in the determination of regulated rates of the utility subsidiaries, including deferred taxes related to regulated plant and certain other deferred tax assets and liabilities, the impact was primarily recognized as a regulatory liability refundable to utility customers.

The fourth quarter 2017 estimated accounting impacts of the December 2017 enactment of the new tax law at Xcel Energy included:

- $2.7 billion ($3.8 billion grossed-up for tax) of reclassifications of plant-related excess deferred taxes to regulatory liabilities upon valuation at the new 21 percent federal rate. The regulatory liabilities will be amortized consistent with IRS normalization requirements, resulting in customer refunds over an estimated weighted average period of approximately 30 years;
- $254 million and $174 million of reclassifications (grossed-up for tax) of excess deferred taxes for non-plant related deferred tax assets and liabilities, respectively, to regulatory assets and liabilities; and
- $23 million of total estimated income tax expense related to the tax rate change on certain non-plant deferred taxes and all other 2017 income statement impacts of the federal tax reform.

Xcel Energy has accounted for the state tax impacts of federal tax reform based on currently enacted state tax laws. Any future state tax law changes related to the TCJA will be accounted for in the periods state laws are enacted.

Consolidated Appropriations Act, 2016 — In December 2015, the Consolidated Appropriations Act, 2016 (Act) was signed into law. The Act provided for the following:

- Immediate expensing, or "bonus depreciation," of 50 percent for property placed in service in 2015, 2016, and 2017;
- PTCs at 100 percent of the applicable rate for wind energy projects that begin construction by the end of 2016; 80 percent of the credit rate for projects that begin construction in 2017; 60 percent of the credit rate for projects that begin construction in 2018; and 40 percent of the credit rate for projects that begin construction in 2019. The wind energy PTC was not extended for projects that begin construction after 2019;
- ITCs at 30 percent for commercial solar projects that begin construction by the end of 2019; 26 percent for projects that begin construction in 2020; 22 percent for projects that begin construction in 2021; and 10 percent for projects thereafter;
- R&E credit was permanently extended; and
- Delay of two years (until 2020) of the excise tax on certain employer-provided health insurance plans.

The accounting related to the Act was recorded beginning in the fourth quarter of 2015 because a change in tax law is accounted for beginning in the period of enactment. The fourth quarter 2015 accounting impacts included:

- Recognition of additional tax deductions for bonus depreciation of $1.2 billion, and as a result, recognition of $5 million benefit related to a carryback claim (see additional discussion below) and $4 million expense related to valuation allowances and expirations of charitable contribution carryforwards; and
- Recognition of $7 million benefit for federal R&E credits.

Federal Tax Loss Carryback Claims — In 2012-2015, Xcel Energy identified certain expenses related to 2009, 2010, 2011, 2013, 2014 and 2015 that qualify for an extended carryback beyond the typical two-year carryback period. As a result of a higher tax rate in prior years, Xcel Energy recognized a tax benefit of approximately $5 million in 2015, $17 million in 2014, $12 million in 2013 and $15 million in 2012.

Federal Audit — Xcel Energy files a consolidated federal income tax return. The statute of limitations applicable to Xcel Energy's federal income tax returns expire as follows:

Tax Year(s)	Expiration
2009 - 2011	June 2018
2012 - 2013	October 2018
2014	September 2018
2015	September 2019
2016	September 2020

In 2012, the IRS commenced an examination of tax years 2010 and 2011, including the 2009 carryback claim. The IRS proposed an adjustment to the federal tax loss carryback claims that would have resulted in $14 million of income tax expense for the 2009 through 2011 claims, and the 2013 through 2015 claims. In the fourth quarter of 2015, the IRS forwarded the issue to the Office of Appeals ("Appeals"). In the third quarter of 2017, Xcel Energy and Appeals reached an agreement and the benefit related to the agreed upon portions was recognized. As of Dec. 31, 2017, the case has been forwarded to the Joint Committee on Taxation.

In the third quarter of 2015, the IRS commenced an examination of tax years 2012 and 2013. In the third quarter of 2017, the IRS concluded the audit of tax years 2012 and 2013 and proposed an adjustment that would impact Xcel Energy's NOL and ETR. After evaluating the proposed adjustment, Xcel Energy filed a protest with the IRS. Xcel Energy anticipates the issue will be forwarded to Appeals. As of Dec. 31, 2017, Xcel Energy has recognized its best estimate of income tax expense that will result from a final resolution of this issue; however, the outcome and timing of a resolution is uncertain.

State Audits — Xcel Energy files consolidated state tax returns based on income in its major operating jurisdictions of Colorado, Minnesota, Texas, and Wisconsin, and various other state income-based tax returns. As of Dec. 31, 2017, Xcel Energy's earliest open tax years that are subject to examination by state taxing authorities in its major operating jurisdictions were as follows:

State	Year
Colorado	2009
Minnesota	2009
Texas	2009
Wisconsin	2012

In 2016, Minnesota began an audit of years 2010 through 2014. As of Dec. 31, 2017, Minnesota had not proposed any material adjustments.

In 2016, Texas began an audit of years 2009 and 2010, and in September 2017, began an audit of year 2011. In the fourth quarter of 2017, Texas concluded these audits and Xcel Energy recognized the related benefit.

In 2016, Wisconsin began an audit of years 2012 and 2013. As of Dec. 31, 2017, Wisconsin had not proposed any material adjustments.

As of Dec. 31, 2017, there were no other state income tax audits in progress.

Unrecognized Tax Benefits — The unrecognized tax benefit balance includes permanent tax positions, which if recognized would affect the annual ETR. In addition, the unrecognized tax benefit balance includes temporary tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. A change in the period of deductibility would not affect the ETR but would accelerate the payment of cash to the taxing authority to an earlier period.

A reconciliation of the amount of unrecognized tax benefit is as follows:

(Millions of Dollars)	Dec. 31, 2017	Dec. 31, 2016
Unrecognized tax benefit — Permanent tax positions	$ 20	$ 30
Unrecognized tax benefit — Temporary tax positions	19	104
Total unrecognized tax benefit	$ 39	$ 134

A reconciliation of the beginning and ending amount of unrecognized tax benefit is as follows:

(Millions of Dollars)	2017	2016	2015
Balance at Jan. 1	$ 134	$ 121	$ 67
Additions based on tax positions related to the current year	6	8	27
Reductions based on tax positions related to the current year	(4)	—	(5)
Additions for tax positions of prior years	15	10	35
Reductions for tax positions of prior years	(105)	(5)	(3)
Settlements with taxing authorities	(7)	—	—
Balance at Dec. 31	$ 39	$ 134	$ 121

The unrecognized tax benefit amounts were reduced by the tax benefits associated with NOL and tax credit carryforwards. The amounts of tax benefits associated with NOL and tax credit carryforwards are as follows:

(Millions of Dollars)	Dec. 31, 2017	Dec. 31, 2016
NOL and tax credit carryforwards	$ (31)	$ (44)

It is reasonably possible that Xcel Energy's amount of unrecognized tax benefits could significantly change in the next 12 months as the IRS Appeals progresses and audits resume, the Minnesota and Wisconsin audits progress, and other state audits resume. As the IRS Appeals, Minnesota and Wisconsin audits progress, it is reasonably possible that the amount of unrecognized tax benefit could decrease up to approximately $15 million.

The payable for interest related to unrecognized tax benefits is partially offset by the interest benefit associated with NOL and tax credit carryforwards. A reconciliation of the beginning and ending amount of the payable for interest related to unrecognized tax benefits reported are as follows:

(Millions of Dollars)	2017	2016
Payable for interest related to unrecognized tax benefits at Jan. 1	$ (3)	$ —
Interest income (expense) income related to unrecognized tax benefits	3	(3)
Payable for interest related to unrecognized tax benefits at Dec. 31	$ —	$ (3)

The payable for interest related to unrecognized tax benefits was immaterial for 2015.

No amounts were accrued for penalties related to unrecognized tax benefits as of Dec. 31, 2017, 2016 or 2015.

Other Income Tax Matters — NOL amounts represent the amount of the tax loss that is carried forward and tax credits represent the deferred tax asset. NOL and tax credit carryforwards as of Dec. 31 were as follows:

(Millions of Dollars)	2017	2016
Federal NOL carryforward	$ 1,072	$ 1,916
Federal tax credit carryforwards	517	424
Valuation allowances for federal credit carryforwards	(5)	—
State NOL carryforwards	1,592	1,949
Valuation allowances for state NOL carryforwards	(55)	(59)
State tax credit carryforwards, net of federal detriment [a]	90	74
Valuation allowances for state credit carryforwards, net of federal benefit [b]	(68)	(54)

(a) State tax credit carryforwards are net of federal detriment of $24 million and $40 million as of Dec. 31, 2017 and 2016, respectively.
(b) Valuation allowances for state tax credit carryforwards were net of federal benefit of $18 million and $29 million as of Dec. 31, 2017 and 2016, respectively.

The federal carryforward periods expire between 2021 and 2037. The state carryforward periods expire between 2018 and 2037.

Total income tax expense from operations differs from the amount computed by applying the statutory federal income tax rate to income before income tax expense. The following reconciles such differences for the years ending Dec. 31:

	2017	2016 [b]	2015 [b]
Federal statutory rate	35.0 %	35.0 %	35.0 %
State income tax on pretax income, net of federal tax effect	3.9 %	3.9 %	3.9 %
Increases (decreases) in tax from:			
Wind production tax credits recognized	(4.7)	(3.4)	(1.8)
Other tax credits recognized, net of federal income tax expense	(1.0)	(0.8)	(0.9)
Tax reform	1.4	—	—
Regulatory differences - effects of rate changes [a]	(0.1)	(0.1)	(0.1)
Regulatory differences - other utility plant items	(0.7)	(0.5)	(0.9)
Change in unrecognized tax benefits	(0.6)	0.2	0.6
NOL carryback	—	—	(0.3)
Other, net	(1.1)	(0.2)	—
Effective income tax rate	32.1 %	34.1 %	35.5 %

(a) The amortization of excess deferred taxes.
(b) The prior periods included in this footnote have been reclassified to conform to current year presentation.

The components of Xcel Energy's income tax expense for the years ending Dec. 31 were:

(Millions of Dollars)	2017	2016	2015
Current federal tax expense (benefit)	$ 1	$ (3)	$ (36)
Current state tax (benefit) expense	(11)	(4)	2
Current change in unrecognized tax (benefit) expense	(83)	6	46
Deferred federal tax expense	460	477	480
Deferred state tax expense	107	112	92
Deferred change in unrecognized tax expense (benefit)	73	(2)	(36)
Deferred investment tax credits	(5)	(5)	(5)
Total income tax expense	$ 542	$ 581	$ 543

The components of deferred income tax expense for the years ending Dec. 31 were:

(Millions of Dollars)	2017	2016	2015
Deferred tax (benefit) expense excluding items below	$ (2,939)	$ 631	$ 547
Amortization and adjustments to deferred income taxes on income tax regulatory assets and liabilities	3,583	(45)	(12)
Tax (expense) benefit allocated to other comprehensive income, net of adoption of ASU No. 2018-02, and other	(4)	1	1
Deferred tax expense	$ 640	$ 587	$ 536

The components of Xcel Energy's net deferred tax liability at Dec. 31 were as follows:

(Millions of Dollars)	2017	2016 [a]
Deferred tax liabilities:		
Differences between book and tax bases of property	$ 4,989	$ 7,697
Regulatory assets	565	152
Pension expense	199	298
Other	69	89
Total deferred tax liabilities	$ 5,822	$ 8,236
Deferred tax assets:		
Regulatory liabilities	$ 886	$ (132)
Tax credit carryforward	607	498
NOL carryforward	293	754
NOL and tax credit valuation allowances	(77)	(57)
Other employee benefits	132	205
Deferred investment tax credits	17	27
Deferred fuel costs	12	11
Rate refund	10	33
Other	97	113
Total deferred tax assets	$ 1,977	$ 1,452
Net deferred tax liability	$ 3,845	$ 6,784

(a) The prior period included in this footnote has been reclassified to conform to current year presentation.

7. Earnings Per Share

Basic EPS was computed by dividing the earnings available to Xcel Energy Inc.'s common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS was computed by dividing the earnings available to Xcel Energy Inc.'s common shareholders by the diluted weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other agreements to issue common stock (i.e., common stock equivalents) were settled. The weighted average number of potentially dilutive shares outstanding used to calculate Xcel Energy Inc.'s diluted EPS is calculated using the treasury stock method.

Common Stock Equivalents — Xcel Energy Inc. currently has common stock equivalents related to certain equity awards in share-based compensation arrangements. Common stock equivalents causing a dilutive impact to EPS include commitments to issue common stock related to time based equity compensation awards. Effective August 2015, 401(k) matching contributions are settled in cash for all Xcel Energy employee groups.

Stock equivalent units granted to Xcel Energy Inc.'s Board of Directors are included in common shares outstanding upon grant date as there is no further service, performance or market condition associated with these awards. Restricted stock, granted to settle amounts due to certain employees under the Xcel Energy Inc. Executive Annual Incentive Award Plan, is included in common shares outstanding when granted.

Share-based compensation arrangements for which there is currently no dilutive impact to EPS include the following:

- Equity awards subject to a performance condition; included in common shares outstanding when all necessary conditions for settlement have been satisfied by the end of the reporting period.
- Liability awards subject to a performance condition; any portions settled in shares are included in common shares outstanding upon settlement.

The dilutive impact of common stock equivalents affecting EPS was as follows:

	2017			2016			2015		
(Amounts in millions, except per share data)	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Net income	$ 1,148			$ 1,123			$ 984		
Basic EPS:									
Earnings available to common shareholders	1,148	508.5	$ 2.26	1,123	508.8	$ 2.21	984	507.8	$ 1.94
Effect of dilutive securities:									
Equity awards	—	0.6		—	0.7		—	0.4	
Diluted EPS:									
Earnings available to common shareholders	$ 1,148	509.1	$ 2.25	$ 1,123	509.5	$ 2.21	$ 984	508.2	$ 1.94

Dividend Reinvestment and Stock Purchase Plan and Stock Compensation Settlements — In 2015, the Xcel Energy Inc. Board of Directors authorized open market purchases by the plan administrator as the source of shares for the dividend reinvestment program as well as market purchases of up to 3.0 million shares for stock compensation plan settlements. In 2017, Xcel Energy Inc. repurchased approximately 0.1 million shares of common stock in the open market at a total cost of approximately $3 million.

8. Share-Based Compensation

Restricted Stock — Certain employees may elect to receive shares of common or restricted stock under the Xcel Energy Inc. Executive Annual Incentive Award Plan and the 2015 Omnibus Incentive Plan (effective May 20, 2015). Restricted stock is treated as an equity award and vests and settles in equal annual installments over a three-year period. Xcel Energy Inc. reinvests dividends on the restricted stock while restrictions are in place. Restrictions also apply to the additional shares of restricted stock acquired through dividend reinvestment. If the restricted shares are forfeited, the employee is not entitled to the dividends on those shares. Restricted stock has a fair value equal to the market trading price of Xcel Energy Inc.'s stock at the grant date.

Xcel Energy Inc. granted shares of restricted stock for the years ended Dec. 31 as follows:

(Shares in Thousands)	2017	2016	2015
Granted shares	15	20	42
Grant date fair value	$ 42.00	$ 38.82	$ 35.00

A summary of the changes of nonvested restricted stock for the year ended 2017 were as follows:

(Shares in Thousands)	Shares	Weighted Average Grant Date Fair Value
Nonvested restricted stock at Jan. 1, 2017	67	$ 35.43
Granted	15	42.00
Forfeited	—	—
Vested	(40)	33.36
Dividend equivalents	2	44.69
Nonvested restricted stock at Dec. 31, 2017	44	39.71

Other Equity Awards — Xcel Energy Inc.'s Board of Directors has granted equity awards under the Xcel Energy Inc. 2005 Long-Term Incentive Plan (as amended and restated in 2010) and the 2015 Omnibus Incentive Plan (effective May 20, 2015). These plans allow the attachment of various vesting conditions and performance goals to the awards granted. The vesting conditions and performance goals may vary by plan year. At the end of the restricted period, such grants will be awarded if the vesting conditions and/or performance goals are met.

Commencing in 2014, certain employees were granted equity awards with one portion of shares subject only to service conditions, and the other portion subject to performance conditions. Inclusive of other grants of time-based awards, a total of 0.3 million time-based equity shares subject only to service conditions were granted annually in 2017, 2016, and 2015, respectively. Other than shares associated with these time-based awards and restricted stock, payout of all other employee equity awards and the lapsing of restrictions on the transfer of units are based on the achievement of performance criteria.

The performance conditions for a portion of the awards granted from 2015 to 2017 are based on relative TSR, measured identically to TSR liability awards granted in those years, and measurement of performance for a portion of units awarded from 2011 to 2013 is based on EPS growth with an additional condition that Xcel Energy Inc.'s annual dividend paid on its common stock remains at a specified amount per share or greater. The performance conditions for the remaining employee equity awards are based on environmental goals. Equity awards with performance conditions awarded from 2011 to 2017, plus associated dividend equivalents, will be settled or forfeited and the restricted period will lapse after three years, with potential payouts ranging from zero to 150 percent for 2011 to 2013 grants, and zero to 200 percent for 2014 to 2017 grants, depending on the level of achievement.

- The 2012 awards measured on EPS growth and the 2012 environmental awards met their targets as of Dec. 31, 2014, and were settled in shares in February 2015.
- The 2013 awards measured on EPS growth, the 2013 environmental awards and the 2013 time-based awards met their targets as of Dec. 31, 2015, and were settled in shares in February 2016.
- The 2014 environmental awards and the 2014 time-based awards met their targets as of Dec. 31, 2016, and were settled in shares in February 2017.
- The 2015 environmental awards and the 2015 time-based awards met their targets as of Dec. 31, 2017, and will be settled in shares in February 2018.

Equity award units granted to employees, excluding restricted stock, for the years ended Dec. 31 were as follows:

(Units in Thousands)	2017	2016	2015
Granted units	503	522	496
Weighted average grant date fair value	$ 41.02	$ 36.00	$ 36.09

Approximately 0.5 million of these units vested during 2017 at a total fair value of $22 million. Approximately 0.5 million of these units vested during 2016 at a total fair value of $22 million. Approximately 0.8 million of these units vested during 2015 at a total fair value of $27 million.

A summary of the changes in the nonvested portion of these equity award units for the year ended 2017, were as follows:

(Units in Thousands)	Units	Weighted Average Grant Date Fair Value
Nonvested Units at Jan. 1, 2017	984	$ 36.05
Granted	503	41.02
Forfeited	(70)	37.12
Vested	(467)	36.17
Dividend equivalents	45	37.20
Nonvested Units at Dec. 31, 2017	995	38.48

The total fair value of these nonvested equity awards as of Dec. 31, 2017 was $48 million and the weighted average remaining contractual life was 1.7 years.

Stock Equivalent Units — Non-employee members of the Xcel Energy Inc. Board of Directors receive annual awards of stock equivalent units, with each unit having a value equal to one share of Xcel Energy Inc. common stock. The annual grants are vested as of the date of each member's election to the Board of Directors; there is no further service or other condition attached to the annual grants. Additionally, directors may elect to receive their fees in stock equivalent units in lieu of cash. Dividends on Xcel Energy Inc.'s common stock are converted to stock equivalent units and granted based on the number of stock equivalent units held by each participant as of the dividend date. The stock equivalent units are payable as a distribution of Xcel Energy Inc.'s common stock upon a director's termination of service.

The stock equivalent units granted for the years ended Dec. 31 were as follows:

(Units in Thousands)	2017	2016	2015
Granted units	51	49	60
Grant date fair value	$ 46.05	$ 40.68	$ 34.58

A summary of the stock equivalent unit changes for the year ended 2017 are as follows:

(Units in Thousands)	Units	Weighted Average Grant Date Fair Value
Stock equivalent units at Jan. 1, 2017	750	$ 27.39
Granted	51	46.05
Units distributed	(71)	20.52
Dividend equivalents	23	45.24
Stock equivalent units at Dec. 31, 2017	753	29.83

TSR Liability Awards — Xcel Energy Inc.'s Board of Directors has granted TSR liability awards under the Xcel Energy Inc. 2005 Long-Term Incentive Plan (as amended and restated effective in 2010) and 2015 Omnibus Incentive Plan. The plans allow Xcel Energy to attach various performance goals to the awards granted. The liability awards granted have been historically dependent on a single measure of performance, Xcel Energy Inc.'s relative TSR measured over a three-year period. For 2017, 2016 and 2015 awards, Xcel Energy Inc.'s TSR is compared to the TSR of other companies in a 22-member utilities peer group. At the end of the three-year period, potential payouts of the awards range from zero to 200 percent, depending on Xcel Energy Inc.'s TSR compared to the applicable peer group or index.

The TSR liability awards granted for the years ended Dec. 31 were as follows:

(In Thousands)	2017	2016	2015
Awards granted	240	264	224

The total amounts of TSR liability awards settled during the years ended Dec. 31 were as follows:

(In Thousands)	2017	2016	2015
Awards settled	454	354	—
Settlement amount (cash, common stock and deferred amounts)	$ 19,083	$ 13,724	$ —

The amount of cash used to settle Xcel Energy's TSR liability awards was $7 million in 2017.

Share-Based Compensation Expense — Other than for restricted stock, the vesting of employee equity awards is generally predicated on the achievement of a performance condition, which is the achievement of a TSR, EPS or environmental measures target. Additionally, approximately 0.3 million of equity award units were granted annually in 2017, 2016, and 2015, respectively, with vesting subject only to service conditions for periods of three years. Generally, all of these instruments are considered to be equity awards since the plan settlement determination (shares or cash) resides with Xcel Energy and not the participants. In addition, these awards have not been previously settled in cash and Xcel Energy plans to continue electing share settlement. The grant date fair value of equity awards is expensed over the service period as employees vest in their rights to those awards.

The TSR liability awards have been historically settled partially in cash, and do not qualify as equity awards, but rather are accounted for as liabilities. As liability awards, the fair value on which ratable expense is based, as employees vest in their rights to those awards, is remeasured each period based on the current stock price and performance achievement, and final expense is based on the market value of the shares on the date the award is settled.

The compensation costs related to share-based awards for the years ended Dec. 31 were as follows:

(Millions of Dollars)	2017	2016	2015
Compensation cost for share-based awards [a]	$ 57	$ 41	$ 45
Tax benefit recognized in income	22	16	18

[a] Compensation costs for share-based payment arrangements are included in O&M expense in the consolidated statements of income.

The maximum aggregate number of shares of common stock available for issuance under the Xcel Energy Inc. 2015 Omnibus Incentive Plan (effective May 20, 2015) is 7.0 million shares. The maximum aggregate number of shares of common stock available for issuance under the Xcel Energy Inc. 2005 Long-Term Incentive Plan (as amended and restated effective Feb. 17, 2010) is 8.3 million shares. Under the Xcel Energy Inc. Executive Annual Incentive Award Plan (as amended and restated effective Feb. 17, 2010), the total number of shares approved for issuance is 1.2 million shares.

As of Dec. 31, 2017 and 2016, there was approximately $44 million and $29 million, respectively, of total unrecognized compensation cost related to nonvested share-based compensation awards. Xcel Energy expects to recognize the amount unrecognized at Dec. 31, 2017 over a weighted average period of 1.7 years.

9. Benefit Plans and Other Postretirement Benefits

Xcel Energy offers various benefit plans to its employees. Approximately 46 percent of employees that receive benefits are represented by several local labor unions under several collective-bargaining agreements. As of Dec. 31, 2017:

- NSP-Minnesota had 1,858 and NSP-Wisconsin had 383 bargaining employees covered under a collective-bargaining agreement, which expires in December 2019. NSP-Minnesota also had an additional 248 nuclear operation bargaining employees covered under several collective-bargaining agreements. These agreements expire in 2018 and 2019.
- PSCo had 1,835 bargaining employees covered under a collective-bargaining agreement, which expired in May 2017. While collective bargaining is ongoing, the terms and conditions of the agreement are automatically extended.
- SPS had 791 bargaining employees covered under a collective-bargaining agreement, which expires in October 2019.

The plans invest in various instruments which are disclosed under the accounting guidance for fair value measurements which establishes a hierarchical framework for disclosing the observability of the inputs utilized in measuring fair value. The three levels in the hierarchy and examples of each level are as follows:

Level 1 — Quoted prices are available in active markets for identical assets as of the reporting date. The types of assets included in Level 1 are highly liquid and actively traded instruments with quoted prices.

Level 2 — Pricing inputs are other than quoted prices in active markets, but are either directly or indirectly observable as of the reporting date. The types of assets included in Level 2 are typically either comparable to actively traded securities or contracts, or priced with models using highly observable inputs.

Level 3 — Significant inputs to pricing have little or no observability as of the reporting date. The types of assets included in Level 3 are those with inputs requiring significant management judgment or estimation.

Specific valuation methods include the following:

Cash equivalents — The fair values of cash equivalents are generally based on cost plus accrued interest; money market funds are measured using quoted NAVs.

Insurance contracts — Insurance contract fair values take into consideration the value of the investments in separate accounts of the insurer, which are priced based on observable inputs.

Investments in commingled funds, equity securities and other funds — Equity securities are valued using quoted prices in active markets. The fair values for commingled funds are measured using NAVs, which take into consideration the value of underlying fund investments, as well as the other accrued assets and liabilities of a fund, in order to determine a per share market value. The investments in commingled funds may be redeemed for NAV with proper notice. Proper notice varies by fund and can range from daily with a few days' notice to annually with 90 days' notice. Private equity investments require approval of the fund for any unscheduled redemption, and such redemptions may be approved or denied by the fund at its sole discretion. Depending on the fund, unscheduled distributions from real estate investments may require approval of the fund or may be redeemed with proper notice, which is typically quarterly with 45-90 days' notice; however, withdrawals from real estate investments may be delayed or discounted as a result of fund illiquidity.

Investments in debt securities — Fair values for debt securities are determined by a third party pricing service using recent trades and observable spreads from benchmark interest rates for similar securities.

Derivative Instruments — Fair values for foreign currency derivatives are determined using pricing models based on the prevailing forward exchange rate of the underlying currencies. The fair values of interest rate derivatives are based on broker quotes that utilize current market interest rate forecasts.

Pension Benefits

Xcel Energy has several noncontributory, defined benefit pension plans that cover almost all employees. Generally, benefits are based on a combination of years of service, the employee's average pay and, in some cases, social security benefits. Xcel Energy's policy is to fully fund into an external trust the actuarially determined pension costs recognized for ratemaking and financial reporting purposes, subject to the limitations of applicable employee benefit and tax laws.

In addition to the qualified pension plans, Xcel Energy maintains a supplemental executive retirement plan (SERP) and a nonqualified pension plan. The SERP is maintained for certain executives that were participants in the plan in 2008, when the SERP was closed to new participants. The nonqualified pension plan provides unfunded, nonqualified benefits for compensation that is in excess of the limits applicable to the qualified pension plans, with distributions funded by Xcel Energy's consolidated operating cash flows. The total obligations of the SERP and nonqualified plan as of Dec. 31, 2017 and 2016 were $37 million and $44 million, respectively. In 2017 and 2016, Xcel Energy recognized net benefit cost for financial reporting for the SERP and nonqualified plans of $5 million and $8 million, respectively.

In 2016, Xcel Energy established rabbi trusts to provide partial funding for future distributions of the SERP and its deferred compensation plan, supplemented by Xcel Energy's consolidated operating cash flows as determined necessary. For more information regarding the funding of rabbi trusts, see Note 11 to the consolidated financial statements. Also in 2016, Xcel Energy amended the deferred compensation plan to provide eligible participants the ability to diversify deferred settlements of equity awards, other than time-based equity awards, into various fund options.

Xcel Energy bases the investment-return assumption on expected long-term performance for each of the investment types included in its pension asset portfolio. Xcel Energy considers the historical returns achieved by its asset portfolio over the past 20-year or longer period, as well as the long-term return levels projected and recommended by investment experts. Xcel Energy continually reviews its pension assumptions. The pension cost determination assumes a forecasted mix of investment types over the long-term.

- Investment returns in 2017 were above the assumed level of 6.87 percent;
- Investment returns in 2016 were below the assumed level of 6.87 percent;
- Investment returns in 2015 were below the assumed level of 7.09 percent; and
- In 2018, Xcel Energy's expected investment-return assumption is 6.87 percent.

The assets are invested in a portfolio according to Xcel Energy's return, liquidity and diversification objectives to provide funding for plan obligations and minimize contributions to the plan, within appropriate levels of risk. The principal mechanism for achieving these objectives is the projected asset allocation given the long-term risk, return, and liquidity characteristics of each particular asset class. There were no significant concentrations of risk in any particular industry, index, or entity. Market volatility can impact even well-diversified portfolios and significantly affect the return levels achieved by pension assets in any year.

The following table presents the target pension asset allocations for Xcel Energy at Dec. 31 for the upcoming year:

	2017	2016
Domestic and international equity securities	36%	38%
Long-duration fixed income and interest rate swap securities	27	27
Short-to-intermediate fixed income securities	20	16
Alternative investments	15	17
Cash	2	2
Total	100%	100%

Xcel Energy's ongoing investment strategy is based on plan-specific investment recommendations that seek to minimize potential investment and interest rate risk as a plan's funded status increases over time. The investment recommendations result in a greater percentage of long-duration fixed income securities being allocated to specific plans having relatively higher funded status ratios and a greater percentage of growth assets being allocated to plans having relatively lower funded status ratios. The aggregate projected asset allocation presented in the table above for the master pension trust results from the plan-specific strategies.

Pension Plan Assets

The following tables present, for each of the fair value hierarchy levels, Xcel Energy's pension plan assets that are measured at fair value as of Dec. 31, 2017 and 2016:

	Dec. 31, 2017				
(Millions of Dollars)	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Cash equivalents	$ 196	$ —	$ —	$ —	$ 196
Commingled funds:					
U.S. equity funds	513	—	—	—	513
Non U.S. equity funds	92	—	—	199	291
U.S. corporate bond funds	369	—	—	—	369
Emerging market equity funds	—	—	—	314	314
Emerging market debt funds	75	—	—	166	241
Private equity investments	—	—	—	84	84
Real estate	—	—	—	195	195
Other commingled funds	5	—	—	117	122
Debt securities:					
Government securities	—	356	—	—	356
U.S. corporate bonds	—	272	—	—	272
Non U.S. corporate bonds	—	45	—	—	45
Equity securities:					
U.S. equities	114	—	—	—	114
Other	(29)	4	—	1	(24)
Total	$ 1,335	$ 677	$ —	$ 1,076	$ 3,088

(Millions of Dollars)	Dec. 31, 2016 Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Cash equivalents	$ 113	$ —	$ —	$ —	$ 113
U.S. equity funds	491	—	—	—	491
Non U.S. equity funds	167	—	—	202	369
U.S. corporate bond funds	268	—	—	—	268
Emerging market equity funds	—	—	—	194	194
Emerging market debt funds	79	—	—	85	164
Commodity funds	—	—	—	21	21
Private equity investments	—	—	—	101	101
Real estate	—	—	—	184	— 184
Other commingled funds	—	—	—	210	210
Debt securities:					
Government securities	—	364	—	—	364
U.S. corporate bonds	—	238	—	—	238
Non U.S. corporate bonds	—	38	—	—	38
Mortgage-backed securities	—	6	—	—	6
Asset-backed securities	—	3	—	—	3
Equity securities:					
U.S. equities	89	—	—	—	89
Other	—	3	—	—	3
Total	$ 1,207	$ 652	$ —	$ 997	$ 2,856

There were no assets transferred in or out of Level 3 for the years ended Dec. 31, 2017, 2016 or 2015.

Benefit Obligations — A comparison of the actuarially computed pension benefit obligation and plan assets for Xcel Energy is presented in the following table:

(Millions of Dollars)	2017	2016
Accumulated Benefit Obligation at Dec. 31	$ 3,612	$ 3,489
Change in Projected Benefit Obligation:		
Obligation at Jan. 1	$ 3,682	$ 3,568
Service cost	94	92
Interest cost	147	160
Plan amendments	(13)	2
Actuarial loss	259	186
Benefit payments [a]	(341)	(326)
Obligation at Dec. 31	$ 3,828	$ 3,682

(Millions of Dollars)	2017	2016
Change in Fair Value of Plan Assets:		
Fair value of plan assets at Jan. 1	$ 2,856	$ 2,884
Actual return on plan assets	411	172
Employer contributions	162	125
Benefit payments [a]	(341)	(325)
Fair value of plan assets at Dec. 31	$ 3,088	$ 2,856

(Millions of Dollars)	2017	2016
Funded Status of Plans at Dec. 31:		
Funded status [b]	$ (740)	$ (826)

(a) 2017 amount includes approximately $174 million of lump-sum benefit payments used in the determination of a settlement charge.
(b) Amounts are recognized in noncurrent liabilities on Xcel Energy's consolidated balance sheets.

(Millions of Dollars)	2017	2016
Amounts Not Yet Recognized as Components of Net Periodic Benefit Cost:		
Net loss	$ 1,709	$ 1,836
Prior service credit	(25)	(5)
Total	$ 1,684	$ 1,831

(Millions of Dollars)	2017	2016
Amounts Not Yet Recognized as Components of Net Periodic Benefit Cost Have Been Recorded as Follows Based Upon Expected Recovery in Rates:		
Current regulatory assets	$ 100	$ 101
Noncurrent regulatory assets	1,511	1,650
Deferred income taxes	19	31
Net-of-tax accumulated OCI	54	49
Total	$ 1,684	$ 1,831

Measurement date	Dec. 31, 2017	Dec. 31, 2016

	2017	2016
Significant Assumptions Used to Measure Benefit Obligations:		
Discount rate for year-end valuation	3.63%	4.13%
Expected average long-term increase in compensation level	3.75	3.75
Mortality table	RP-2014	RP-2014

Mortality — In 2014, the Society of Actuaries published a new mortality table (RP-2014) that increased the overall life expectancy of males and females. In 2014, Xcel Energy adopted this mortality table, with modifications, based on its population and specific experience. During 2017, a new projection table was released (MP-2017). Xcel Energy evaluated the updated projection table and concluded that the methodology currently in use and adopted in 2016 is consistent with the recently updated 2017 table and continues to be representative of Xcel Energy's population.

Cash Flows — Cash funding requirements can be impacted by changes to actuarial assumptions, actual asset levels and other calculations prescribed by the funding requirements of income tax and other pension-related regulations. Required contributions were made in 2015 through 2018 to meet minimum funding requirements.

Total voluntary and required pension funding contributions across all four of Xcel Energy's pension plans were as follows:

- $150 million in January 2018;
- $162 million in 2017;
- $125 million in 2016; and
- $90 million in 2015.

For future years, Xcel Energy anticipates contributions will be made as necessary.

Plan Amendments — Xcel Energy amended the Xcel Energy Pension Plan and Xcel Energy Inc. Nonbargaining Pension Plan (South) in 2017 to reduce supplemental benefits for non-bargaining participants as well as to allow the transfer of a portion of non-qualified pension obligations into the qualified plans. In 2016, the Xcel Energy Pension Plan was amended to change the discount rate basis for lump-sum conversion to annuity participants and annuity conversion to lump-sum participants. Additionally in 2016, the annual credits contributed to the PSCo Bargaining Plan retirement spending account increased.

Benefit Costs — The components of Xcel Energy's net periodic pension cost were:

(Millions of Dollars)	2017	2016	2015
Service cost	$ 94	$ 92	$ 99
Interest cost	147	160	149
Expected return on plan assets	(209)	(210)	(214)
Amortization of prior service credit	(2)	(2)	(2)
Amortization of net loss	107	97	125
Settlement charge [a]	81	—	—
Net periodic pension cost	218	137	157
Costs not recognized due to effects of regulation	(79)	(15)	(29)
Net benefit cost recognized for financial reporting	$ 139	$ 122	$ 128

[a] A settlement charge is required when the amount of all lump-sum distributions during the year is greater than the sum of the service and interest cost components of the annual net periodic pension cost. In the fourth quarter of 2017 as a result of lump-sum distributions during the 2017 plan year, Xcel Energy recorded a total pension settlement charge of $81 million, the majority of which was not recognized due to the effects of regulation. A total of $8 million of that amount was recorded in O&M expenses in the fourth quarter of 2017.

	2017	2016	2015
Significant Assumptions Used to Measure Costs:			
Discount rate	4.13%	4.66%	4.11%
Expected average long-term increase in compensation level	3.75	4.00	3.75
Expected average long-term rate of return on assets	6.87	6.87	7.09

Pension costs include an expected return impact for the current year that may differ from actual investment performance in the plan. The return assumption used for 2018 pension cost calculations is 6.87 percent.

Defined Contribution Plans

Xcel Energy maintains 401(k) and other defined contribution plans that cover substantially all employees. Total expense to these plans was approximately $37 million in 2017, $36 million in 2016 and $34 million in 2015.

Postretirement Health Care Benefits

Xcel Energy has a contributory health and welfare benefit plan that provides health care and death benefits to certain Xcel Energy retirees.

- NSP-Minnesota and NSP-Wisconsin discontinued contributing toward health care benefits for non-bargaining employees retiring after 1998 and for bargaining employees who retired after 1999.
- Xcel Energy discontinued contributing toward health care benefits for nonbargaining employees of the former NCE who retired after June 30, 2003 and for PSCo bargaining employees hired on or after July 1, 2003.
- Xcel Energy discontinued contributing toward health care benefits for SPS bargaining employees hired on or after Jan. 1, 2012.

Plan Assets — Certain state agencies that regulate Xcel Energy Inc.'s utility subsidiaries also have issued guidelines related to the funding of postretirement benefit costs. SPS is required to fund postretirement benefit costs for Texas and New Mexico jurisdictional amounts collected in rates. PSCo is required to fund postretirement benefit costs in irrevocable external trusts that are dedicated to the payment of these postretirement benefits. These assets are invested in a manner consistent with the investment strategy for the pension plan.

The following table presents the target postretirement asset allocations for Xcel Energy at Dec. 31 for the upcoming year:

	2017	2016
Domestic and international equity securities	24%	25%
Short-to-intermediate fixed income securities	60	57
Alternative investments	9	13
Cash	7	5
Total	100%	100%

Xcel Energy bases its investment-return assumption for the postretirement health care fund assets on expected long-term performance for each of the investment types included in its asset portfolio. The assets are invested in a portfolio according to Xcel Energy's return, liquidity and diversification objectives to provide a source of funding for plan obligations and minimize contributions to the plan, within appropriate levels of risk. The principal mechanism for achieving these objectives is the projected asset allocation given the long-term risk, return, correlation and liquidity characteristics of each particular asset class. There were no significant concentrations of risk in any particular industry, index, or entity. Market volatility can impact even well-diversified portfolios and significantly affect the return levels achieved by postretirement health care assets in any year.

The following tables present, for each of the fair value hierarchy levels, Xcel Energy's postretirement benefit plan assets that are measured at fair value as of Dec. 31, 2017 and 2016:

	Dec. 31, 2017				
(Millions of Dollars)	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Cash equivalents	$ 29	$ —	$ —	$ —	$ 29
Insurance contracts	—	50	—	—	50
Commingled funds:					
U.S. equity funds	74	—	—	—	74
U.S fixed income funds	34	—	—	—	34
Emerging market debt funds	40	—	—	—	40
Debt securities:					
Government securities	—	57	—	—	57
U.S. corporate bonds	—	63	—	—	63
Non U.S. corporate bonds	—	21	—	—	21
Asset-backed securities	—	23	—	—	23
Mortgage-backed securities	—	34	—	—	34
Equity securities:					
Non U.S. equities	35	—	—	—	35
Other	—	1	—	—	1
Total	$ 212	$ 249	$ —	$ —	$ 461

	Dec. 31, 2016				
(Millions of Dollars)	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Cash equivalents	$ 21	$ —	$ —	$ —	$ 21
Insurance contracts	—	47	—	—	47
Commingled funds:					
U.S. equity funds	54	—	—	—	54
U.S fixed income funds	27	—	—	—	27
Emerging market debt funds	30	—	—	—	30
Other commingled funds	—	—	—	55	55
Debt securities:					
Government securities	—	38	—	—	38
U.S. corporate bonds	—	62	—	—	62
Non U.S. corporate bonds	—	17	—	—	17
Asset-backed securities	—	19	—	—	19
Mortgage-backed securities	—	29	—	—	29
Equity securities:					
Non U.S. equities	41	—	—	—	41
Other	—	2	—	—	2
Total	$ 173	$ 214	$ —	$ 55	$ 442

There were no assets transferred in or out of Level 3 for the years ended Dec. 31, 2017, 2016 or 2015.

Benefit Obligations — A comparison of the actuarially computed benefit obligation and plan assets for Xcel Energy is presented in the following table:

(Millions of Dollars)	2017	2016
Change in Projected Benefit Obligation:		
Obligation at Jan. 1	$ 603	$ 584
Service cost	2	2
Interest cost	24	26
Medicare subsidy reimbursements	1	2
Plan participants' contributions	8	7
Actuarial loss	33	33
Benefit payments	(50)	(51)
Obligation at Dec. 31	$ 621	$ 603

(Millions of Dollars)	2017	2016
Change in Fair Value of Plan Assets:		
Fair value of plan assets at Jan. 1	$ 442	$ 448
Actual return on plan assets	41	20
Plan participants' contributions	8	7
Employer contributions	20	18
Benefit payments	(50)	(51)
Fair value of plan assets at Dec. 31	$ 461	$ 442

(Millions of Dollars)	2017	2016
Funded Status of Plans at Dec. 31:		
Funded status	$ (160)	$ (161)
Current liabilities	(3)	(6)
Noncurrent liabilities	(157)	(155)
Net postretirement amounts recognized on consolidated balance sheets	$ (160)	$ (161)

(Millions of Dollars)	2017	2016
Amounts Not Yet Recognized as Components of Net Periodic Benefit Cost:		
Net loss	$ 147	$ 136
Prior service credit	(44)	(54)
Total	$ 103	$ 82

(Millions of Dollars)	2017	2016
Amounts Not Yet Recognized as Components of Net Periodic Benefit Cost Have Been Recorded as Follows Based Upon Expected Recovery in Rates:		
Noncurrent regulatory assets	$ 107	$ 91
Current regulatory liabilities	(1)	(1)
Noncurrent regulatory liabilities	(10)	(14)
Deferred income taxes	2	2
Net-of-tax accumulated OCI	5	4
Total	$ 103	$ 82

Measurement date	Dec. 31, 2017	Dec. 31, 2016

	2017	2016
Significant Assumptions Used to Measure Benefit Obligations:		
Discount rate for year-end valuation	3.62%	4.13%
Mortality table	RP 2014	RP 2014
Health care costs trend rate — initial: Pre-65	7.00%	5.50%
Health care costs trend rate — initial: Post-65	5.50%	5.50%

Beginning with the Dec. 31, 2017 measurement, Xcel Energy Inc. separated its initial medical trend assumption for pre-Medicare (Pre-65) and post-Medicare (Post-65) claims costs in order to reflect different short-term expectations based on recent experience differences. The Post-65 initial medical trend rate was set at 5.5 percent. The Pre-65 initial medical trend rate was set at 7.0 percent. The ultimate trend assumption remained at 4.5 percent for both groups. The period until the ultimate rate is reached is five years. Xcel Energy bases its medical trend assumption on the long-term cost inflation expected in the health care market, considering the levels projected and recommended by industry experts, as well as recent actual medical cost increases experienced by Xcel Energy's retiree medical plan.

A one-percent change in the assumed health care cost trend rate would have the following effects on Xcel Energy:

	One-Percentage Point	
(Millions of Dollars)	Increase	Decrease
APBO	$ 60	$ (51)
Service and interest components	3	(2)

Cash Flows — The postretirement health care plans have no funding requirements under income tax and other retirement-related regulations other than fulfilling benefit payment obligations, when claims are presented and approved under the plans. Additional cash funding requirements are prescribed by certain state and federal rate regulatory authorities. Xcel Energy contributed $20 million during 2017, $18 million during 2016, $18 million during 2015 and expects to contribute approximately $12 million during 2018.

Plan Amendments — In 2017 and 2016, there were no plan amendments made which affected the benefit obligation.

Benefit Costs — The components of Xcel Energy's net periodic postretirement benefit costs were:

(Millions of Dollars)	2017	2016	2015
Service cost	$ 2	$ 2	$ 2
Interest cost	24	26	25
Expected return on plan assets	(25)	(25)	(26)
Amortization of prior service credit	(11)	(11)	(11)
Amortization of net loss	7	4	6
Net periodic postretirement (credit) cost	$ (3)	$ (4)	$ (4)

	2017	2016	2015
Significant Assumptions Used to Measure Costs:			
Discount rate	4.13%	4.65%	4.08%
Expected average long-term rate of return on assets	5.80	5.80	5.80

Projected Benefit Payments

The following table lists Xcel Energy's projected benefit payments for the pension and postretirement benefit plans:

(Millions of Dollars)	Projected Pension Benefit Payments	Gross Projected Postretirement Health Care Benefit Payments	Expected Medicare Part D Subsidies	Net Projected Postretirement Health Care Benefit Payments
2018	$ 307	$ 47	$ 2	$ 45
2019	262	47	2	45
2020	261	47	2	45
2021	261	47	3	44
2022	266	46	3	43
2023-2027	1,274	212	14	198

Multiemployer Plans

NSP-Minnesota and NSP-Wisconsin each contribute to several union multiemployer pension and other postretirement benefit plans, none of which are individually significant. These plans provide pension and postretirement health care benefits to certain union employees who may perform services for multiple employers and do not participate in the NSP-Minnesota and NSP-Wisconsin sponsored pension and postretirement health care plans. Contributing to these types of plans creates risk that differs from providing benefits under NSP-Minnesota and NSP-Wisconsin sponsored plans, in that if another participating employer ceases to contribute to a multiemployer plan, additional unfunded obligations may need to be funded over time by remaining participating employers.

Contributions to multiemployer plans were as follows for the years ended Dec. 31, 2017, 2016 and 2015. The average number of NSP-Minnesota union employees covered by the multiemployer pension plans decreased to approximately 576 in 2017 from 700 in 2016. There were no other significant changes to the nature or magnitude of the participation of NSP-Minnesota and NSP-Wisconsin in multiemployer plans for the years presented:

(Millions of Dollars)	2017	2016	2015
Multiemployer pension contributions:			
NSP-Minnesota	$ 12	$ 14	$ 17
NSP-Wisconsin	—	1	1
Total	$ 12	$ 15	$ 18

10. Other Income, Net

Other income, net for the years ended Dec. 31 consisted of the following:

(Millions of Dollars)	2017	2016	2015
Interest income	$ 19	$ 8	$ 6
Other nonoperating income	7	3	4
Insurance policy expense	(3)	(3)	(4)
Other income, net	$ 23	$ 8	$ 6

11. Fair Value of Financial Assets and Liabilities

Fair Value Measurements

The accounting guidance for fair value measurements and disclosures provides a single definition of fair value and requires certain disclosures about assets and liabilities measured at fair value. A hierarchical framework for disclosing the observability of the inputs utilized in measuring assets and liabilities at fair value is established by this guidance. The three levels in the hierarchy are as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted prices.

Level 2 — Pricing inputs are other than quoted prices in active markets, but are either directly or indirectly observable as of the reporting date. The types of assets and liabilities included in Level 2 are typically either comparable to actively traded securities or contracts, or priced with models using highly observable inputs.

Level 3 — Significant inputs to pricing have little or no observability as of the reporting date. The types of assets and liabilities included in Level 3 are those valued with models requiring significant management judgment or estimation.

Specific valuation methods include the following:

Cash equivalents — The fair values of cash equivalents are generally based on cost plus accrued interest; money market funds are measured using quoted NAV.

Investments in equity securities and other funds — Equity securities are valued using quoted prices in active markets. The fair values for commingled funds are measured using NAVs, which take into consideration the value of underlying fund investments, as well as the other accrued assets and liabilities of a fund, in order to determine a per-share market value. The investments in commingled funds may be redeemed for NAV with proper notice. Proper notice varies by fund and can range from daily with one or two days notice to annually with 90 days notice. Private equity investments require approval of the fund for any unscheduled redemption, and such redemptions may be approved or denied by the fund at its sole discretion. Unscheduled distributions from real estate investments may be redeemed with proper notice, which is typically quarterly with 45-90 days notice; however, withdrawals from real estate investments may be delayed or discounted as a result of fund illiquidity.

Investments in debt securities — Fair values for debt securities are determined by a third party pricing service using recent trades and observable spreads from benchmark interest rates for similar securities.

Interest rate derivatives — The fair values of interest rate derivatives are based on broker quotes that utilize current market interest rate forecasts.

Commodity derivatives — The methods used to measure the fair value of commodity derivative forwards and options utilize forward prices and volatilities, as well as pricing adjustments for specific delivery locations, and are generally assigned a Level 2 classification. When contractual settlements relate to inactive delivery locations or extend to periods beyond those readily observable on active exchanges or quoted by brokers, the significance of the use of less observable forecasts of forward prices and volatilities on a valuation is evaluated, and may result in Level 3 classification.

Electric commodity derivatives held by NSP-Minnesota and SPS include transmission congestion instruments, generally referred to as FTRs. FTRs purchased from a RTO are financial instruments that entitle or obligate the holder to monthly revenues or charges based on transmission congestion across a given transmission path. The value of an FTR is derived from, and designed to offset, the cost of transmission congestion. In addition to overall transmission load, congestion is also influenced by the operating schedules of power plants and the consumption of electricity pertinent to a given transmission path. Unplanned plant outages, scheduled plant maintenance, changes in the relative costs of fuels used in generation, weather and overall changes in demand for electricity can each impact the operating schedules of the power plants on the transmission grid and the value of an FTR.

If forecasted costs of electric transmission congestion increase or decrease for a given FTR path, the value of that particular FTR instrument will likewise increase or decrease. Given the limited observability of important inputs to the value of FTRs between auction processes, including expected plant operating schedules and retail and wholesale demand, fair value measurements for FTRs have been assigned a Level 3. Non-trading monthly FTR settlements are included in fuel and purchased energy cost recovery mechanisms as applicable in each jurisdiction, and therefore changes in the fair value of the yet to be settled portions of most FTRs are deferred as a regulatory asset or liability. Given this regulatory treatment and the limited magnitude of FTRs relative to the electric utility operations of NSP-Minnesota and SPS, the numerous unobservable quantitative inputs pertinent to the value of FTRs are insignificant to the consolidated financial statements of Xcel Energy.

Non-Derivative Instruments Fair Value Measurements

The NRC requires NSP-Minnesota to maintain a portfolio of investments to fund the costs of decommissioning its nuclear generating plants. Together with all accumulated earnings or losses, the assets of the nuclear decommissioning fund are legally restricted for the purpose of decommissioning the Monticello and PI nuclear generating plants. The fund contains cash equivalents, debt securities, equity securities and other investments – all classified as available-for-sale. NSP-Minnesota plans to reinvest matured securities until decommissioning begins. NSP-Minnesota uses the MPUC approved asset allocation for the escrow and investment targets by asset class for both the escrow and qualified trust.

NSP-Minnesota recognizes the costs of funding the decommissioning of its nuclear generating plants over the lives of the plants, assuming rate recovery of all costs. Given the purpose and legal restrictions on the use of nuclear decommissioning fund assets, realized and unrealized gains on fund investments over the life of the fund are deferred as an offset of NSP-Minnesota's regulatory asset for nuclear decommissioning costs. Consequently, any realized and unrealized gains and losses on securities in the nuclear decommissioning fund, including any other-than-temporary impairments, are deferred as a component of the regulatory asset for nuclear decommissioning.

Unrealized gains for the nuclear decommissioning fund were $560 million and $379 million as of Dec. 31, 2017 and 2016, respectively, and unrealized losses and amounts recorded as other-than-temporary impairments were $7 million and $47 million as of Dec. 31, 2017 and 2016, respectively.

The following tables present the cost and fair value of Xcel Energy's non-derivative instruments with recurring fair value measurements in the nuclear decommissioning fund as of Dec. 31, 2017 and 2016:

	Dec. 31, 2017					
		Fair Value				
(Millions of Dollars)	Cost	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Nuclear decommissioning fund [a]						
Cash equivalents	$ 29	$ 29	$ —	$ —	$ —	$ 29
Commingled funds:						
Non U.S. equities	264	217	—	—	90	307
Emerging market debt funds	156	—	—	—	166	166
Private equity investments	141	—	—	—	198	198
Real estate	131	—	—	—	202	202
Other commingled funds	9	6	—	—	3	9
Debt securities:						
Government securities	68	—	69	—	—	69
U.S. corporate bonds	320	—	322	—	—	322
Non U.S. corporate bonds	50	—	50	—	—	50
Equity securities:						
U.S. equities	271	557	—	—	—	557
Non U.S. equities	152	234	—	—	—	234
Total	$ 1,591	$ 1,043	$ 441	$ —	$ 659	$ 2,143

(a) Reported in nuclear decommissioning fund and other investments on the consolidated balance sheet, which also includes $140 million of equity investments in unconsolidated subsidiaries and $114 million of rabbi trust assets and miscellaneous investments.

	Dec. 31, 2016					
		Fair Value				
(Millions of Dollars)	Cost	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Nuclear decommissioning fund [a]						
Cash equivalents	$ 20	$ 20	$ —	$ —	$ —	$ 20
Commingled funds:						
Non U.S. equities	261	133	—	—	112	245
Emerging market debt funds	93	—	—	—	98	98
Commodity funds	106	—	—	—	92	92
Private equity investments	132	—	—	—	190	190
Real estate	129	—	—	—	188	188
Other commingled funds	151	—	—	—	160	160
Debt securities:						
Government securities	33	—	32	—	—	32
U.S. corporate bonds	105	—	106	—	—	106
Non U.S. corporate bonds	22	—	21	—	—	21
Municipal bonds	14	—	14	—	—	14
Mortgage-backed securities	3	—	3	—	—	3
Equity securities:						
U.S. equities	271	474	—	—	—	474
Non U.S. equities	189	218	—	—	—	218
Total	$ 1,529	$ 845	$ 176	$ —	$ 840	$ 1,861

(a) Reported in nuclear decommissioning fund and other investments on the consolidated balance sheet, which also includes $133 million of equity investments in unconsolidated subsidiaries and $98 million of rabbi trust assets and miscellaneous investments.

For the years ended Dec. 31, 2017 and 2016 there were no Level 3 nuclear decommissioning fund investments and no transfers of amounts between levels.

The following table summarizes the final contractual maturity dates of the debt securities in the nuclear decommissioning fund, by asset class, as of Dec. 31, 2017:

	Final Contractual Maturity				
(Millions of Dollars)	Due in 1 Year or Less	Due in 1 to 5 Years	Due in 5 to 10 Years	Due after 10 Years	Total
Government securities	$ —	$ 2	$ —	$ 67	$ 69
U.S. corporate bonds	5	85	174	58	322
Non U.S. corporate bonds	—	15	31	4	50
Debt securities	$ 5	$ 102	$ 205	$ 129	$ 441

Rabbi Trusts

In June 2016, Xcel Energy established rabbi trusts to provide partial funding for future distributions of its supplemental executive retirement plan and deferred compensation plan. The following table presents the cost and fair value of the assets held in rabbi trusts as of Dec. 31, 2017 and 2016:

	Dec. 31, 2017				
		Fair Value			
(Millions of Dollars)	Cost	Level 1	Level 2	Level 3	Total
Rabbi Trusts [a]					
Cash equivalents	$ 12	$ 12	$ —	$ —	$ 12
Mutual funds	47	50	—	—	50
Total	$ 59	$ 62	$ —	$ —	$ 62

	Dec. 31, 2016				
		Fair Value			
(Millions of Dollars)	Cost	Level 1	Level 2	Level 3	Total
Rabbi Trusts [a]					
Cash equivalents	$ 48	$ 48	$ —	$ —	$ 48
Mutual funds	2	2	—	—	2
Total	$ 50	$ 50	$ —	$ —	$ 50

[a] Reported in nuclear decommissioning fund and other investments on the consolidated balance sheet.

Derivative Instruments Fair Value Measurements

Xcel Energy enters into derivative instruments, including forward contracts, futures, swaps and options, for trading purposes and to manage risk in connection with changes in interest rates, utility commodity prices and vehicle fuel prices.

Interest Rate Derivatives — Xcel Energy enters into various instruments that effectively fix the interest payments on certain floating rate debt obligations or effectively fix the yield or price on a specified benchmark interest rate for an anticipated debt issuance for a specific period. These derivative instruments are generally designated as cash flow hedges for accounting purposes.

As of Dec. 31, 2017, accumulated other comprehensive losses related to interest rate derivatives included $3 million of net losses expected to be reclassified into earnings during the next 12 months as the related hedged interest rate transactions impact earnings, including forecasted amounts for unsettled hedges, as applicable.

Wholesale and Commodity Trading Risk — Xcel Energy Inc.'s utility subsidiaries conduct various wholesale and commodity trading activities, including the purchase and sale of electric capacity, energy, energy-related instruments and natural gas-related instruments, including derivatives. Xcel Energy's risk management policy allows management to conduct these activities within guidelines and limitations as approved by its risk management committee, which is made up of management personnel not directly involved in the activities governed by this policy.

Commodity Derivatives — Xcel Energy enters into derivative instruments to manage variability of future cash flows from changes in commodity prices in its electric and natural gas operations, as well as for trading purposes. This could include the purchase or sale of energy or energy-related products, natural gas to generate electric energy, natural gas for resale, FTRs, vehicle fuel and weather derivatives.

As of Dec. 31, 2017, Xcel Energy had various vehicle fuel contracts designated as cash flow hedges extending through December 2018. Xcel Energy enters into derivative instruments that mitigate commodity price risk on behalf of electric and natural gas customers, but may not be designated as qualifying hedging transactions. Changes in the fair value of non-trading commodity derivative instruments are recorded in OCI or deferred as a regulatory asset or liability. The classification as a regulatory asset or liability is based on commission approved regulatory recovery mechanisms. Xcel Energy recorded immaterial amounts to income related to the ineffectiveness of cash flow hedges for the years ended Dec. 31, 2017 and 2016.

As of Dec. 31, 2017, net gains related to commodity derivative cash flow hedges recorded as a component of accumulated other comprehensive losses included immaterial net gains expected to be reclassified into earnings during the next 12 months as the hedged transactions occur.

Additionally, Xcel Energy enters into commodity derivative instruments for trading purposes not directly related to commodity price risks associated with serving its electric and natural gas customers. Changes in the fair value of these commodity derivatives are recorded in electric operating revenues, net of amounts credited to customers under margin-sharing mechanisms.

The following table details the gross notional amounts of commodity forwards, options and FTRs as of Dec. 31:

(Amounts in Millions) [a][b]	2017	2016
MWh of electricity	68	47
MMBtu of natural gas	37	122

(a) Amounts are not reflective of net positions in the underlying commodities.
(b) Notional amounts for options are included on a gross basis, but are weighted for the probability of exercise.

Consideration of Credit Risk and Concentrations — Xcel Energy continuously monitors the creditworthiness of the counterparties to its interest rate derivatives and commodity derivative contracts prior to settlement, and assesses each counterparty's ability to perform on the transactions set forth in the contracts. Given this assessment, as well as an assessment of the impact of Xcel Energy's own credit risk when determining the fair value of derivative liabilities, the impact of credit risk was immaterial to the fair value of unsettled commodity derivatives presented in the consolidated balance sheets.

Xcel Energy Inc. and its subsidiaries employ additional credit risk control mechanisms when appropriate, such as letters of credit, parental guarantees, standardized master netting agreements and termination provisions that allow for offsetting of positive and negative exposures. Credit exposure is monitored and, when necessary, the activity with a specific counterparty is limited until credit enhancement is provided.

Xcel Energy's utility subsidiaries' most significant concentrations of credit risk with particular entities or industries are contracts with counterparties to their wholesale, trading and non-trading commodity activities. As of Dec. 31, 2017, four of Xcel Energy's 10 most significant counterparties for these activities, comprising $45 million or 29 percent of this credit exposure, had investment grade credit ratings from S&P's, Moody's or Fitch Ratings. Five of the 10 most significant counterparties, comprising $30 million or 19 percent of this credit exposure, were not rated by these external agencies, but based on Xcel Energy's internal analysis, had credit quality consistent with investment grade. Another of these significant counterparties, comprising $7 million or 5 percent of this credit exposure, had credit quality less than investment grade, based on ratings from external analysis. Eight of these significant counterparties are municipal or cooperative electric entities or other utilities.

Financial Impact of Qualifying Cash Flow Hedges — The impact of qualifying interest rate and vehicle fuel cash flow hedges on Xcel Energy's accumulated other comprehensive loss, included in the consolidated statements of common stockholders' equity and in the consolidated statements of comprehensive income, is detailed in the following table:

(Millions of Dollars)	2017	2016	2015
Accumulated other comprehensive loss related to cash flow hedges at Jan. 1	$ (51)	$ (55)	$ (58)
After-tax net realized losses on derivative transactions reclassified into earnings	3	4	3
Accumulated other comprehensive loss related to cash flow hedges at Dec. 31	$ (48)	$ (51)	$ (55)

The following tables detail the impact of derivative activity during the years ended Dec. 31, 2017, 2016 and 2015, on accumulated other comprehensive loss, regulatory assets and liabilities, and income:

	Year Ended Dec. 31, 2017				
	Pre-Tax Fair Value Gains (Losses) Recognized During the Period in:		Pre-Tax (Gains) Losses Reclassified into Income During the Period from:		
(Millions of Dollars)	Accumulated Other Comprehensive Loss	Regulatory (Assets) and Liabilities	Accumulated Other Comprehensive Loss	Regulatory Assets and (Liabilities)	Pre-Tax Gains (Losses) Recognized During the Period in Income
Derivatives designated as cash flow hedges					
Interest rate	$ —	$ —	$ 5 (a)	$ —	$ —
Total	$ —	$ —	$ 5	$ —	$ —
Other derivative instruments					
Commodity trading	$ —	$ —	$ —	$ —	$ 10 (b)
Electric commodity	—	10	—	(15) (c)	—
Natural gas commodity	—	(13)	—	3 (d)	(6) (d)
Total	$ —	$ (3)	$ —	$ (12)	$ 4

	Year Ended Dec. 31, 2016				
	Pre-Tax Fair Value Gains Recognized During the Period in:		Pre-Tax (Gains) Losses Reclassified into Income During the Period from:		
(Millions of Dollars)	Accumulated Other Comprehensive Loss	Regulatory (Assets) and Liabilities	Accumulated Other Comprehensive Loss	Regulatory Assets and (Liabilities)	Pre-Tax Gains (Losses) Recognized During the Period in Income
Derivatives designated as cash flow hedges					
Interest rate	$ —	$ —	$ 6 (a)	$ —	$ —
Total	$ —	$ —	$ 6	$ —	$ —
Other derivative instruments					
Commodity trading	$ —	$ —	$ —	$ —	$ 2 (b)
Electric commodity	—	17	—	(8) (c)	—
Natural gas commodity	—	1	—	15 (d)	(8) (d)
Total	$ —	$ 18	$ —	$ 7	$ (6)

(Millions of Dollars)	Year Ended Dec. 31, 2015				
	Pre-Tax Fair Value Losses Recognized During the Period in:		Pre-Tax Losses Reclassified into Income During the Period from:		
	Accumulated Other Comprehensive Loss	Regulatory (Assets) and Liabilities	Accumulated Other Comprehensive Loss	Regulatory Assets and (Liabilities)	Pre-Tax Losses Recognized During the Period in Income
Derivatives designated as cash flow hedges					
Interest rate	$ —	$ —	$ 5 (a)	$ —	$ —
Total	$ —	$ —	$ 5	$ —	$ —
Other derivative instruments					
Commodity trading	$ —	$ —	$ —	$ —	$ (7) (b)
Electric commodity	—	(19)	—	16 (c)	—
Natural gas commodity	—	(16)	—	16 (d)	(12) (d)
Total	$ —	$ (35)	$ —	$ 32	$ (19)

(a) Amounts are recorded to interest charges.

(b) Amounts are recorded to electric operating revenues. Portions of these gains and losses are subject to sharing with electric customers through margin-sharing mechanisms and deducted from gross revenue, as appropriate.

(c) Amounts are recorded to electric fuel and purchased power. These derivative settlement gains and losses are shared with electric customers through fuel and purchased energy cost-recovery mechanisms, and reclassified out of income as regulatory assets or liabilities, as appropriate.

(d) Certain derivatives are utilized to mitigate natural gas price risk for electric generation and are recorded to electric fuel and purchased power, subject to cost-recovery mechanisms and reclassified to a regulatory asset, as appropriate. Amounts for the years ended Dec. 31, 2017 and Dec. 31, 2016 included immaterial settlement gains and losses. Amounts for the year ended Dec. 31, 2015 included $1 million of settlement losses. The remaining settlement losses for the years ended Dec. 31, 2017, 2016 and 2015 relate to natural gas operations and are recorded to cost of natural gas sold and transported. These losses are subject to cost-recovery mechanisms and reclassified out of income to a regulatory asset, as appropriate.

Xcel Energy had no derivative instruments designated as fair value hedges during the years ended Dec. 31, 2017, 2016 and 2015. Therefore, no gains or losses from fair value hedges or related hedged transactions were recognized for these periods.

Credit Related Contingent Features — Contract provisions for derivative instruments that the utility subsidiaries enter, including those accounted for as normal purchase-normal sale contracts and therefore not reflected on the consolidated balance sheets, may require the posting of collateral or settlement of the contracts for various reasons, including if the applicable utility subsidiary's credit ratings are downgraded below its investment grade credit rating by any of the major credit rating agencies or for cross default contractual provisions that could result in the settlement of such contracts if there was a failure under other financing arrangements related to payment terms or other covenants. As of Dec. 31, 2017 and 2016, there were no derivative instruments in a material liability position with such underlying contract provisions.

Certain derivative instruments are also subject to contract provisions that contain adequate assurance clauses. These provisions allow counterparties to seek performance assurance, including cash collateral, in the event that a given utility subsidiary's ability to fulfill its contractual obligations is reasonably expected to be impaired. Xcel Energy had no collateral posted related to adequate assurance clauses in derivative contracts as of Dec. 31, 2017 and 2016.

Recurring Fair Value Measurements — The following table presents for each of the fair value hierarchy levels, Xcel Energy's derivative assets and liabilities measured at fair value on a recurring basis as of Dec. 31, 2017:

	Dec. 31, 2017					
	Fair Value					
(Millions of Dollars)	Level 1	Level 2	Level 3	Fair Value Total	Counterparty Netting [b]	Total
Current derivative assets						
Commodity trading	$ 2	$ 22	$ —	$ 24	$ (15)	$ 9
Electric commodity	—	—	32	32	(2)	30
Total current derivative assets	$ 2	$ 22	$ 32	$ 56	$ (17)	39
PPAs [a]						5
Current derivative instruments						$ 44
Noncurrent derivative assets						
Other derivative instruments:						
Commodity trading	$ —	$ 31	$ 5	$ 36	$ (7)	$ 29
Total noncurrent derivative assets	$ —	$ 31	$ 5	$ 36	$ (7)	29
PPAs [a]						19
Noncurrent derivative instruments						$ 48

	Dec. 31, 2017					
	Fair Value					
(Millions of Dollars)	Level 1	Level 2	Level 3	Fair Value Total	Counterparty Netting [b]	Total
Current derivative liabilities						
Other derivative instruments:						
Commodity trading	$ 2	$ 18	$ —	$ 20	$ (15)	$ 5
Electric commodity	—	—	2	2	(2)	—
Natural gas commodity	—	1	—	1	—	1
Total current derivative liabilities	$ 2	$ 19	$ 2	$ 23	$ (17)	6
PPAs [a]						23
Current derivative instruments						$ 29
Noncurrent derivative liabilities						
Other derivative instruments:						
Commodity trading	$ —	$ 24	$ —	$ 24	$ (10)	$ 14
Total noncurrent derivative liabilities	$ —	$ 24	$ —	$ 24	$ (10)	14
PPAs [a]						112
Noncurrent derivative instruments						$ 126

(a) During 2006, Xcel Energy qualified these contracts under the normal purchase exception. Based on this qualification, the contracts are no longer adjusted to fair value and the previous carrying value of these contracts will be amortized over the remaining contract lives along with the offsetting regulatory assets and liabilities.

(b) Xcel Energy nets derivative instruments and related collateral in its consolidated balance sheet when supported by a legally enforceable master netting agreement, and all derivative instruments and related collateral amounts were subject to master netting agreements as of Dec. 31, 2017. At Dec. 31, 2017, derivative assets and liabilities include no obligations to return cash collateral and rights to reclaim cash collateral of $3 million. The counterparty netting amounts presented exclude settlement receivables and payables and non-derivative amounts that may be subject to the same master netting agreements.

The following table presents for each of the fair value hierarchy levels, Xcel Energy's derivative assets and liabilities measured at fair value on a recurring basis as of Dec. 31, 2016:

	Dec. 31, 2016					
	Fair Value					
(Millions of Dollars)	Level 1	Level 2	Level 3	Fair Value Total	Counterparty Netting [b]	Total
Current derivative assets						
Other derivative instruments:						
Commodity trading	$ 13	$ 14	$ —	$ 27	$ (20)	$ 7
Electric commodity	—	—	19	19	(2)	17
Natural gas commodity	—	9	—	9	—	9
Total current derivative assets	$ 13	$ 23	$ 19	$ 55	$ (22)	33
PPAs [a]						5
Current derivative instruments						$ 38
Noncurrent derivative assets						
Other derivative instruments:						
Commodity trading	$ —	$ 31	$ —	$ 31	$ (7)	$ 24
Natural gas commodity	—	2	—	2	—	2
Total noncurrent derivative assets	$ —	$ 33	$ —	$ 33	$ (7)	26
PPAs [a]						24
Noncurrent derivative instruments						$ 50

	Dec. 31, 2016					
	Fair Value					
(Millions of Dollars)	Level 1	Level 2	Level 3	Fair Value Total	Counterparty Netting [b]	Total
Current derivative liabilities						
Other derivative instruments:						
Commodity trading	$ 14	$ 11	$ —	$ 25	$ (21)	$ 4
Electric commodity	—	—	2	2	(2)	—
Total current derivative liabilities	$ 14	$ 11	$ 2	$ 27	$ (23)	4
PPAs [a]						23
Current derivative instruments						$ 27
Noncurrent derivative liabilities						
Other derivative instruments:						
Commodity trading	$ —	$ 24	$ —	$ 24	$ (11)	$ 13
Total noncurrent derivative liabilities	$ —	$ 24	$ —	$ 24	$ (11)	13
PPAs [a]						135
Noncurrent derivative instruments						$ 148

(a) During 2006, Xcel Energy qualified these contracts under the normal purchase exception. Based on this qualification, the contracts are no longer adjusted to fair value and the previous carrying value of these contracts will be amortized over the remaining contract lives along with the offsetting regulatory assets and liabilities.

(b) Xcel Energy nets derivative instruments and related collateral in its consolidated balance sheet when supported by a legally enforceable master netting agreement, and all derivative instruments and related collateral amounts were subject to master netting agreements as of Dec. 31, 2016. At Dec. 31, 2016, derivative assets and liabilities include no obligations to return cash collateral and rights to reclaim cash collateral of $4 million. The counterparty netting amounts presented exclude settlement receivables and payables and non-derivative amounts that may be subject to the same master netting agreements.

The following table presents the changes in Level 3 commodity derivatives for the years ended Dec. 31, 2017, 2016 and 2015:

	Year Ended Dec. 31		
(Millions of Dollars)	2017	2016	2015
Balance at Jan. 1	$ 17	$ 18	$ 56
Purchases	82	35	64
Settlements	(97)	(89)	(70)
Net transactions recorded during the period:			
Gains recognized in earnings [a]	5	—	2
Net gains (losses) recognized as regulatory assets and liabilities	28	53	(34)
Balance at Dec. 31	$ 35	$ 17	$ 18

[a] These amounts relate to commodity derivatives held at the end of the period.

Xcel Energy recognizes transfers between levels as of the beginning of each period. There were no transfers of amounts between levels for derivative instruments for the years ended Dec. 31, 2017, 2016 and 2015.

Fair Value of Long-Term Debt

As of Dec. 31, 2017 and 2016, other financial instruments for which the carrying amount did not equal fair value were as follows:

	2017		2016	
(Millions of Dollars)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion	$ 14,976	$ 16,531	$ 14,450	$ 15,513

The fair value of Xcel Energy's long-term debt is estimated based on recent trades and observable spreads from benchmark interest rates for similar securities. The fair value estimates are based on information available to management as of Dec. 31, 2017 and 2016, and given the observability of the inputs to these estimates, the fair values presented for long-term debt have been assigned a Level 2.

12. Rate Matters

Tax Reform — Regulatory Proceedings

The specific impacts of the TCJA on retail customer rates are subject to regulatory approval. Xcel Energy is in the process of quantifying the rate impacts of the TCJA and addressing these impacts in its open and recently concluded proceedings focused on retail base rate impacts for its utility subsidiaries. In addition, several states have opened dockets on the impact of tax reform, with the expectation that currently effective rates in those jurisdictions will be adjusted.

NSP-Minnesota — A docket has been opened in Minnesota. NSP-Minnesota will provide a detailed filing to the MPUC by March 2, 2018, which will estimate the impact of the TCJA on the latest electric and natural gas rate case filings and corporate forecasts.

Dockets have also been opened in North Dakota and South Dakota. In February 2018, NSP-Minnesota provided the NDPSC a preliminary quantification of the impact of the TCJA on electric and natural gas revenue requirements. NSP-Minnesota proposed multi-year moratoriums on electric and natural gas rate case filings. NSP-Minnesota also filed comments with the SDPUC and proposed using the reduced revenue requirements from the TCJA to defer planned future rate filings.

NSP-Wisconsin — In January 2018, the PSCW issued an order requiring public utilities to apply deferred accounting for the impacts of the TCJA. The PSCW has also requested that utilities provide responses to questions on tax reform and its impact on electric and natural gas revenue requirements. In February 2018, NSP-Wisconsin proposed levelizing upcoming rate cases, advancing infrastructure investments and buying down assets such as the regulatory asset for Ashland clean-up.

PSCo — The impacts associated with the TCJA on PSCO's retail customer rates are being addressed in several proceedings, which include the following:

- *Colorado Statewide TCJA Proceeding* — On Jan. 31, 2018, the CPUC opened a statewide TCJA proceeding and ordered deferred accounting for all investor-owned utilities. On Feb. 21, 2017, PSCo filed a response with the CPUC related to the deferred accounting order and statewide TCJA proceeding, addressing the estimated impacts along with other considerations given PSCo's pending natural gas and electric rate cases.

- *Colorado 2017 Multi-Year Natural Gas Rate Case* — On Feb. 14, 2018, the ALJ approved PSCo and CPUC Staff's non-unanimous settlement agreement which addresses the impacts of the TCJA in 2018. This settlement agreement includes a $20 million reduction to provisional rates effective March 1, 2018, with future true-ups to be determined later in 2018 once a full analysis of the comprehensive impacts of tax reform is performed, including any outcomes associated with statewide proceeding. The final true-up would provide customers the full net benefit of the TCJA effective Jan. 1, 2018.

- *Colorado 2017 Multi-Year Electric Rate Case* — On Feb. 16, 2018, the CPUC denied the proposed settlement agreement between PSCo and several intervenors, in favor of the state TCJA proceeding. In the second quarter of 2018, PSCo plans to file a revised rate request that will include the impacts of the TCJA. Provisional rates, subject to refund with interest, are expected to be effective June 1, 2018. The appropriate test year and the final approved revenue requirement will be determined in the pending rate case, discussed below. PSCo expects to defer the TCJA net benefits for the first five months of 2018, prior to provisional rates.

The CPUC is expected to rule on the regulatory treatment of the TCJA, the natural gas rate case and the electric rate case later in 2018.

SPS — On Jan. 25, 2018, the PUCT issued an order requiring utilities to apply deferred accounting for the impacts of the TCJA. On Feb. 16, 2018, SPS provided the PUCT supplemental testimony on the impacts of the TCJA for its ongoing Texas 2017 electric rate case, including increasing its equity ratio to 58 percent to offset the negative impact of the TCJA on its credit metrics and potentially its credit ratings.

In February 2018, SPS provided the NMPRC a preliminary quantification of the impacts of the TCJA on its ongoing New Mexico 2017 electric rate case. SPS also recommended increasing its equity ratio to 58 percent to offset the negative impact of the TCJA on its credit metrics and potentially its credit ratings. In a separate NMPRC investigation into the impacts of the TCJA on regulated utilities in New Mexico, SPS provided additional information on the impacts of the TCJA on 2018 operations on Feb. 23, 2018.

FERC Formula Rates — The FERC has not yet issued guidance on how and when utilities should reflect the impacts of the TCJA in formula rates. However, FERC-approved formula rates for wholesale customers are generally adjusted on an annual basis for certain changes in rate base and actual operating expenses, including income taxes. As a result, these revenues would be subject to an automatic reduction for the effect of the TCJA tax rate change, absent specific FERC action.

NSP-Minnesota and NSP-Wisconsin were parties to a February 2018 FERC filing by MISO and MISO TOs proposing to early commence reductions to transmission formula rates in 2018 for tax rate impacts of the TCJA. Also in February 2018, PSCo made a filing with FERC similarly requesting early reductions in its transmission and production formula rates in 2018 for tax rate impacts of the TCJA. For SPS, as the TCJA tax rate change largely offsets a depreciation rate change that was effective Jan. 1, 2018 in its wholesale production rates, SPS has notified FERC that it will continue to charge rates established in 2017, subject to refund. FERC has not issued any orders on these matters, or commenced any formula rate proceedings related the impacts of the TCJA.

NSP-Minnesota

Pending and Recently Concluded Regulatory Proceedings — MPUC

Minnesota 2016 Multi-Year Electric Rate Case — In June 2017, the MPUC issued a written order approving an estimated total rate increase of approximately $240 million over the four-year period covering 2016-2019.

Key terms:

- Four-year period covering 2016-2019;
- Annual sales true-up with decoupling subject to a 3 percent cap on surcharges;
  - In February 2018, NSP-Minnesota reported the 2017 sales true-up and revenue decoupling surcharge amounts of $22 million and $27 million, respectively, to be collected beginning April 1, 2018 through March 31, 2019.
- ROE of 9.2 percent and an equity ratio of 52.5 percent;
- Nuclear related costs will not be considered provisional;
- Continued use of all existing electric riders, however no new electric riders may be utilized during the four-year term;
- Deferral of incremental 2016 property tax expense above a fixed threshold to 2018 and 2019;
- Four-year stay out provision for rate cases;
- Property tax true-up mechanism for 2017-2019; and
- Capital expenditure true-up mechanism for 2016-2019.

(Millions of Dollars, incremental)	2016	2017	2018	2019	Total
Revenues	$ 75	$ 55	$ —	$ 50	$ 180
NSP-Minnesota's sales true-up	60	—	—	—	60
Total rate impact	$ 135	$ 55	$ —	$ 50	$ 240

Monticello Prudence Investigation — In 2013, NSP-Minnesota completed the Monticello LCM/EPU project. The multi-year project extended the life of the facility and increased the capacity from 600 to 671 MW in 2015. The Monticello LCM/EPU project expenditures were approximately $665 million. Total capitalized costs were approximately $748 million, which includes AFUDC. In 2008, project expenditures were initially estimated at approximately $320 million, excluding AFUDC.

In 2015, the MPUC voted to allow for full recovery, including a return, on $415 million of the total plant costs (inclusive of AFUDC), but only allow recovery of the remaining $333 million of costs with no return on this portion of the investment. As a result, Xcel Energy recorded a pre-tax loss of $129 million in the first quarter of 2015, after which the remaining book value of the Monticello project represented the present value of the estimated future cash flows.

2017 and 2018 TCR Filing — In November 2017, NSP-Minnesota submitted a TCR filing with the MPUC, requesting a combined recovery of approximately $110 million of transmission investment costs not included in electric base rates for 2017 and 2018. In accordance with NSP-Minnesota's most recent electric rate case, three CapX2020 transmission projects currently included in the TCR rider remain in the rider through the multi-year plan period. NSP-Minnesota has also proposed recovery of one additional project related to grid modernization. An MPUC decision is expected in 2018.

Electric, Purchased Gas and Resource Adjustment Clauses

CIP and CIP Rider — CIP expenses are recovered through base rates and a rider that is adjusted annually. The estimated electric and natural gas incentives for 2017 are expected to be $32 million and $3 million, respectively, based on the approved savings goals in NSP-Minnesota's CIP Triennial Plan. The plan sets an annual electric goal of saving the equivalent of 1.5 percent of the volume of electric energy sales and an annual natural gas goal of saving 1.0 percent of the volume of gas energy sales. In 2017 the MPUC approved the following for NSP-Minnesota:

- The 2016 CIP electric and natural gas financial incentives totaling $48 million and $6 million, respectively; and
- The proposed 2017 electric and natural gas CIP riders with estimated 2017 recovery of $59 million of electric CIP expenses and $18 million of natural gas CIP expenses. The proposed recovery through the riders is in addition to an estimated $89 million and $4 million through electric and gas base rates, respectively.

GUIC Rider — In February 2018, the MPUC approved a 2017 revenue requirement of approximately $20 million for GUIC investments. New rates are expected to be in effect in March 2018. In November 2017, NSP-Minnesota filed the 2018 GUIC rider with the MPUC requesting recovery of approximately $28 million from Minnesota gas utility customers. Costs in both filings include funding for pipeline assessments as well as deferred costs from NSP-Minnesota's existing sewer separation and pipeline integrity management programs. The MPUC is currently considering the 2018 petition.

Annual Automatic Adjustment of Fuel Clause Charges — In May 2017, the MPUC voted to disallow approximately $4 million of replacement energy costs for the PI nuclear facility outages allocated to the Minnesota jurisdiction in 2015. This disallowance was recognized in the second quarter of 2017. In December 2017, the MPUC issued an order to hold utilities responsible for incremental costs of replacement power incurred due to unplanned outages under certain circumstances. In January 2018, NSP-Minnesota filed a petition for clarification of the order. The outcome of the petition is uncertain.

NSP-Wisconsin

Recently Concluded Regulatory Proceedings — PSCW

Wisconsin 2018 Electric and Gas Rate Case — In May 2017, NSP-Wisconsin filed a request with the PSCW to increase electric rates by $25 million, or 3.6 percent, and natural gas rates by $12 million, or 10.1 percent, effective Jan. 1, 2018. The rate filing was based on a 2018 FTY, a ROE of 10.0 percent, an equity ratio of 52.53 percent and a forecasted rate base of approximately $1.2 billion for the electric utility and $138 million for the natural gas utility.

In December 2017, the PSCW approved electric and natural gas rate increases of approximately $9 million, or 1.4 percent, and $10 million, or 8.3 percent, respectively, based on a 9.8 percent ROE and an equity ratio of 51.45 percent. New rates went into effect on Jan. 1, 2018.

PSCo

Pending Regulatory Proceedings — CPUC

Colorado 2017 Multi-Year Electric Rate Case — In October 2017, PSCo filed a multi-year request with the CPUC seeking to increase electric rates approximately $245 million over four years. The request, summarized below, is based on FTY ending Dec. 31, a 10.0 percent ROE and an equity ratio of 55.25 percent.

Revenue Request (Millions of Dollars)	2018	2019	2020	2021	Total
Revenue request	$ 74	$ 75	$ 60	$ 36	$ 245
CACJA revenue conversion to base rates [a]	90	—	—	—	90
TCA revenue conversion to base rates [a]	43	—	—	—	43
Total [b]	$ 207	$ 75	$ 60	$ 36	$ 378
Expected year-end rate base (billions of dollars) [b]	$ 6.8	$ 7.1	$ 7.3	$ 7.4	

[a] The roll-in of the TCA and CACJA rider revenues into base rates will not have an impact on customer bills or revenue as these costs are already being recovered through a rider. Transmission investments for 2019-2021 will be recovered through the TCA rider.

[b] This base rate request does not include the impacts of the RESA and ECA for the Rush Creek wind investments or the proposed CEP.

Key dates in the procedural schedule are as follows:

- Supplemental direct testimony — April 16, 2018;
- Answer testimony — May 31, 2018;
- Rebuttal and cross-answer testimony — July 10, 2018;
- Hearings — Aug. 21 - 31, 2018; and
- Statement of position — Sept. 28, 2018.

Interim rates, subject to refund and interest, are to be effective on June 1, 2018. PSCo also proposed a stay-out provision and earnings test through 2021. On Jan. 31, 2018, the CPUC ordered deferred accounting for the impacts of TCJA and opened a statewide TCJA proceeding, as discussed above. In the second quarter of 2018, PSCo plans to file a revised rate request that will include the impacts of the TCJA. The CPUC is expected to rule on the regulatory treatment of the TCJA and the electric rate case later in 2018.

Colorado 2017 Multi-Year Natural Gas Rate Case — In June 2017, PSCo filed a multi-year request with the CPUC seeking to increase retail natural gas rates approximately $139 million over three years. The request, detailed below, is based on FTYs, a 10.0 percent ROE and an equity ratio of 55.25 percent.

Revenue Request (Millions of Dollars)	2018	2019	2020	Total
Revenue request	$ 63	$ 33	$ 43	$ 139
PSIA revenue conversion to base rates [a]	—	94	—	94
Total	$ 63	$ 127	$ 43	$ 233
Expected year-end rate base (billions of dollars) [b]	$ 1.5	$ 2.3	$ 2.4	

(a) The roll-in of PSIA rider revenue into base rates will not have an impact on customer bills or revenue as these costs are already being recovered through the rider. The recovery of incremental PSIA related investments in 2019 and 2020 are included in the base rate request.

(b) The additional rate base in 2019 predominantly reflects the roll-in of capital associated with the PSIA rider.

In October 2017, several parties filed answer testimony. The CPUC Staff (Staff) and the OCC, recommended a single 2016 HTY, based on an average 13-month rate base, and opposed a multi-year request. The Staff and OCC recommended an equity capital structure of 48.73 percent and 51.2 percent, respectively. Both the Staff and the OCC recommended the existing PSIA rider expire with the 2018 rates rolled into base rates beginning Jan. 1, 2019. Planned investments in 2019 and 2020 would be recoverable through base rates, subject to a future rate case. The final positions of the Staff and OCC provide for a recommended 2018 rate increase of approximately $30 million and $39 million, respectively.

In December 2017, hearings before an ALJ were held and the evidentiary record for the case was closed. Provisional rates, subject to refund, were implemented on Jan. 1, 2018. As discussed above, PSCo and the CPUC Staff filed a non-unanimous settlement agreement to address the impacts of the TCJA on rates to be effective in 2018, which was approved by the ALJ. On Jan. 31, 2018, the CPUC ordered deferred accounting for the impacts of TCJA and opened a statewide TCJA proceeding, as discussed above. The CPUC is expected to rule on the regulatory treatment of the TCJA and the natural gas rate case later in 2018.

Annual Electric Earnings Test — PSCo must share with customers earnings that exceed the authorized ROE of 9.83 percent for 2015 through 2017, as part of an annual earnings test. PSCo estimates the 2017 earnings test will not result in a customer refund obligation. PSCo will file its 2017 earnings test with the CPUC in April 2018. The final sharing obligation, if any, will be based on the CPUC approved tariff and could vary from the current estimate.

Electric, Purchased Gas and Resource Adjustment Clauses

DSM and the DSMCA riders — Energy efficiency and DSM costs are recovered through a combination of the DSMCA riders and base rates. DSMCA riders are adjusted biannually to capture program costs, performance incentives, and any over- or under-recoveries are trued-up in the following year. Performance incentives are awarded in the year following plan achievements. PSCo is able to earn $5 million upon reaching its annual savings goal along with an incentive on five percent of net economic benefits up to a maximum annual incentive of $30 million. In 2017, PSCo earned an electric and natural gas DSM incentive of $11 million and $3 million, respectively, for achieving its 2016 electric and natural gas savings goals. For 2018, the electric energy savings goal is 400 GWh with a spending limit of $84 million.

SPS

Pending and Recently Concluded Regulatory Proceedings — PUCT

Appeal of the Texas 2015 Electric Rate Case Decision — In 2014, SPS had requested an overall retail electric revenue rate increase of $42 million. In 2015, the PUCT approved an overall rate decrease of approximately $4 million, net of rate case expenses. In April 2016, SPS filed an appeal with the Texas State District Court (District Court) challenging the PUCT's order that had denied SPS' request for rehearing on certain items in SPS' Texas 2015 electric rate case related to capital structure, incentive compensation and wholesale load reductions. In March 2017, the District Court denied SPS' appeal. In April 2017, SPS appealed the District Court's decision to the Court of Appeals. A decision is pending.

Texas 2017 Electric Rate Case — In 2017, SPS filed a $55 million, or 5.8 percent, retail electric, non-fuel base rate increase case in Texas with each of its Texas municipalities and the PUCT. The request was based on the 12-month period ended June 30, 2017, with the final three months based on estimates, a requested ROE of 10.25 percent, a Texas retail electric rate base of approximately $1.9 billion and an equity ratio of 53.97 percent.

The following table summarizes SPS' rate increase request:

Revenue Request (Millions of Dollars)		
Incremental revenue request	$	69
TCRF revenue conversion to base rates [(a)]		(14)
Net revenue increase request	$	55

(a) The roll-in of the TCRF rider revenue into base rates will not have an impact on customer bills or revenue as these costs are already being recovered through the rider. SPS can request another TCRF rider after the conclusion of this rate case to recover transmission investments subsequent to June 30, 2017.

Key dates in the revised procedural schedule are as follows:

- Intervenors' direct testimony — April 25, 2018;
- PUCT Staff direct testimony — May 2, 2018;
- PUCT Staff and intervenors' cross-rebuttal testimony — May 14, 2018;
- SPS' rebuttal testimony — May 23, 2018; and
- Hearings — June 4 - 14, 2018.

The final rates are expected to be effective retroactive to Jan. 23, 2018 through a customer surcharge. A PUCT decision is expected in the fourth quarter of 2018. As discussed above, the PUCT has opened a docket on the impact of the TCJA, which may have a significant impact on this rate case. On Feb. 16, 2018, SPS provided additional information on the impacts of the TCJA.

Pending Regulatory Proceedings — NMPRC

Appeal of the New Mexico 2016 Electric Rate Case Dismissal — In November 2016, SPS filed an electric rate case with the NMPRC seeking an increase in base rates of approximately $41 million, representing a total revenue increase of approximately 10.9 percent. The rate filing was based on a requested ROE of 10.1 percent, an equity ratio of 53.97 percent, an electric rate base of approximately $832 million and a FTY ending June 30, 2018. In April 2017, the NMPRC dismissed SPS' rate case. In May 2017, SPS filed a notice of appeal to the New Mexico Supreme Court. A decision is pending.

New Mexico 2017 Electric Rate Case — In October 2017, SPS filed an electric rate case with the NMPRC seeking an increase in retail electric base rates of approximately $43 million. The request is based on a HTY ended June 30, 2017, a ROE of 10.25 percent, an equity ratio of 53.97 percent and a jurisdictional rate base of approximately $885 million, including rate base additions through Nov. 30, 2017. This rate case also takes into account the decline in sales of 380 MW in 2017 from certain wholesale customers and seeks to adjust the life of SPS' Tolk power plant (Unit 1 from 2042 to 2032 and Unit 2 from 2045 to 2032).

Key dates in the procedural schedule are as follows:

- Staff and intervenor direct testimony — April 13, 2018;
- SPS' rebuttal testimony — May 2, 2018; and
- Hearings — May 15 - 25, 2018.

SPS anticipates a decision and implementation of final rates in the second half of 2018. As discussed above, the NMPRC has opened a docket on the impact of the TCJA, which may have a significant impact on this rate case.

Pending Regulatory Proceedings — FERC

MISO ROE Complaints/ROE Adder — In November 2013, a group of customers filed a complaint at the FERC against MISO TOs, including NSP-Minnesota and NSP-Wisconsin. The complaint argued for a reduction in the ROE in transmission formula rates in the MISO region from 12.38 percent to 9.15 percent, and the removal of ROE adders (including those for RTO membership), effective Nov. 12, 2013.

In December 2015, an ALJ recommended the FERC approve a base ROE of 10.32 percent for the MISO TOs. The ALJ found the existing 12.38 percent ROE to be unjust and unreasonable. The recommended 10.32 percent ROE applied a FERC ROE policy adopted in a June 2014 order (Opinion 531). The FERC approved the ALJ recommended 10.32 percent base ROE in an order issued in September 2016. This ROE would be applicable for Nov. 12, 2013 to Feb. 11, 2015, and prospectively from the date of the FERC order. The total prospective ROE would be 10.82 percent, including a 50 basis point adder for RTO membership. Various parties requested rehearing of the September 2016 order. The requests are pending FERC action.

In February 2015, a second complaint seeking to reduce the MISO ROE from 12.38 percent to 8.67 percent prior to any adder was filed with the FERC, resulting in a second period of potential refund from Feb. 12, 2015 to May 11, 2016. In June 2016, the ALJ recommended a ROE of 9.7 percent, applying the methodology adopted by the FERC in Opinion 531. In April 2017, the D.C. Circuit vacated and remanded Opinion 531. It is unclear how the D.C. Circuit's opinion to vacate and remand Opinion 531 will affect the September 2016 FERC order or the timing and outcome of the second ROE complaint. In September 2017, certain MISO TOs (not including NSP-Minnesota and NSP-Wisconsin) filed a motion to dismiss the second ROE complaint. The motion to dismiss is pending FERC action.

As of Dec. 31, 2017, NSP-Minnesota has processed the refunds for the Nov. 12, 2013 to Feb. 11, 2015 complaint period based on the 10.32 percent ROE. NSP-Minnesota has also recognized a current refund liability consistent with the best estimate of the final ROE for the Feb. 12, 2015 to May 11, 2016 complaint period.

SPP OATT Upgrade Costs — Under the SPP OATT, costs of participant-funded, or "sponsored," transmission upgrades may be recovered from other SPP customers whose transmission service depends on capacity enabled by the upgrade. The SPP OATT has allowed SPP to charge for these upgrades since 2008, but SPP had not been charging its customers for these upgrades. In 2016, the FERC granted SPP's request to recover the charges not billed since 2008. SPP subsequently billed SPS approximately $13 million for these charges. SPP is also billing SPS ongoing charges of approximately $0.5 million per month. SPS is currently seeking recovery of these SPP charges in its pending Texas and New Mexico base rate cases.

In October 2017, SPS filed a complaint against SPP regarding the amounts billed asserting that SPP has assessed upgrade charges to SPS even where SPS' transmission service was not dependent upon the upgrade as required by the SPP OATT. If SPS' complaint results in additional charges or refunds, SPS will seek to recover or refund the differential in future rate proceedings.

13. Commitments and Contingencies

Commitments

Capital Commitments — Xcel Energy has made commitments in connection with a portion of its projected capital expenditures. Xcel Energy's capital commitments primarily relate to the following major projects:

NSP-Minnesota Upper Midwest Wind Projects — NSP-Minnesota has gained approval to build and own 1,150 MW of new wind generation in the Upper Midwest. NSP-Minnesota is also seeking approval from the MPUC to build and own the Dakota Range project, a 300 MW wind project in South Dakota.

PSCo Advanced Grid Intelligence and Security Initiative — PSCo is pursuing projects to update and advance its electric distribution grid to increase reliability and security standards, meet customer expectations, offer additional customer choice and control over energy usage and implement new rate structures.

PSCo Rush Creek Wind Farm — PSCo has gained approval to build, own and operate a 600 MW wind generation facility and proposed transmission line in Colorado.

PSCo Gas Transmission Integrity Management Programs — PSCo is proactively identifying and addressing the safety and reliability of natural gas transmission pipelines. The pipeline integrity efforts include primarily pipeline assessment and maintenance projects.

PSCo Electric Distribution Integrity Management Programs — PSCo is assessing aging infrastructure for distribution assets and replacing worn components to increase system performance.

SPS Transmission NTC — SPS has accepted NTCs for several hundred miles of transmission line and related substation projects based on needs identified through SPP's various planning processes, including those associated with economics, reliability, generator interconnection and the load addition processes. Most significant are the 345 KV transmission line from TUCO to Yoakum County to Hobbs Plant and the Hobbs Plant to China Draw 345 KV transmission lines.

SPS New Mexico and Texas Wind Projects — SPS is seeking approval from the NMPRC and the PUCT to build, own and operate 1,000 MW of new wind generation through the addition of two wind generation facilities in New Mexico and Texas.

Fuel Contracts — Xcel Energy has entered into various long-term commitments for the purchase and delivery of a significant portion of its current coal, nuclear fuel and natural gas requirements. These contracts expire in various years between 2018 and 2060. Xcel Energy is required to pay additional amounts depending on actual quantities shipped under these agreements.

The estimated minimum purchases for Xcel Energy under these contracts as of Dec. 31, 2017 are as follows:

(Millions of Dollars)	Coal	Nuclear fuel	Natural gas supply	Natural gas storage and transportation
2018	$ 655	$ 61	$ 391	$ 263
2019	255	118	288	251
2020	146	34	277	237
2021	59	85	280	227
2022	59	66	127	217
Thereafter	186	379	57	1,046
Total	$ 1,360	$ 743	$ 1,420	$ 2,241

Additional expenditures for fuel and natural gas storage and transportation will be required to meet expected future electric generation and natural gas needs. Xcel Energy's risk of loss, in the form of increased costs from market price changes in fuel, is mitigated through the use of natural gas and energy cost-rate adjustment mechanisms, which provide for pass-through of most fuel, storage and transportation costs to customers.

PPAs — NSP Minnesota, PSCo and SPS have entered into PPAs with other utilities and energy suppliers with expiration dates through 2039 for purchased power to meet system load and energy requirements and meet operating reserve obligations. In general, these agreements provide for energy payments, based on actual energy delivered and capacity payments. Certain PPAs accounted for as executory contracts also contain minimum energy purchase commitments. Capacity and energy payments are typically contingent on the IPPs meeting contract obligations, including plant availability requirements. Contractual payments are adjusted based on market indices. The effects of price adjustments on our financial results are mitigated through purchased energy cost recovery mechanisms.

Included in electric fuel and purchased power expenses for PPAs accounted for as executory contracts were payments for capacity of $168 million, $191 million and $231 million in 2017, 2016 and 2015, respectively. At Dec. 31, 2017, the estimated future payments for capacity and energy that the utility subsidiaries of Xcel Energy are obligated to purchase pursuant to these executory contracts, subject to availability, are as follows:

(Millions of Dollars)	Capacity	Energy [a]
2018	$ 133	$ 93
2019	87	99
2020	68	105
2021	73	140
2022	77	155
Thereafter	205	368
Total	$ 643	$ 960

(a) Excludes contingent energy payments for renewable energy PPAs.

Additional energy payments under these PPAs and PPAs accounted for as operating leases will be required to meet expected future electric demand.

Leases — Xcel Energy leases a variety of equipment and facilities. Three of these leases are accounted for as capital leases. The assets and liabilities at the inception of a capital lease are recorded at the lower of fair market value or the present value of future lease payments and are amortized over the term of the contract.

WYCO is a joint venture with CIG to develop and lease natural gas pipeline, storage, and compression facilities. Xcel Energy Inc. has a 50 percent ownership interest in WYCO. WYCO generally leases its facilities to CIG, and CIG operates the facilities, providing natural gas storage services to PSCo under separate service agreements.

PSCo accounts for its Totem natural gas storage service arrangement with CIG as a capital lease. As a result, PSCo had $124 million and $127 million of capital lease obligations as of Dec. 31, 2017 and 2016, respectively. Xcel Energy Inc. eliminates 50 percent of the capital lease obligation related to WYCO in the consolidated balance sheet along with an equal amount of Xcel Energy Inc.'s equity investment in WYCO.

PSCo records amortization for its capital leases as cost of natural gas sold and transported on the consolidated statements of income. Total amortization expenses under capital lease assets were approximately $5 million, $8 million and $8 million for 2017, 2016 and 2015, respectively. Following is a summary of property held under capital leases:

(Millions of Dollars)	Dec. 31, 2017	Dec. 31, 2016
Gas storage facilities	$ 201	$ 201
Gas pipeline	21	21
Property held under capital leases	222	222
Accumulated depreciation	(71)	(66)
Total property held under capital leases, net	$ 151	$ 156

The remainder of the leases, primarily for office space, railcars, generating facilities, natural gas pipeline transportation, vehicles, aircraft and power-operated equipment, are accounted for as operating leases. Total expenses under operating lease obligations for Xcel Energy were approximately $246 million, $255 million and $265 million for 2017, 2016 and 2015, respectively. These expenses include capacity payments for PPAs accounted for as operating leases of $210 million, $216 million and $224 million in 2017, 2016 and 2015, respectively, recorded to electric fuel and purchased power expenses.

Included in the future commitments under operating leases are estimated future capacity payments under PPAs that have been accounted for as operating leases in accordance with the applicable accounting guidance. Future commitments under operating and capital leases are:

(Millions of Dollars)	Operating Leases	PPA [a] [b] Operating Leases	Total Operating Leases	Capital Leases
2018	$ 25	$ 213	$ 238	$ 15
2019	30	230	260	14
2020	24	244	268	14
2021	24	246	270	14
2022	22	235	257	12
Thereafter	148	1,682	1,830	233
Total minimum obligation				302
Interest component of obligation				(213)
Present value of minimum obligation				$ 89 [c]

(a) Amounts do not include PPAs accounted for as executory contracts.
(b) PPA operating leases contractually expire through 2039.
(c) Future commitments exclude certain amounts related to Xcel Energy's 50 percent ownership interest in WYCO.

Variable Interest Entities — The accounting guidance for consolidation of VIEs requires enterprises to consider the activities that most significantly impact an entity's financial performance, and power to direct those activities, when determining whether an enterprise is a VIE's primary beneficiary.

PPAs — Under certain PPAs, NSP-Minnesota, PSCo and SPS purchase power from IPPs for which the utility subsidiaries are required to reimburse natural gas or biomass fuel costs, or to participate in tolling arrangements under which the utility subsidiaries procure the natural gas required to produce the energy that they purchase. In addition, certain solar PPAs provide the utility subsidiaries with an option to purchase emission allowances or sharing provisions related to production credits generated by the solar facility under contract. These specific PPAs create a variable interest in the IPP.

Xcel Energy has determined that certain IPPs are VIEs. Xcel Energy is not subject to risk of loss from the operations of these entities, and no significant financial support has been, or is required to be provided other than contractual payments for energy and capacity set forth in the PPAs.

Xcel Energy has evaluated each of these VIEs for possible consolidation, including review of qualitative factors such as the length and terms of the contract, control over O&M, control over dispatch of electricity, historical and estimated future fuel and electricity prices, and financing activities. Xcel Energy has concluded that these entities are not required to be consolidated in its consolidated financial statements because it does not have the power to direct the activities that most significantly impact the entities' economic performance. Xcel Energy's utility subsidiaries had approximately 3,537 MW of capacity under long-term PPAs at both Dec. 31, 2017 and 2016 with entities that have been determined to be VIEs. These agreements have expiration dates through the year 2041.

Fuel Contracts — SPS purchases all of its coal requirements for its Harrington and Tolk electric generating stations from TUCO under contracts for those facilities that will expire in December 2022. TUCO arranges for the purchase, receiving, transporting, unloading, handling, crushing, weighing, and delivery of coal to meet SPS' requirements. TUCO is responsible for negotiating and administering contracts with coal suppliers, transporters and handlers.

No significant financial support has been, or is required to be provided to TUCO by SPS, other than contractual payments for delivered coal. However, the fuel contracts create a variable interest in TUCO due to SPS' reimbursement of certain fuel procurement costs. SPS has determined that TUCO is a VIE. SPS has concluded that it is not the primary beneficiary of TUCO because SPS does not have the power to direct the activities that most significantly impact TUCO's economic performance.

Low-Income Housing Limited Partnerships — Eloigne and NSP-Wisconsin have entered into limited partnerships for the construction and operation of affordable rental housing developments which qualify for low-income housing tax credits. Xcel Energy Inc. has determined Eloigne and NSP-Wisconsin's low-income housing limited partnerships to be VIEs primarily due to contractual arrangements within each limited partnership that establish sharing of ongoing voting control and profits and losses that does not consistently align with the partners' proportional equity ownership. Xcel Energy Inc. has determined that Eloigne and NSP-Wisconsin have the power to direct the activities that most significantly impact these entities' economic performance, and therefore Xcel Energy Inc. consolidates these limited partnerships in its consolidated financial statements.

Equity financing for these entities has been provided by Eloigne, NSP-Wisconsin and the general partner of each limited partnership. Xcel Energy's risk of loss is limited to its capital contributions, adjusted for any distributions and its share of undistributed profits and losses; no significant additional financial support has been, or is required to be provided to the limited partnerships by Eloigne or NSP-Wisconsin. Obligations of the limited partnerships are generally secured by the housing properties of each limited partnership, and the creditors of each limited partnership have no significant recourse to Xcel Energy Inc. or its subsidiaries. Likewise, the assets of the limited partnerships may only be used to settle obligations of the limited partnerships, and not those of Xcel Energy Inc. or its subsidiaries.

Amounts reflected in Xcel Energy's consolidated balance sheets for the Eloigne and NSP-Wisconsin low-income housing limited partnerships include the following:

(Millions of Dollars)	Dec. 31, 2017	Dec. 31, 2016
Current assets	$ 6	$ 7
Property, plant and equipment, net	46	50
Other noncurrent assets	1	1
Total assets	$ 53	$ 58
Current liabilities	$ 9	$ 8
Mortgages and other long-term debt payable	26	30
Other noncurrent liabilities	1	1
Total liabilities	$ 36	$ 39

Technology Agreements — Xcel Energy has a contract that extends through December 2022 with International Business Machines Corp. (IBM) for information technology services. The contract is cancelable at Xcel Energy's option, although Xcel Energy would be obligated to pay 50 percent of the contract value for early termination. Xcel Energy capitalized or expensed $98 million, $119 million and $109 million associated with the IBM contract in 2017, 2016 and 2015, respectively.

Xcel Energy's contract with Accenture for information technology services extends through December 2020. The contract is cancelable at Xcel Energy's option, although there are financial penalties for early termination. Xcel Energy capitalized or expensed $16 million, $35 million and $17 million associated with the Accenture contract in 2017, 2016 and 2015, respectively.

Committed minimum payments under these obligations are as follows:

(Millions of Dollars)	IBM Agreement	Accenture Agreement
2018	$ 26	$ 11
2019	26	11
2020	8	11
2021	8	—
2022	3	—
Thereafter	—	—

Guarantees and Indemnifications

Xcel Energy Inc. and its subsidiaries provide guarantees and bond indemnities under specified agreements or transactions, which guarantee payment or performance. Xcel Energy Inc.'s exposure is based upon the net liability of the relevant subsidiary under the specified agreements or transactions. Most of the guarantees and bond indemnities issued by Xcel Energy Inc. and its subsidiaries limit the exposure to a maximum stated amount. As of Dec. 31, 2017 and 2016, Xcel Energy Inc. and its subsidiaries had no assets held as collateral related to their guarantees, bond indemnities and indemnification agreements.

Guarantees and Surety Bonds

The following table presents guarantees and bond indemnities issued and outstanding as of Dec. 31, 2017:

(Millions of Dollars)	Guarantor	Guarantee Amount	Current Exposure	Triggering Event
Guarantee of customer loans for the Farm Rewiring Program [a]	NSP-Wisconsin	$ 1.0	$ —	(f)
Guarantee of the indemnification obligations of Xcel Energy Services Inc. under the aircraft leases [b]	Xcel Energy Inc.	12.0	—	(g)
Guarantee of residual value of assets under the Bank of Tokyo-Mitsubishi Capital Corporation Equipment Leasing Agreement [c]	NSP-Minnesota	4.8	—	(h)
Guarantee of loan for Hiawatha Collegiate High School [d]	Xcel Energy Inc.	1.0	—	(g)
Total guarantees issued		$ 18.8	$ —	
Guarantee performance and payment of surety bonds for Xcel Energy Inc.'s utility subsidiaries [e]	Xcel Energy Inc.	$ 53.1	(j)	(i)

(a) The term of this guarantee expires in 2020, which is the final scheduled repayment date for the loans. As of Dec. 31, 2017, no claims had been made by the lender.
(b) The terms of this guarantee expires in 2021 and 2023 when the associated leases expire.
(c) The term of this guarantee expires in 2019 when the associated lease expires.
(d) The term of this guarantee expires the earlier of 2024 or full repayment of the loan.
(e) The surety bonds primarily relate to workers compensation benefits and utility projects. The workers compensation bonds are renewed annually and the project based bonds expire in conjunction with the completion of the related projects.
(f) The debtor becomes the subject of bankruptcy or other insolvency proceedings.
(g) Nonperformance and/or nonpayment.
(h) Actual fair value of leased assets is less than the guaranteed residual value amount at the end of the lease term.
(i) Failure of any one of Xcel Energy Inc.'s utility subsidiaries to perform under the agreement that is the subject of the relevant bond. In addition, per the indemnity agreement between Xcel Energy Inc. and the various surety companies, the surety companies have the discretion to demand that collateral be posted.
(j) Due to the magnitude of projects associated with the surety bonds, the total current exposure of this indemnification cannot be determined. Xcel Energy Inc. believes the exposure to be significantly less than the total amount of the outstanding bonds.

Indemnification Agreements

Xcel Energy Inc. and its subsidiaries provide indemnifications through contracts entered into in the normal course of business. These are primarily indemnifications against adverse litigation outcomes in connection with underwriting agreements, as well as breaches of representations and warranties, including corporate existence, transaction authorization and income tax matters with respect to assets sold. Xcel Energy Inc.'s and its subsidiaries' obligations under these agreements may be limited in terms of duration and amount. The maximum future payments under these indemnifications cannot be reasonably estimated as the dollar amounts are often not explicitly stated.

Environmental Contingencies

Xcel Energy has been or is currently involved with the cleanup of contamination from certain hazardous substances at several sites. In many situations, the subsidiary involved believes it will recover some portion of these costs through insurance claims. Additionally, where applicable, the subsidiary involved is pursuing, or intends to pursue, recovery from other PRPs and through the regulated rate process. New and changing federal and state environmental mandates can also create added financial liabilities for Xcel Energy, which are normally recovered through the regulated rate process. To the extent any costs are not recovered through the options listed above, Xcel Energy would be required to recognize an expense.

Site Remediation — Various federal and state environmental laws impose liability, without regard to the legality of the original conduct, where hazardous substances or other regulated materials have been released to the environment. Xcel Energy Inc.'s subsidiaries may sometimes pay all or a portion of the cost to remediate sites where past activities of their predecessors or other parties have caused environmental contamination. Environmental contingencies could arise from various situations, including sites of former MGPs operated by Xcel Energy Inc.'s subsidiaries or their predecessors, or other entities; and third-party sites, such as landfills, for which one or more of Xcel Energy Inc.'s subsidiaries are alleged to be a PRP that sent wastes to that site.

MGP Sites

Ashland MGP Site — NSP-Wisconsin was named a PRP for contamination at a site in Ashland, Wis. The Ashland/Northern States Power Lakefront Superfund Site (the Site) includes NSP-Wisconsin property, previously operated as a MGP facility (the Upper Bluff), and two other properties: an adjacent city lakeshore park area (Kreher Park); and an area of Lake Superior's Chequamegon Bay adjoining the park.

In 2012, NSP-Wisconsin agreed to remediate the Phase I Project Area (which includes the Upper Bluff and Kreher Park areas of the Site), under a settlement agreement with the EPA. In January 2017, NSP-Wisconsin agreed to remediate the Phase II Project Area (the Sediments), under a settlement agreement with the EPA. The settlement agreements were approved by the U.S. District Court for the Western District of Wisconsin. NSP-Wisconsin initiated a full scale wet dredge remedy of the Sediments in 2017. Going forward, NSP-Wisconsin anticipates completion of restoration activities of the Sediments in 2018 with finalization of Phase I Project Area construction and restoration activities in 2019. Groundwater treatment activities at the Site will continue.

The current cost estimate for the entire site (both Phase I Project Area and the Sediments) is approximately $168 million, of which approximately $138 million has been spent. As of Dec. 31, 2017 and 2016, NSP-Wisconsin had recorded a total liability of $30 million and $64 million, respectively, for the entire site.

NSP-Wisconsin has deferred the unrecovered portion of the estimated Site remediation costs as a regulatory asset. The PSCW has authorized NSP-Wisconsin rate recovery for all remediation costs incurred at the Site. In 2012, the PSCW agreed to allow NSP-Wisconsin to pre-collect certain costs, to amortize costs over a ten-year period and to apply a three percent carrying cost to the unamortized regulatory asset. In December 2017, the PSCW approved an NSP-Wisconsin natural gas rate case, which included recovery of additional expenses associated with remediating the Site. The annual recovery of MGP clean-up costs will increase from $12 million in 2017 to $18 million in 2018.

Fargo, N.D. MGP Site — In May 2015, underground pipes, tars and impacted soils were discovered in a right-of-way in Fargo, N.D. that appeared to be associated with a former MGP operated by NSP-Minnesota or prior companies. NSP-Minnesota removed impacted soils and other materials and commenced an investigation of the historic MGP and adjacent properties (the Fargo MGP Site). The North Dakota Department of Health approved NSP-Minnesota's proposed cleanup plan in January 2017, which involves targeted source removal of impacted soils and historic MGP infrastructure. It is anticipated that remediation activities will be performed in 2018. NSP-Minnesota has also initiated insurance recovery litigation in North Dakota. The U.S. District Court for the District of North Dakota agreed to the parties' request for a stay of the litigation until May 31, 2018.

NSP-Minnesota had recorded an estimated liability of $16 million as of Dec. 31, 2017, and $11 million as of Dec. 31, 2016, for the Fargo MGP Site. The current cost estimate for the remediation of the site is approximately $23 million, of which approximately $7 million has been spent. NSP-Minnesota has deferred Fargo MGP Site costs allocable to the North Dakota jurisdiction, or approximately 88 percent of all remediation costs, as approved by the NDPSC. In December 2017, NSP-Minnesota filed a request with the MPUC to defer post-2017 expenditures allocable to the Minnesota jurisdiction.

Other MGP, Landfill or Disposal Sites — Xcel Energy is currently involved in investigating and/or remediating several MGP, landfill or other disposal sites. Xcel Energy has identified twelve sites across its service territories in addition to the sites in Ashland and Fargo, where contamination is present and where investigation and/or remediation activities are currently underway. Other parties may have responsibility for some portion of the investigation and/or remediation activities that are underway. Xcel Energy anticipates that these investigation or remediation activities will continue through at least 2018. Xcel Energy had accrued $4 million as of Dec. 31, 2017 and $2 million as of Dec. 31, 2016 for all of these sites. There may be insurance recovery and/or recovery from other PRPs that will offset any costs incurred. Xcel Energy anticipates that any amounts spent will be fully recovered from customers.

Environmental Requirements

Water and Waste

Asbestos Removal — Some of Xcel Energy's facilities contain asbestos. Most asbestos will remain undisturbed until the facilities that contain it are demolished or removed. Xcel Energy has recorded an estimate for final removal of the asbestos as an ARO. It may be necessary to remove some asbestos to perform maintenance or make improvements to other equipment. The cost of removing asbestos as part of other work is not expected to be material and is recorded as incurred as operating expenses for maintenance projects, capital expenditures for construction projects or removal costs for demolition projects.

Coal Ash Regulation — Xcel Energy's operations are subject to federal and state laws that impose requirements for handling, storage, treatment and disposal of solid waste. In 2015, the EPA published a final rule regulating the management, storage, and disposal of coal combustion residuals (CCRs) as a nonhazardous waste (CCR Rule). Industry and environmental non-governmental organizations sought judicial review of the final CCR Rule, but a final decision has not been issued in that litigation. The EPA announced in late 2017 its intent to revise the CCR Rule. It is anticipated that the EPA will publish the revised rule in the first quarter of 2018.

Under the CCR Rule, utilities were required to complete groundwater sampling around their CCR landfills and surface impoundments and to analyze the results by early 2018 to determine if there were any statistically significant increases (SSIs) above background levels of certain constituents in the groundwater. Xcel Energy has identified SSIs at several sites located in Colorado and one site in Minnesota. Going forward, Xcel Energy will either conduct additional groundwater sampling to determine whether another source besides plant operations is impacting groundwater and/or to determine if corrective action is needed. Several Xcel Energy sites where SSIs were identified were already undergoing cessation of coal operations and closure of the on-site coal units and therefore no further corrective action is expected at those sites.

Until a final decision is reached in the litigation, the EPA publishes its revised rule, and Xcel Energy completes additional groundwater sampling, it is uncertain what impact, if any, there will be on the operations, financial position or cash flows of Xcel Energy. Xcel Energy believes that any associated costs would be recoverable through regulatory mechanisms.

Federal CWA Waters of the United States Rule — In 2015, the EPA and the U.S. Army Corps of Engineers (Corps) published a final rule that significantly expanded the types of water bodies regulated under the CWA and broadened the scope of waters subject to federal jurisdiction. In October 2015, the U.S. Court of Appeals for the Sixth Circuit issued a nationwide stay of the final rule and subsequently ruled that it, rather than the federal district courts, had jurisdiction over challenges to the rule. In January 2017, the U.S. Supreme Court agreed to resolve the dispute as to which court should hear challenges to the rule. A ruling is expected in 2018.

In February 2017, President Trump issued an executive order requiring the EPA and the Corps to review and revise the final rule. In June 2017, the agencies issued a proposed rule that rescinds the final rule and reinstates the prior definition of "Water of the U.S." The agencies are also undertaking a rulemaking to develop a new definition of "Waters of the U.S."

Federal CWA Effluent Limitations Guidelines (ELG) — In 2015, the EPA issued a final ELG rule for power plants that use coal, natural gas, oil or nuclear materials as fuel and discharge treated effluent to surface waters as well as utility-owned landfills that receive coal combustion residuals. In 2017, the EPA delayed the compliance date for flue gas desulfurization wastewater and bottom ash transport until November 2020 while the agency conducts a rulemaking process to potentially revise the effluent limitations and pretreatment standards for these waste streams.

Federal CWA Section 316(b) — The federal CWA requires the EPA to regulate cooling water intake structures to assure that these structures reflect the best technology available for minimizing adverse environmental impacts to aquatic species. The EPA published the final 316(b) rule in 2014. The rule prescribes technology for protecting fish that get stuck on plant intake screens (known as impingement) and describes a process for site-specific determinations by each state for sites that must protect the small aquatic organisms that pass through the intake screens into the plant cooling systems (known as entrainment). For Xcel Energy, these requirements will primarily impact plants at NSP-Minnesota. Xcel Energy estimates the likely cost for complying with impingement requirements may be incurred between 2018 and 2027 and is approximately $41 million with the majority needed for NSP-Minnesota. Xcel Energy believes at least six NSP-Minnesota plants and two NSP-Wisconsin plants could be required by state regulators to make improvements to reduce entrainment. The exact total cost of the entrainment improvements is uncertain, but could be up to $192 million. Xcel Energy anticipates these costs will be fully recoverable in rates.

Air

GHG Emission Standard for Existing Sources (CPP) — In 2015, the EPA issued its final CPP rule for existing power plants. Among other things, the CPP requires that state plans include enforceable measures to ensure emissions from existing power plants achieve the EPA's state-specific interim and final emission performance targets.

The CPP was challenged by multiple parties in the D.C. Circuit Court. In February 2016, the U.S. Supreme Court issued an order staying the final CPP rule. The stay will remain in effect until the D.C. Circuit Court reaches its decision and the U.S. Supreme Court either declines to review the lower court's decision or reaches a decision of its own.

In March 2017, President Trump signed an executive order requiring the EPA Administrator to review the CPP rule and if appropriate publish proposed rules suspending, revising or rescinding it. Accordingly, the EPA requested that the D.C. Circuit Court hold the litigation in abeyance until the EPA completes its work under the executive order. The D.C. Circuit granted the EPA's request and is holding the litigation in abeyance, while considering briefs by the parties on whether the court should remand the challenges to the EPA rather than holding them in abeyance, determining whether and how the court continues or ends the stay that currently applies to the CPP.

In October 2017, the EPA published a proposed rule to repeal the CPP, based on an analysis that the CPP exceeds the EPA's statutory authority under the CAA. In the proposal, the EPA stated it has not yet determined whether it will promulgate a new rule to regulate GHG emissions from existing EGUs. In December 2017, the EPA issued an Advanced Notice of Proposed Rulemaking to take and consider comments on whether to issue a future rule and what such a rule should include.

CSAPR — CSAPR addresses long range transport of PM and ozone by requiring reductions in SO_2 and NOx from utilities in the eastern half of the United States using an emissions trading program. For Xcel Energy, the rule applies in Minnesota, Wisconsin and Texas.

CSAPR was adopted to address interstate emissions impacting downwind states' attainment of the ozone and particulate NAAQS. As the EPA revises NAAQS, it will consider whether to make any further reductions to CSAPR emission budgets and whether to change which states are included in the emissions trading program.

In September 2017, the EPA adopted a final rule that withdraws Texas from the CSAPR particle program and determines that further emission reductions in Texas are not needed to address interstate particle transport. Texas is no longer subject to the annual SO_2 and NO_X emission budgets under CSAPR. In November 2017, the National Parks Conservation Association and Sierra Club appealed this rule to the D.C. Circuit Court. In January 2018, the Court granted SPS' motion to intervene in support of the EPA's final rule.

Regional Haze Rules — The regional haze program requires SO_2, NO_X and PM emission controls at power plants and other industrial facilities to reduce visibility impairment in national parks and wilderness areas. The program is divided into two parts: BART and reasonable further progress. The requirements of the first regional haze plans developed by Minnesota and Colorado that apply to NSP-Minnesota and PSCo have been fully approved and implemented. Texas' first regional haze plan has undergone federal review as described below.

BART Determination for Texas: The EPA published a proposed BART rule for Texas in January 2017 that could have required installation of dry scrubbers to reduce SO_2 emissions from Harrington Units 1 and 2. Investment costs associated with dry scrubbers for Harrington Units 1 and 2 could have been approximately $400 million. In October 2017, the EPA issued a revised final rule adopting a BART alternative Texas only SO_2 trading program that applies to all Harrington and Tolk units. Under the trading program, SPS expects the allowance allocations to be sufficient for SO_2 emissions from units in 2019 and future years. The anticipated costs of compliance are not expected to have a material impact on the results of operations, financial position or cash flows; and SPS believes that compliance costs would be recoverable through regulatory mechanisms.

Several parties have challenged whether the final rule issued by the EPA should be considered to have met the requirements imposed in a Consent Decree entered the United States District Court for the District of Columbia that established deadlines for the EPA to take final action on state regional haze plan submissions. The matter is now submitted to the court.

In December 2017, the National Parks Conservation Association, Sierra Club, and Environmental Defense Fund appealed the EPA's October 2017 final BART rule to the Fifth Circuit, and filed a petition for administrative reconsideration of the final rule with the EPA. In January 2018, the court granted SPS' motion to intervene in the Fifth Circuit litigation in support of the EPA's final rule.

Reasonable Progress Rule: In January 2016, the EPA adopted a final rule establishing a federal implementation plan for reasonable further progress under the regional haze program for the state of Texas. The rule imposes SO_2 emission limitations that would require the installation of dry scrubbers on Tolk Units 1 and 2, with compliance required by February 2021. Investment costs associated with dry scrubbers could be approximately $600 million. SPS appealed the EPA's decision and obtained a stay of the final rule. In March 2017, the Fifth Circuit remanded the rule to the EPA for reconsideration, leaving the stay in effect. In a future rulemaking, the EPA will address whether SO_2 emission reductions beyond those required in the BART alternative rule are needed at Tolk under the "reasonable progress" requirements of the regional haze program. The risk of these controls being imposed along with the risk of investments to provide additional cooling water to Tolk have caused SPS to seek to decrease the remaining depreciable life of the Tolk units. The EPA has not announced a schedule for acting on the remanded rule.

Implementation of the NAAQS for SO_2 — The EPA adopted a more stringent NAAQS for SO_2 in 2010, and evaluated areas in three phases. In December 2017, the EPA adopted a final rule that completed its initial designations of areas attaining or not attaining the standard. The EPA's final actions designate all areas near Xcel Energy's generating plants as meeting the SO_2 NAAQS with two exceptions. In June 2016, the EPA issued final designations which found the areas near the SPS Harrington and PSCo Pawnee plants as "unclassifiable." The area near the Harrington plant is to be monitored for three years and a final designation is expected to be made by December 2020. Since the 2016 "unclassifiable" designation, the Colorado Department of Public Health and Environment has prepared and submitted air dispersion modeling to the EPA demonstrating that the area near the Pawnee plant meets the SO_2 NAAQS. The EPA has not yet completed its evaluation of the Pawnee plant.

If the area near the Harrington plant is designated nonattainment in 2020, the Texas Commission on Environmental Quality (TCEQ) will need to develop an implementation plan, which would be due by 2022, designed to achieve the NAAQS by 2025. The TCEQ could require additional SO_2 controls at Harrington as part of such a plan. Xcel Energy cannot evaluate the impacts until the final designation is made and any required state plans are developed. Xcel Energy believes that should SO_2 control systems be required or require upgrades for a plant, compliance costs or the costs of alternative cost-effective generation will be recoverable through regulatory mechanisms and therefore does not expect a material impact on results of operations, financial position or cash flows.

Revisions to the NAAQS for Ozone — In 2015, the EPA revised the NAAQS for ozone by lowering the eight-hour standard from 75 parts per billion (ppb) to 70 ppb. In November 2017, the EPA published final designations of areas that meet the 2015 ozone standard. Xcel Energy meets the 2015 ozone standard in all areas where its generating units operate, except for the Denver Metropolitan Area. PSCo's scheduled retirement of coal fired plants in Denver that began in 2011 and was completed in August 2017, should help in any plan to mitigate non-attainment. The EPA has not yet taken final action on the designation, but notified the State of Colorado in December 2017 that it intends to designate the parts of the Denver Metropolitan Area that currently do not attain the 2008 ozone standards as also not attaining the more stringent 2015 ozone standard.

Asset Retirement Obligations

Recorded AROs — AROs have been recorded for property related to the following: electric production (nuclear, steam, wind, other and hydro), electric distribution and transmission, natural gas production, natural gas transmission and distribution, natural gas storage, thermal and general property. The electric production obligations include asbestos, processed water and ash-containment facilities, radiation sources, storage tanks, control panels and decommissioning. The asbestos recognition associated with electric production includes certain plants at NSP-Minnesota, NSP-Wisconsin, PSCo and SPS. AROs also have been recorded for NSP-Minnesota, NSP-Wisconsin, PSCo and SPS steam production related to processed water and ash-containment facilities such as ash ponds, evaporation ponds and solid waste landfills. NSP-Minnesota and PSCo have also recorded AROs for the retirement and removal of assets at certain wind production facilities for which the land is leased and removal is required by contract.

Xcel Energy has recognized AROs for the retirement costs of natural gas mains and lines at NSP-Minnesota, NSP-Wisconsin and PSCo and AROs for the retirement of above ground gas gathering equipment, impoundments at gas extraction sites and wells related to gas storage facilities at PSCo. In addition, an ARO was recognized for the removal of electric transmission and distribution equipment at NSP-Minnesota, NSP-Wisconsin, PSCo and SPS, which consists of obligations associated with polychlorinated biphenyl, mineral oil, lithium batteries, mercury and street lighting lamps. The common general AROs include obligations related to storage tanks, radiation sources and office buildings.

For the nuclear assets, the ARO is associated with the decommissioning of the NSP-Minnesota nuclear generating plants, Monticello and PI. See Note 14 for further discussion of nuclear obligations.

A reconciliation of Xcel Energy's AROs for the years ended Dec. 31, 2017 and 2016 is as follows:

(Millions of Dollars)	Beginning Balance Jan. 1, 2017	Liabilities Recognized	Liabilities Settled [a]	Accretion	Cash Flow Revisions [b]	Ending Balance Dec. 31, 2017
Electric plant						
Nuclear production decommissioning	$ 2,249	$ —	$ —	$ 114	$ (489)	$ 1,874
Steam and other production ash containment	117	—	(16)	5	9	115
Wind production	92	—	—	4	—	96
Steam, hydro and other production asbestos	88	1	(13)	4	(3)	77
Electric distribution	20	—	—	1	—	21
Other	5	—	—	—	—	5
Natural gas plant						
Gas transmission and distribution	205	—	—	8	69	282
Other	4	—	—	—	—	4
Common and other property						
Common general plant asbestos	1	—	(1)	—	—	—
Common miscellaneous	1	—	—	—	—	1
Total liability	$ 2,782	$ 1	$ (30)	$ 136	$ (414)	$ 2,475

(a) The liabilities settled relate to asbestos abatement projects, the closure of certain ash containment facilities, and removal and proper disposal of storage tanks and other above ground equipment.

(b) In 2017, AROs were revised for changes in estimated cash flows and the timing of those cash flows. The nuclear decommissioning ARO decreased due to updated assumptions in the nuclear triennial filing. Changes in the gas transmission and distribution AROs were mainly related to increased labor costs.

The aggregate fair value of NSP-Minnesota's legally restricted assets, for purposes of funding future nuclear decommissioning, was $2.1 billion as of Dec. 31, 2017, consisting of external investment funds.

(Millions of Dollars)	Beginning Balance Jan. 1, 2016	Liabilities Recognized	Liabilities Settled	Accretion	Cash Flow Revisions [b]	Ending Balance Dec. 31, 2016
Electric plant						
Nuclear production decommissioning	$ 2,141	$ —	$ —	$ 108	$ —	$ 2,249
Steam and other production ash containment	132	—	(6)	5	(14)	117
Steam, hydro and other production asbestos	84	—	—	4	—	88
Wind production	72	17 [a]	—	3	—	92
Electric distribution	13	—	—	1	6	20
Other	4	1	—	—	—	5
Natural gas plant						
Gas transmission and distribution	156	—	—	7	42	205
Other	4	—	—	—	—	4
Common and other property						
Common general plant asbestos	1	—	—	—	—	1
Common miscellaneous	2	—	—	—	(1)	1
Total liability	$ 2,609	$ 18	$ (6)	$ 128	$ 33	$ 2,782

(a) The liability recognized relates to the NSP-Minnesota Courtenay Wind Farm which was placed in service during 2016.

(b) In 2016, AROs were revised for changes in estimated cash flows and the timing of those cash flows. Changes in the gas transmission and distribution AROs were mainly related to increased miles of gas mains.

The aggregate fair value of NSP-Minnesota's legally restricted assets, for purposes of funding future nuclear decommissioning, was $1.9 billion as of Dec. 31, 2016, consisting of external investment funds.

Indeterminate AROs — Outside of the known and recorded asbestos AROs, other plants or buildings may contain asbestos due to the age of many of Xcel Energy's facilities, but no confirmation or measurement of the amount of asbestos or cost of removal could be determined as of Dec. 31, 2017. Therefore, an ARO has not been recorded for these facilities.

Removal Costs — Xcel Energy records a regulatory liability for the plant removal costs of generation, transmission and distribution facilities of its utility subsidiaries that are recovered currently in rates. Generally, the accrual of future non-ARO removal obligations is not required. However, long-standing ratemaking practices approved by applicable state and federal regulatory commissions have allowed provisions for such costs in historical depreciation rates. These removal costs have accumulated over a number of years based on varying rates as authorized by the appropriate regulatory entities. Given the long time periods over which the amounts were accrued and the changing of rates over time, the utility subsidiaries have estimated the amount of removal costs accumulated through historic depreciation expense based on current factors used in the existing depreciation rates.

The accumulated balances by entity were as follows at Dec. 31:

(Millions of Dollars)	2017	2016
NSP-Minnesota	$ 442	$ 419
PSCo	346	367
SPS	197	209
NSP-Wisconsin	146	140
Total Xcel Energy	$ 1,131	$ 1,135

Nuclear Insurance

NSP-Minnesota's public liability for claims resulting from any nuclear incident is limited to $13.4 billion under the Price-Anderson amendment to the Atomic Energy Act. NSP-Minnesota has secured $450 million of coverage for its public liability exposure with a pool of insurance companies. The remaining $13.0 billion of exposure is funded by the Secondary Financial Protection Program, available from assessments by the federal government in case of a nuclear incident. NSP-Minnesota is subject to assessments of up to $127 million per reactor-incident for each of its three licensed reactors, to be applied for public liability arising from a nuclear incident at any licensed nuclear facility in the United States. The maximum funding requirement is $19 million per reactor per incident during any one year. These maximum assessment amounts are both subject to inflation adjustment by the NRC and state premium taxes. The NRC's last adjustment was effective September 2013.

NSP-Minnesota purchases insurance for property damage and site decontamination cleanup costs from Nuclear Electric Insurance Ltd. (NEIL) and European Mutual Association for Nuclear Insurance (EMANI). The coverage limits are $2.3 billion for each of NSP-Minnesota's two nuclear plant sites. NEIL also provides business interruption insurance coverage, including the cost of replacement power obtained during certain prolonged accidental outages of nuclear generating units. Premiums are expensed over the policy term. All companies insured with NEIL are subject to retroactive premium adjustments if losses exceed accumulated reserve funds. Capital has been accumulated in the reserve funds of NEIL and EMANI to the extent that NSP-Minnesota would have no exposure for retroactive premium assessments in case of a single incident under the business interruption and the property damage insurance coverage. However, in each calendar year, NSP-Minnesota could be subject to maximum assessments of approximately $19 million for business interruption insurance and $41 million for property damage insurance if losses exceed accumulated reserve funds.

Legal Contingencies

Xcel Energy is involved in various litigation matters that are being defended and handled in the ordinary course of business. The assessment of whether a loss is probable or is a reasonable possibility, and whether the loss or a range of loss is estimable, often involves a series of complex judgments about future events. Management maintains accruals for such losses that are probable of being incurred and subject to reasonable estimation. Management is sometimes unable to estimate an amount or range of a reasonably possible loss in certain situations, including but not limited to when (1) the damages sought are indeterminate, (2) the proceedings are in the early stages, or (3) the matters involve novel or unsettled legal theories. In such cases, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, including a possible eventual loss. For current proceedings not specifically reported herein, management does not anticipate that the ultimate liabilities, if any, arising from such current proceedings would have a material effect on Xcel Energy's financial statements. Unless otherwise required by GAAP, legal fees are expensed as incurred.

Employment, Tort and Commercial Litigation

Gas Trading Litigation — e prime inc. (e prime) is a wholly owned subsidiary of Xcel Energy Inc. e prime was in the business of natural gas trading and marketing but has not engaged in natural gas trading or marketing activities since 2003. Thirteen lawsuits were commenced against e prime and Xcel Energy (and NSP-Wisconsin, in two instances) between 2003 and 2009 alleging fraud and anticompetitive activities in conspiring to restrain the trade of natural gas and manipulate natural gas prices.

e prime, Xcel Energy Inc. and its other affiliates were sued along with several other gas marketing companies. These cases were all consolidated in the U.S. District Court in Nevada. Six of the cases remain active, which includes a multi-district litigation (MDL) matter consisting of a Colorado class (Breckenridge), a Wisconsin class (Arandell Corp.), a Missouri class, a Kansas class, and two other cases identified as "Sinclair Oil" and "Farmland." In March 2017, summary judgment was granted by the MDL judge in favor of Xcel Energy and e prime in the Sinclair Oil and Farmland cases. In November 2017, the U.S District Court in Nevada granted summary judgment against two plaintiffs in the Arandell Corp. case in favor of Xcel Energy and NSP-Wisconsin, leaving only three individual plaintiffs remaining in the litigation. In addition, the plaintiffs' motions for class certification and remand back to originating courts in these cases were denied in March 2017. Plaintiffs have appealed the summary judgment motions granted in the Farmland and Sinclair Oil cases and the denial of class certification and remand to the U.S. Court of Appeals for the Ninth Circuit (Ninth Circuit). Oral arguments were heard before the Ninth Circuit in February 2018. A final decision is expected by the end of the first quarter of 2019. Xcel Energy, NSP-Wisconsin and e prime have concluded that a loss is remote.

Line Extension Disputes — In December 2015, Development Recovery Company (DRC) filed a lawsuit in the Denver District Court, stating PSCo failed to award proper allowances and refunds for line extensions to new developments pursuant to the terms of electric and gas service agreements entered into by PSCo and various developers. The dispute involves claims by over fifty developers. In May 2016, the Denver District Court granted PSCo's motion to dismiss the lawsuit, concluding that jurisdiction over this dispute resides with the CPUC. In June 2016, DRC appealed the Denver District Court's dismissal of the lawsuit, and the Colorado Court of Appeals affirmed the lower court decision in favor of PSCo. In July 2017, DRC filed a petition to appeal the decision with the Colorado Supreme Court. In February 2018, the Colorado Supreme Court denied DRC's petition effectively terminating this litigation.

In January 2018, DRC filed a new lawsuit in Boulder County District Court, asserting a single claim that PSCo was required to file its line extension agreements with the CPUC but failed to do so. This claim is substantially similar to the arguments previously raised by DRC. Dates for this proceeding have not been scheduled.

PSCo has concluded that a loss is remote with respect to both of these matters as the service agreements were developed to implement CPUC approved tariffs and PSCo has complied with the tariff provisions. Also, if a loss were sustained, PSCo believes it would be allowed to recover these costs through traditional regulatory mechanisms. The amount or range in dispute is presently unknown and no accrual has been recorded for this matter.

Other Contingencies

See Note 12 for further discussion.

14. Nuclear Obligations

Fuel Disposal — NSP-Minnesota is responsible for temporarily storing used or spent nuclear fuel from its nuclear plants. The DOE is responsible for permanently storing spent fuel from U.S. nuclear plants, but no such facility is yet available. NSP-Minnesota has funded its portion of the DOE's permanent disposal program since 1981. Through May 2014, the fuel disposal fees were based on a charge of 0.1 cent per KWh sold to customers from nuclear generation. Since that time, the DOE has set the fee to zero. There were no DOE fuel disposal assessments in 2017 or 2016.

NSP-Minnesota has its own temporary on-site storage facilities for spent fuel at its Monticello and PI nuclear plants, which consist of storage pools and dry cask facilities at both sites. The amount of spent fuel storage capacity is determined by the NRC and the MPUC. The Monticello dry-cask storage facility currently stores 16 of the 30 authorized canisters, and the PI dry-cask storage facility currently stores 40 of the 64 authorized casks.

Regulatory Plant Decommissioning Recovery — Decommissioning activities related to NSP-Minnesota's nuclear facilities are planned to begin at the end of each unit's operating license and be completed by 2091. NSP-Minnesota's current operating licenses allow continued use of its Monticello nuclear plant until 2030 and its PI nuclear plant until 2033 for Unit 1 and 2034 for Unit 2.

Future decommissioning costs of nuclear facilities are estimated through triennial periodic studies that assess the costs and timing of planned nuclear decommissioning activities for each unit. The MPUC most recently approved NSP-Minnesota's 2014 nuclear decommissioning study in October 2015. This cost study quantified decommissioning costs in 2014 dollars and utilized escalation rates of 4.36 percent per year for plant removal activities, and 3.36 percent for spent fuel management and site restoration activities over a 60-year decommissioning scenario.

The total obligation for decommissioning is expected to be funded 100 percent by the external decommissioning trust fund when decommissioning commences. NSP-Minnesota's most recently approved decommissioning study resulted in an annual funding requirement of $14 million to be recovered in utility customer rates which started in 2016. This cost study assumes the external decommissioning fund will earn an after-tax return between 5.23 percent and 6.30 percent. Realized and unrealized gains on fund investments are deferred as an offset of NSP-Minnesota's regulatory asset for nuclear decommissioning costs.

As of Dec. 31, 2017, NSP-Minnesota has accumulated $2.1 billion of assets held in external decommissioning trusts. The following table summarizes the funded status of NSP-Minnesota's decommissioning obligation based on parameters established in the most recently approved decommissioning study. Xcel Energy believes future decommissioning costs, if necessary, will continue to be recovered in customer rates. The amounts presented below were prepared on a regulatory basis, and are not recorded in the financial statements for the ARO.

	Regulatory Basis	
(Millions of Dollars)	**2017**	**2016**
Estimated decommissioning cost obligation from most recently approved study (in 2014 dollars)	$ 3,012	$ 3,012
Effect of escalating costs (to 2017 and 2016 dollars, respectively, at 4.36/3.36 percent)	396	258
Estimated decommissioning cost obligation (in current dollars)	3,408	3,270
Effect of escalating costs to payment date (4.36/3.36 percent)	7,797	7,935
Estimated future decommissioning costs (undiscounted)	11,205	11,205
Effect of discounting obligation (using average risk-free interest rate of 2.80 percent and 3.25 percent for 2017 and 2016, respectively)	(6,398)	(7,068)
Discounted decommissioning cost obligation	$ 4,807	$ 4,137
Assets held in external decommissioning trust	$ 2,143	$ 1,861
Underfunding of external decommissioning fund compared to the discounted decommissioning obligation	2,664	2,276

Calculations and data used by the regulator in approving NSP-Minnesota's rates are useful in assessing future cash flows. The regulatory basis information is a means to reconcile amounts previously provided to the MPUC and utilized for regulatory purposes to amounts used for financial reporting. The following table provides a reconciliation of the discounted decommissioning cost obligation - regulated basis to the ARO recorded in accordance with GAAP:

(Millions of Dollars)	2017	2016
Discounted decommissioning cost obligation - regulated basis	$ 4,807	$ 4,137
Differences in discount rate and market risk premium	(1,403)	(1,044)
O&M costs not included for GAAP	(1,041)	(844)
ARO differences between 2017 and 2014 cost studies	(489)	—
Nuclear production decommissioning ARO - GAAP	$ 1,874	$ 2,249

Decommissioning expenses recognized as a result of regulation for the years ending Dec. 31 were:

(Millions of Dollars)	2017	2016	2015
Annual decommissioning recorded as depreciation expense: [a] [b]	$ 20	$ 20	$ 7

(a) Decommissioning expense does not include depreciation of the capitalized nuclear asset retirement costs.
(b) Decommissioning expenses in 2017 and 2016 include Minnesota's retail jurisdiction annual funding requirement of approximately $14 million. The 2015 expense was offset by the DOE settlement refund.

The 2014 nuclear decommissioning filing approved in 2015 has been used for the regulatory presentation for both 2017 and 2016. The most recent triennial filing was submitted in December 2017 and is currently pending with the MPUC, with an order expected in 2018.

15. Regulatory Assets and Liabilities

Xcel Energy prepares its consolidated financial statements in accordance with the applicable accounting guidance, as discussed in Note 1. Under this guidance, regulatory assets and liabilities are created for amounts that regulators may allow to be collected, or may require to be paid back to customers in future electric and natural gas rates. Any portion of Xcel Energy's business that is not regulated cannot establish regulatory assets and liabilities. If changes in the utility industry or the business of Xcel Energy no longer allow for the application of regulatory accounting guidance under GAAP, Xcel Energy would be required to recognize the write-off of regulatory assets and liabilities in net income or OCI.

The components of regulatory assets shown on the consolidated balance sheets at Dec. 31, 2017 and 2016 are:

(Millions of Dollars)	See Note(s)	Remaining Amortization Period	Dec. 31, 2017		Dec. 31, 2016	
Regulatory Assets			**Current**	**Noncurrent**	**Current**	**Noncurrent**
Pension and retiree medical obligations [a]	9	Various	$ 91	$ 1,499	$ 89	$ 1,549
Net AROs [b]	1, 13, 14	Plant lives	—	301	—	379
Excess deferred taxes - TCJA	6	Various	—	254	—	—
Recoverable deferred taxes on AFUDC recorded in plant [c]	1	Plant lives	—	244	—	424
Environmental remediation costs	1, 13	Various	16	165	11	165
Contract valuation adjustments [d]	1, 11	Term of related contract	21	93	18	111
Depreciation differences	1	One to fourteen years	20	69	15	90
Purchased power contract costs	13	Term of related contract	3	67	2	70
PI EPU	12	Seventeen years	3	58	3	62
Losses on reacquired debt	4	Term of related debt	5	48	4	23
Conservation programs [e]	1	One to two years	50	32	48	48
State commission adjustments	1	Plant lives	1	29	1	27
Property tax		Various	8	24	9	2
Nuclear refueling outage costs	1	One to two years	49	20	49	16
Deferred purchased natural gas and electric energy costs	1	Various	21	13	18	16
Sales true up and revenue decoupling		One to two years	37	12	—	—
Gas pipeline inspection and remediation costs	12	One to two years	24	12	7	14
Renewable resources and environmental initiatives	13	One to three years	48	10	34	23
Other		Various	27	55	56	62
Total regulatory assets			$ 424	$ 3,005	$ 364	$ 3,081

(a) Includes $179 million and $241 million for the regulatory recognition of the NSP-Minnesota pension expense, of which $9 million and $15 million is included in the current asset at Dec. 31, 2017 and 2016, respectively. Also included are $8 million and $11 million of regulatory assets related to the nonqualified pension plan, of which $1 million and $3 million is included in the current asset at Dec. 31, 2017 and 2016, respectively.
(b) Includes amounts recorded for future recovery of AROs, less amounts recovered through nuclear decommissioning accruals and gains from decommissioning investments.
(c) Includes a write-down of $202 million as a result of the revaluation of deferred tax gross up at the new federal tax rate at Dec. 31, 2017.
(d) Includes the fair value of certain long-term PPAs used to meet energy capacity requirements and valuation adjustments on natural gas commodity purchases.
(e) Includes costs for conservation programs, as well as incentives allowed in certain jurisdictions.

The components of regulatory liabilities shown on the consolidated balance sheets at Dec. 31, 2017 and 2016 are:

(Millions of Dollars)	See Note(s)	Remaining Amortization Period	Dec. 31, 2017		Dec. 31, 2016	
Regulatory Liabilities			**Current**	**Noncurrent**	**Current**	**Noncurrent**
Excess deferred taxes - TCJA [a]	6	Various	$ —	$ 3,733	$ —	$ —
Plant removal costs	1, 13	Plant lives	—	1,131	—	1,135
Renewable resources and environmental initiatives	12, 13	Various	19	56	5	71
ITC deferrals	1, 6	Various	—	42	—	45
Deferred income tax adjustment	1, 6	Various	—	38	—	48
Deferred electric, natural gas and steam production costs	1	Less than one year	104	—	98	—
Contract valuation adjustments [b]	1, 11	Term of related contract	30	—	22	2
Conservation programs [c]	1, 12	Less than one year	23	—	25	—
DOE settlement		Less than one year	18	—	20	—
Other		Various	45	83	51	82
Total regulatory liabilities [d]			$ 239	$ 5,083	$ 221	$ 1,383

(a) Primarily relates to the revaluation of recoverable/regulated plant ADIT and $174 million revaluation impact of non-plant ADIT at Dec. 31, 2017.
(b) Includes the fair value of certain long-term PPAs used to meet energy capacity requirements and valuation adjustments on natural gas commodity purchases.
(c) Includes costs for conservation programs, as well as incentives allowed in certain jurisdictions.
(d) Revenue subject to refund of $15 million and $46 million for 2017 and 2016, respectively, is included in other current liabilities.

At Dec. 31, 2017 and 2016, approximately $250 million and $166 million of Xcel Energy's regulatory assets represented past expenditures not currently earning a return, respectively. This amount primarily includes recoverable purchased natural gas and electric energy costs and certain expenditures associated with pension and renewable resources and environmental initiatives.

16. Other Comprehensive Income

Changes in accumulated other comprehensive (loss), net of tax, for the years ended Dec. 31, 2017 and 2016 were as follows:

	Year Ended Dec. 31, 2017		
(Millions of Dollars)	Gains and Losses on Cash Flow Hedges	Defined Benefit Pension and Postretirement Items	Total
Accumulated other comprehensive loss at Jan. 1	$ (51)	$ (59)	$ (110)
Other comprehensive loss before reclassifications	—	(3)	(3)
Losses reclassified from net accumulated other comprehensive loss	3	7	10
Net current period other comprehensive income	3	4	7
Adoption of ASU No. 2018-02 [a]	(10)	(12)	(22)
Accumulated other comprehensive loss at Dec. 31	$ (58)	$ (67)	$ (125)

[a] In 2017, Xcel Energy implemented ASU No. 2018-02 related to the TCJA, which resulted in reclassification of certain credit balances within net accumulated other comprehensive loss to retained earnings. For further information, see Note 2.

	Year Ended Dec. 31, 2016		
(Millions of Dollars)	Gains and Losses on Cash Flow Hedges	Defined Benefit Pension and Postretirement Items	Total
Accumulated other comprehensive loss at Jan. 1	$ (55)	$ (55)	$ (110)
Other comprehensive loss before reclassifications	—	(8)	(8)
Losses reclassified from net accumulated other comprehensive loss	4	4	8
Net current period other comprehensive income (loss)	4	(4)	—
Accumulated other comprehensive loss at Dec. 31	$ (51)	$ (59)	$ (110)

Reclassifications from accumulated other comprehensive loss for the years ended Dec. 31, 2017 and 2016 were as follows:

	Amounts Reclassified from Accumulated Other Comprehensive Loss	
(Millions of Dollars)	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016
Losses (gains) on cash flow hedges:		
Interest rate derivatives	$ 5 [a]	$ 6 [a]
Total, pre-tax	5	6
Tax benefit	(2)	(2)
Total, net of tax	3	4
Defined benefit pension and postretirement losses (gains):		
Amortization of net losses	12 [b]	6 [b]
Total, pre-tax	12	6
Tax benefit	(5)	(2)
Total, net of tax	7	4
Total amounts reclassified, net of tax	$ 10	$ 8

[a] Included in interest charges.

[b] Included in the computation of net periodic pension and postretirement benefit costs. See Note 9 for detail regarding these benefit plans.

17. Segments and Related Information

The regulated electric utility operating results of NSP-Minnesota, NSP-Wisconsin, PSCo and SPS, as well as the regulated natural gas utility operating results of NSP-Minnesota, NSP-Wisconsin and PSCo are each separately and regularly reviewed by Xcel Energy's chief operating decision maker. Xcel Energy evaluates performance by each utility subsidiary based on profit or loss generated from the product or service provided. These segments are managed separately because the revenue streams are dependent upon regulated rate recovery, which is separately determined for each segment.

Xcel Energy has the following reportable segments: regulated electric utility, regulated natural gas utility and all other.

- Xcel Energy's regulated electric utility segment generates, transmits and distributes electricity in Minnesota, Wisconsin, Michigan, North Dakota, South Dakota, Colorado, Texas and New Mexico. In addition, this segment includes sales for resale and provides wholesale transmission service to various entities in the United States. Regulated electric utility also includes wholesale commodity and trading operations.
- Xcel Energy's regulated natural gas utility segment transports, stores and distributes natural gas primarily in portions of Minnesota, Wisconsin, North Dakota, Michigan and Colorado.
- Revenues from operating segments not included above are below the necessary quantitative thresholds and are therefore included in the all other category. Those primarily include steam revenue, appliance repair services, nonutility real estate activities, revenues associated with processing solid waste into refuse-derived fuel and investments in rental housing projects that qualify for low-income housing tax credits.

Xcel Energy had equity investments in unconsolidated subsidiaries of $140 million and $133 million as of Dec. 31, 2017 and 2016, respectively, included in the natural gas utility and all other segments.

Asset and capital expenditure information is not provided for Xcel Energy's reportable segments because as an integrated electric and natural gas utility, Xcel Energy operates significant assets that are not dedicated to a specific business segment, and reporting assets and capital expenditures by business segment would require arbitrary and potentially misleading allocations which may not necessarily reflect the assets that would be required for the operation of the business segments on a stand-alone basis.

To report income from operations for regulated electric and regulated natural gas utility segments, the majority of costs are directly assigned to each segment. However, some costs, such as common depreciation, common O&M expenses and interest expense are allocated based on cost causation allocators. A general allocator is used for certain general and administrative expenses, including office supplies, rent, property insurance and general advertising.

The accounting policies of the segments are the same as those described in Note 1.

(Millions of Dollars)	Regulated Electric	Regulated Natural Gas	All Other	Reconciling Eliminations	Consolidated Total
2017					
Operating revenues from external customers	$ 9,676	$ 1,650	$ 78	$ —	$ 11,404
Intersegment revenues	2	1	—	(3)	—
Total revenues	$ 9,678	$ 1,651	$ 78	$ (3)	$ 11,404
Depreciation and amortization	$ 1,298	$ 174	$ 7	$ —	$ 1,479
Interest charges and financing costs	449	57	122	—	628
Income tax expense (benefit)	528	23	(9)	—	542
Net income (loss)	1,066	182	(100)	—	1,148

(Millions of Dollars)	Regulated Electric	Regulated Natural Gas	All Other	Reconciling Eliminations	Consolidated Total
2016					
Operating revenues from external customers	$ 9,500	$ 1,531	$ 76	$ —	$ 11,107
Intersegment revenues	1	1	—	(2)	—
Total revenues	$ 9,501	$ 1,532	$ 76	$ (2)	$ 11,107
Depreciation and amortization	$ 1,136	$ 160	$ 7	$ —	$ 1,303
Interest charges and financing costs	450	54	116	—	620
Income tax expense (benefit)	567	76	(62)	—	581
Net income (loss)	1,067	124	(68)	—	1,123

(Millions of Dollars)	Regulated Electric	Regulated Natural Gas	All Other	Reconciling Eliminations	Consolidated Total
2015					
Operating revenues from external customers	$ 9,276	$ 1,672	$ 76	$ —	$ 11,024
Intersegment revenues	2	1	—	(3)	—
Total revenues	$ 9,278	$ 1,673	$ 76	$ (3)	$ 11,024
Depreciation and amortization	$ 963	$ 155	$ 6	$ —	$ 1,124
Interest charges and financing costs	426	50	93	—	569
Income tax expense (benefit)	509	60	(26)	—	543
Net income (loss)	921	106	(43)	—	984

18. Summarized Quarterly Financial Data (Unaudited)

	Quarter Ended			
(Amounts in millions, except per share data)	March 31, 2017	June 30, 2017	Sept. 30, 2017	Dec. 31, 2017
Operating revenues	$ 2,946	$ 2,645	$ 3,017	$ 2,796
Operating income	486	460	818	426
Net income	239	227	492	189
EPS total — basic	$ 0.47	$ 0.45	$ 0.97	$ 0.37
EPS total — diluted	0.47	0.45	0.97	0.37
Cash dividends declared per common share	0.36	0.36	0.36	0.36

(Amounts in millions, except per share data)	Quarter Ended March 31, 2016	June 30, 2016	Sept. 30, 2016	Dec. 31, 2016
Operating revenues	$ 2,772	$ 2,500	$ 3,040	$ 2,795
Operating income	490	432	827	465
Net income	241	197	458	227
EPS total — basic	$ 0.47	$ 0.39	$ 0.90	$ 0.45
EPS total — diluted	0.47	0.39	0.90	0.45
Cash dividends declared per common share	0.34	0.34	0.34	0.34

Item 9 — Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A — Controls and Procedures

Disclosure Controls and Procedures

Xcel Energy maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms. In addition, the disclosure controls and procedures ensure that information required to be disclosed is accumulated and communicated to management, including the chief executive officer (CEO) and chief financial officer (CFO), allowing timely decisions regarding required disclosure. As of Dec. 31, 2017, based on an evaluation carried out under the supervision and with the participation of Xcel Energy's management, including the CEO and CFO, of the effectiveness of its disclosure controls and the procedures, the CEO and CFO have concluded that Xcel Energy's disclosure controls and procedures were effective.

Internal Control Over Financial Reporting

No change in Xcel Energy's internal control over financial reporting has occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Xcel Energy's internal control over financial reporting. Xcel Energy maintains internal control over financial reporting to provide reasonable assurance regarding the reliability of the financial reporting.

Xcel Energy has evaluated and documented its controls in process activities, general computer activities, and on an entity-wide level. During the year and in preparation for issuing its report for the year ended Dec. 31, 2017 on internal controls under section 404 of the Sarbanes-Oxley Act of 2002, Xcel Energy conducted testing and monitoring of its internal control over financial reporting. Based on the control evaluation, testing and remediation performed, Xcel Energy did not identify any material control weaknesses, as defined under the standards and rules issued by the Public Company Accounting Oversight Board and as approved by the SEC and as indicated in Management Report on Internal Controls herein.

In 2016, Xcel Energy implemented the general ledger modules, as well as initiated deployment of work management systems modules, of a new enterprise resource planning system to improve certain financial and related transaction processes. Xcel Energy implemented additional work management systems modules in 2017. Xcel Energy updated its internal control over financial reporting, as necessary, to accommodate modifications to its business processes and accounting systems. Xcel Energy does not believe that this implementation had an adverse effect on its internal control over financial reporting.

Item 9B — Other Information

None.

PART III

Item 10 — Directors, Executive Officers and Corporate Governance

Information required under this Item with respect to Directors and Corporate Governance is set forth in Xcel Energy Inc.'s Proxy Statement for its 2018 Annual Meeting of Shareholders, which is incorporated by reference. Information with respect to Executive Officers is included in Item 1 to this report.

Item 11 — Executive Compensation

Information required under this Item is set forth in Xcel Energy Inc.'s Proxy Statement for its 2018 Annual Meeting of Shareholders, which is incorporated by reference.

Item 12 — Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required under this Item is contained in Xcel Energy Inc.'s Proxy Statement for its 2018 Annual Meeting of Shareholders, which is incorporated by reference.

Item 13 — Certain Relationships and Related Transactions, and Director Independence

Information required under this Item is contained in Xcel Energy Inc.'s Proxy Statement for its 2018 Annual Meeting of Shareholders, which is incorporated by reference.

Item 14 — Principal Accountant Fees and Services

Information required under this Item is contained in Xcel Energy Inc.'s Proxy Statement for its 2018 Annual Meeting of Shareholders, which is incorporated by reference.

PART IV

Item 15 — Exhibits, Financial Statement Schedules

1.	Consolidated Financial Statements:
	Management Report on Internal Controls Over Financial Reporting — For the year ended Dec. 31, 2017.
	Report of Independent Registered Public Accounting Firm — Financial Statements
	Report of Independent Registered Public Accounting Firm — Internal Controls Over Financial Reporting
	Consolidated Statements of Income — For the three years ended Dec. 31, 2017, 2016, and 2015.
	Consolidated Statements of Comprehensive Income — For the three years ended Dec. 31, 2017, 2016, and 2015.
	Consolidated Statements of Cash Flows — For the three years ended Dec. 31, 2017, 2016, and 2015.
	Consolidated Balance Sheets — As of Dec. 31, 2017 and 2016.
	Consolidated Statements of Common Stockholders' Equity — For the three years ended Dec. 31, 2017, 2016, and 2015.
	Consolidated Statements of Capitalization — As of Dec. 31, 2017 and 2016.
2.	Schedule I — Condensed Financial Information of Registrant.
	Schedule II — Valuation and Qualifying Accounts and Reserves for the years ended Dec. 31, 2017, 2016 and 2015.
3.	Exhibits
*	Indicates incorporation by reference
+	Executive Compensation Arrangements and Benefit Plans Covering Executive Officers and Directors
Xcel Energy Inc.	
3.01*	Amended and Restated Articles of Incorporation of Xcel Energy Inc., as filed on May 18, 2012 (Exhibit 3.01 to Form 8-K dated May 16, 2012 (file no. 001-03034)).
3.02*	Bylaws of Xcel Energy Inc., as amended on Feb. 17, 2016 (Exhibit 3.01 to Form 8-K dated Feb. 18, 2016 (file no. 001-03034)).
Xcel Energy Inc.	

4.01*	Indenture dated Dec. 1, 2000, between Xcel Energy Inc. and Wells Fargo Bank Minnesota, National Association, as Trustee. (Exhibit 4.01 to Form 8-K (file no. 001-03034) dated Dec. 14, 2000).
4.02*	Supplemental Indenture No. 3 dated June 1, 2006 between Xcel Energy Inc. and Wells Fargo Bank, National Association, as Trustee, creating $300 million principal amount of 6.5 percent Senior Notes, Series due 2036 (Exhibit 4.01 to Current Report on Form 8-K (file no. 001-03034) dated June 6, 2006).
4.03*	Junior Subordinated Indenture, dated as of Jan. 1, 2008, by and between Xcel Energy Inc. and Wells Fargo Bank, National Association, as Trustee (Exhibit 4.01 to Form 8-K (file no. 001-03034) dated Jan. 16, 2008).
4.04*	Replacement Capital Covenant, dated Jan. 16, 2008 (Exhibit 4.03 to Form 8-K (file no. 001-03034) dated Jan. 16, 2008).
4.05*	Supplemental Indenture No. 5 dated as of May 1, 2010 between Xcel Energy Inc. and Wells Fargo Bank, National Association, as Trustee, creating $550 million principal amount of 4.70 percent Senior Notes, Series due May 15, 2020 (Exhibit 4.01 to Form 8-K (file no. 001-03034) dated May 10, 2010).
4.06*	Supplemental Indenture No. 6 dated as of Sept. 1, 2011 between Xcel Energy Inc. and Wells Fargo Bank, National Association, as Trustee, creating $250 million principal amount of 4.80 percent Senior Notes, Series due Sept. 15, 2041 (Exhibit 4.01 to Form 8-K dated Sept. 12, 2011 (file no. 001-03034)).
4.07*	Supplemental Indenture No. 8 dated as of June 1, 2015 between Xcel Energy Inc. and Wells Fargo Bank, National Association, as Trustee, creating $250 million aggregate principal amount of 1.20 percent Senior Notes, Series due June 1, 2017 and $250 million aggregate principal amount of 3.30 percent Senior Notes, Series due June 1, 2025. (Exhibit 4.01 to Form 8-K dated June 1, 2015 (file no. 001-03034)).
4.08*	Supplemental Indenture No. 9, dated as of March 1, 2016, by and between Xcel Energy Inc. and Wells Fargo Bank, National Association, as Trustee, with respect to $400 million aggregate principal amount of 2.40 percent Senior Notes, Series due March 15, 2021 (Exhibit 4.02 to Form 8-K dated March 8, 2016 (file no. 001-03034)).
4.09*	Supplemental Indenture No. 10, dated as of Dec. 1, 2016, by and between Xcel Energy Inc. and Wells Fargo Bank, National Association, as Trustee, creating $300.0 million in aggregate principal amount of 2.60 percent Senior Notes, Series due March 15, 2022 and $500.0 million aggregate principal amount of 3.35 percent Senior Notes, Series due Dec. 1, 2026 (Exhibit 4.01 to Form 8-K dated Dec. 1, 2016 (file no. 001-03034)).
NSP-Minnesota	
4.10*	Supplemental and Restated Trust Indenture, dated May 1, 1988, from NSP-Minnesota to Harris Trust and Savings Bank, as Trustee, providing for the issuance of First Mortgage Bonds. Supplemental Indentures between NSP-Minnesota and said Trustee, dated as follows:
4.11*	Supplemental Trust Indenture dated June 1, 1995, creating $250 million principal amount of 7.125 percent First Mortgage Bonds, Series due July 1, 2025.
4.12*	Supplemental Trust Indenture dated March 1, 1998, creating $150 million principal amount of 6.5 percent First Mortgage Bonds, Series due March 1, 2028.
4.13*	Supplemental Trust Indenture dated Aug. 1, 2000 (Assignment and Assumption of Trust Indenture) (Exhibit 4.51 to NSP-Minnesota Form 10-12G (file no. 000-31709) dated Oct. 5, 2000).
4.14*	Indenture, dated July 1, 1999, between NSP-Minnesota and Norwest Bank Minnesota, NA, as Trustee, providing for the issuance of Sr. Debt Securities.
4.15*	Supplemental Indenture, dated Aug. 18, 2000, supplemental to the Indenture dated July 1, 1999, among Xcel Energy, NSP-Minnesota and Wells Fargo Bank Minnesota, NA, as Trustee (Assignment and Assumption of Indenture) (Exhibit 4.63 to NSP-Minnesota Form 10-12G (file no. 000-31709) dated Oct. 5, 2000).
4.16*	Supplemental Trust Indenture dated July 1, 2005 between NSP-Minnesota and BNY Midwest Trust Company, as successor Trustee, creating $250 million principal amount of 5.25 percent First Mortgage Bonds, Series due July 15, 2035 (Exhibit 4.01 to NSP-Minnesota Current Report on Form 8-K (file no. 001-31387) dated July 14, 2005).
4.17*	Supplemental Trust Indenture dated May 1, 2006 between NSP-Minnesota and BNY Midwest Trust Company, as successor Trustee, creating $400 million principal amount of 6.25 percent First Mortgage Bonds, Series due June 1, 2036 (Exhibit 4.01 to NSP-Minnesota Current Report on Form 8-K (file no. 001-31387) dated May 18, 2006).
4.18*	Supplemental Trust Indenture, dated June 1, 2007, between NSP-Minnesota and BNY Midwest Trust Company, as successor Trustee (Exhibit 4.01 to NSP-Minnesota Form 8-K (file no. 001-31387) dated June 19, 2007).
4.19*	Supplemental Trust Indenture dated as of Nov. 1, 2009 between NSP-Minnesota and The Bank of New York Mellon Trust Co., NA, as successor Trustee, creating $300 million principal amount of 5.35 percent First Mortgage Bonds, Series due Nov. 1, 2039 (Exhibit 4.01 to NSP-Minnesota Form 8-K (file no. 001-31387) dated Nov. 16, 2009).
4.20*	Supplemental Trust Indenture dated as of Aug. 1, 2010 between NSP-Minnesota and The Bank of New York Mellon Trust Company, NA, as successor Trustee, creating $250 million principal amount of 1.950 percent First Mortgage Bonds, Series due Aug. 15, 2015 and $250 million principal amount of 4.850 percent First Mortgage Bonds, Series due Aug. 15, 2040 (Exhibit 4.01 to NSP-Minnesota Form 8-K dated Aug. 4, 2010 (file no. 001-31387)).

4.21*	Supplemental Trust Indenture dated as of Aug. 1, 2012 between NSP-Minnesota and The Bank of New York Mellon Trust Company, NA, as successor Trustee, creating $300 million principal amount of 2.15 percent First Mortgage Bonds, Series due Aug. 15, 2022 and $500 million principal amount of 3.40 percent First Mortgage Bonds, Series due Aug. 15, 2042 (Exhibit 4.01 to NSP-Minnesota Form 8-K dated Aug. 13, 2012 (file no. 001-31387)).
4.22*	Supplemental Trust Indenture dated as of May 1, 2013 between NSP-Minnesota and The Bank of New York Mellon Trust Company, N.A., as successor Trustee, creating $400 million principal amount of 2.60 percent First Mortgage Bonds, Series due May 15, 2023 (Exhibit 4.01 to NSP-Minnesota Form 8-K dated May 20, 2013 (file no. 001-31387)).
4.23*	Supplemental Trust Indenture dated as of May 1, 2014 between NSP-Minnesota and The Bank of New York Mellon Trust Company, N.A., as successor Trustee, creating $300 million principal amount of 4.125 percent First Mortgage Bonds, Series due May 15, 2044. (Exhibit 4.01 to NSP-Minnesota Form 8-K dated May 13, 2014 (file no. 001-31387)).
4.24*	Supplemental Indenture dated as of Aug. 1, 2015 between NSP-Minnesota and The Bank of New York Mellon Trust Company, N.A., as successor Trustee, creating $300 million principal amount of 2.20 percent First Mortgage Bonds, Series due Aug. 15, 2020 and $300 million principal amount of 4.00 percent First Mortgage Bonds, Series due Aug. 15, 2045 (Exhibit 4.01 to Form 8-K of NSP-Minnesota dated Aug. 11, 2015 (file no. 001-31387)).
4.25*	Supplemental Trust Indenture dated as of May 1, 2016 between NSP-Minnesota and The Bank of New York Mellon Trust Company, N.A., as successor Trustee, creating $350 million principal amount of 3.600 percent First Mortgage Bonds, Series due May 15, 2046. (Exhibit 4.01 to Form 8-K of NSP-Minnesota dated May 31, 2016 (file no. 001-31387)).
4.26*	Supplemental Indenture dated as of Sept. 1, 2017 between NSP-Minnesota and The Bank of New York Mellon Trust Company, N.A., as successor trustee, creating $600 million principal amount of 3.60 percent First Mortgage Bonds, Series due Sept. 15, 2047. (Exhibit 4.01 to Form 8-K of NSP-Minnesota dated Sept. 13, 2017 (file no. 001-31387)).
NSP-Wisconsin	
4.27*	Supplemental and Restated Trust Indenture, dated March 1, 1991, between NSP-Wisconsin and First Wisconsin Trust company, providing for the issuance of First Mortgage Bonds.
4.28*	Trust Indenture dated Sept. 1, 2000, between NSP-Wisconsin and Firstar Bank, NA as Trustee (Exhibit 4.01 to Form 8-K (file no. 001-03140) dated Sept. 25, 2000).
4.29*	Supplemental Trust Indenture dated Sept. 1, 2003 between NSP-Wisconsin and U.S. Bank National Association, supplementing indentures dated April 1, 1947 and March 1, 1991 (Exhibit 4.05 to Xcel Energy Form 10-Q (file no. 001-03034) for the quarter ended Sept. 30, 2003).
4.30*	Supplemental Trust Indenture dated as of Sept. 1, 2008 between NSP-Wisconsin and U.S. Bank National Association, as successor Trustee, creating $200 million principal amount of 6.375 percent First Mortgage Bonds, Series due Sept. 1, 2038 (Exhibit 4.01 of Form 8-K of NSP-Wisconsin dated Sept. 3, 2008 (file no. 001-03140)).
4.31*	Supplemental Trust Indenture dated as of Oct. 1, 2012 between NSP-Wisconsin and U.S. Bank National Association, as successor Trustee, creating $100 million principal amount of 3.700 percent First Mortgage Bonds, Series due Oct. 1, 2042 (Exhibit 4.01 of Form 8-K of NSP-Wisconsin dated Oct. 10, 2012 (file no. 001-03140)).
4.32*	Supplemental Trust Indenture dated as of June 1, 2014 between NSP-Wisconsin and U.S. Bank National Association, as successor Trustee, creating $100 million principal amount of 3.30 percent First Mortgage Bonds, Series due June 15, 2024. (Exhibit 4.01 of Form 8-K of NSP-Wisconsin dated June 23, 2014 (file no. 001-03140)).
4.33*	Supplemental Trust Indenture dated as of Nov. 1, 2017 between NSP-Wisconsin and U.S. Bank National Association, as successor Trustee, creating $100 million in aggregate principal amount of 3.75 percent First Mortgage Bonds, Series due Dec. 1, 2047. (Exhibit 4.01 of Form 8-K of NSP-Wisconsin dated Dec. 4, 2017 (file no. 001-03140)).
PSCo	
4.34*	Indenture, dated as of Oct. 1, 1993, between PSCo and Morgan Guaranty Trust Company of New York, as trustee, providing for the issuance of First Collateral Trust Bonds.
4.35*	Indenture dated July 1, 1999, between PSCo and The Bank of New York, providing for the issuance of Senior Debt Securities and First Supplemental Indenture dated July 15, 1999, between PSCo and The Bank of New York (Exhibits 4.1 and 4.2 to Form 8-K (file no. 001-03280) dated July 13, 1999).
4.36*	Supplemental Indenture, dated Aug. 1, 2007, between PSCo and U.S. Bank Trust National Association, as successor Trustee (Exhibit 4.01 to PSCo Form 8-K (file no. 001-03280) dated Aug. 8, 2007).
4.37*	Supplemental Indenture dated as of Aug. 1, 2008, between PSCo and U.S. Bank Trust National Association, as successor Trustee, creating $300 million principal amount of 5.80 percent First Mortgage Bonds, Series No. 18 due 2018 and $300 million principal amount of 6.50 percent First Mortgage Bonds, Series No. 19 due 2038 (Exhibit 4.01 of Form 8-K of PSCo dated Aug. 6, 2008 (file no. 001-03280)).
4.38*	Supplemental Indenture dated as of May 1, 2009 between PSCo and U.S. Bank Trust National Association, as successor Trustee, creating $400 million principal amount of 5.125 percent First Mortgage Bonds, Series No. 20 due 2019 (Exhibit 4.01 of Form 8-K of PSCo dated May 28, 2009 (file no. 001-03280)).

4.39*	Supplemental Indenture dated as of Nov. 1, 2010 between PSCo and U.S. Bank National Association, as successor Trustee, creating $400 million principal amount of 3.200 percent First Mortgage Bonds, Series No. 21 due 2020 (Exhibit 4.01 of Form 8-K of PSCo dated Nov. 8, 2010 (file no. 001-03280)).
4.40*	Supplemental Indenture dated as of Aug. 1, 2011 between PSCo and U.S. Bank National Association, as successor Trustee, creating $250 million principal amount of 4.75 percent First Mortgage Bonds, Series No. 22 due 2041 (Exhibit 4.01 to Form 8-K of PSCo dated Aug. 9, 2011 (file no. 001-03280)).
4.41*	Supplemental Indenture dated as of Sept. 1, 2012 between PSCo and U.S. Bank National Association, as successor Trustee, creating $300 million principal amount of 2.25 percent First Mortgage Bonds, Series No. 23 due 2022 and $500 million principal amount of 3.60 percent First Mortgage Bonds, Series No. 24 due 2042 (Exhibit 4.01 to PSCo's Form 8-K dated Sept. 11, 2012 (file no. 001-03280)).
4.42*	Supplemental Indenture dated as of March 1, 2013 between PSCo and U.S. Bank National Association, as successor Trustee, creating $250 million principal amount of 2.50 percent First Mortgage Bonds, Series No. 25 due 2023 and $250 million principal amount of 3.95 percent First Mortgage Bonds, Series No. 26 due 2043 (Exhibit 4.01 to Form 8-K of PSCo dated March 26, 2013 (file no. 001-03280)).
4.43*	Supplemental Indenture dated as of March 1, 2014 between PSCo and U.S. Bank National Association, as successor Trustee, creating $300 million principal amount of 4.30 percent First Mortgage Bonds, Series No. 27 due 2044. (Exhibit 4.01 to Form 8-K of PSCo dated March 10, 2014 (file no. 001-03280)).
4.44*	Supplemental Indenture dated as of May 1, 2015 between PSCo and U.S. Bank National Association, as successor Trustee, creating $250 million principal amount of 2.90 percent First Mortgage Bonds, Series No. 28 due 2025. (Exhibit 4.01 to Form 8-K of PSCo dated May 12, 2015 (file no. 001-03280)).
4.45*	Supplemental Indenture dated as of June 1, 2016 between PSCo and U.S. Bank National Association, as successor Trustee, creating $250 million principal amount of 3.55 percent First Mortgage Bonds, Series No. 29 due 2046. (Exhibit 4.01 to Form 8-K of PSCo dated June 13, 2016 (file no. 001-03280)).
4.46*	Supplemental Indenture No. 27 dated as of June 1, 2017 between PSCo and U.S. Bank National Association, as Trustee, creating $400 million principal amount of 3.80 percent First Mortgage Bonds, Series No. 30 due 2047. (Exhibit 4.01 to Form 8-K of PSCo dated June 19, 2017 (file no. 001-03280)).
SPS	
4.47*	Indenture dated Feb. 1, 1999 between SPS and The Chase Manhattan Bank (Exhibit 99.2 to Form 8-K (file no. 001-03789) dated Feb. 25, 1999).
4.48*	Third Supplemental Indenture dated Oct. 1, 2003 to the indenture dated Feb. 1, 1999 between SPS and JPMorgan Chase Bank, as successor Trustee, creating $100 million principal amount of Series C and Series D Notes, 6 percent due 2033 (Exhibit 4.04 to Xcel Energy Form 10-Q (file no. 001-03034) for the quarter ended Sept. 30, 2003).
4.49*	Fourth Supplemental Indenture dated Oct. 1, 2006 between SPS and The Bank of New York, as successor Trustee (Exhibit 4.01 to Form 8-K (file no. 001-03789) dated Oct. 3, 2006).
4.50*	Indenture dated as of Aug. 1, 2011 between SPS and U.S. Bank National Association, as Trustee (Exhibit 4.01 to Form 8-K dated Aug. 10, 2011 (file no. 001-03789)).
4.51*	Supplemental Indenture dated as of Aug. 3, 2011 between SPS and U.S. Bank National Association, as Trustee, creating $200 million principal amount of 4.50 percent First Mortgage Bonds, Series No. 1 due 2041 (Exhibit 4.02 to Form 8-K dated Aug. 10, 2011 (file no. 001-03789)).
4.52*	Sixth Supplemental Indenture dated as of June 1, 2014 between SPS and The Bank of New York Mellon Trust Company, N.A., as successor Trustee. (Exhibit 4.03 to SPS' Form 8-K dated June 2, 2014 (file no. 001-03789)).
4.53*	Supplemental Indenture No. 3 dated as of June 1, 2014 between SPS and U.S. Bank National Association, as Trustee, creating $150 million principal amount of 3.30 percent First Mortgage Bonds, Series No. 3 due 2024. (Exhibit 4.02 to SPS' Form 8-K dated June 9, 2014 (file no. 001-03789)).
4.54*	Supplemental Indenture dated as of Aug. 1, 2016 between SPS and U.S. Bank National Association, as Trustee, creating $300 million principal amount of 3.40 percent First Mortgage Bonds, Series No. 4 due 2046. (Exhibit 4.02 to Form 8-K of SPS dated Aug. 12, 2016 (file no. 001-03789)).
4.55*	Supplemental Indenture dated as of Aug. 1, 2017 between SPS and U.S. Bank National Association, as Trustee, creating $450 million principal amount of 3.70 percent First Mortgage Bonds, Series No. 5 due 2047. (Exhibit 4.02 to Form 8-K of SPS dated Aug. 9, 2017 (file no. 001-03789)).
Xcel Energy Inc.	
10.01*+	Xcel Energy Inc. Nonqualified Pension Plan (2009 Restatement) (Exhibit 10.02 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2008).

10.02*+	Xcel Energy Senior Executive Severance and Change-in-Control Policy (2009 Amendment and Restatement) (Exhibit 10.05 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2008).
10.03*+	Xcel Energy Inc. Non-Employee Directors Deferred Compensation Plan as amended and restated Jan. 1, 2009 (Exhibit 10.08 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2008).
10.04*	Form of Services Agreement between Xcel Energy Services Inc. and utility companies (Exhibit H-1 to Form U5B (file no. 001-03034) dated Nov. 16, 2000).
10.05*+	Xcel Energy Inc. Supplemental Executive Retirement Plan as amended and restated Jan. 1, 2009 (Exhibit 10.17 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2008).
10.06*+	Amendment dated Aug. 26, 2009 to the Xcel Energy Senior Executive Severance and Change-in-Control Policy (Exhibit 10.06 to Form 10-Q of Xcel Energy (file no. 001-03034) for the quarter ended Sept. 30, 2009).
10.07*+	Xcel Energy Inc. Executive Annual Incentive Award Plan Form of Restricted Stock Agreement (Exhibit 10.08 to Form 10-Q of Xcel Energy (file no. 001-03034) for the quarter ended Sept. 30, 2009).
10.08*+	Xcel Energy Inc. Executive Annual Incentive Award Plan (as amended and restated effective Feb. 17, 2010) (incorporated by reference to Appendix A to Schedule 14A, Definitive Proxy Statement to Xcel Energy Inc. (file no. 001-03034) dated April 6, 2010).
10.09*+	Xcel Energy Inc. 2005 Long-Term Incentive Plan (as amended and restated effective Feb. 17, 2010) (incorporated by reference to Appendix B to Schedule 14A, Definitive Proxy Statement to Xcel Energy Inc. (file no. 001-03034) dated April 6, 2010).
10.10*+	Stock Equivalent Plan for Non-Employee Directors of Xcel Energy Inc. as amended and restated effective Feb. 23, 2011 (Appendix A to the Xcel Energy Definitive Proxy Statement (file no. 001-03034) filed April 5, 2011).
10.11*+	Xcel Energy Inc. Nonqualified Deferred Compensation Plan (2009 Restatement) (Exhibit 10.07 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2008).
10.12*+	First Amendment effective Nov. 29, 2011 to the Xcel Energy Inc. Nonqualified Deferred Compensation Plan (2009 Restatement) (Exhibit 10.17 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2011).
10.13*+	Second Amendment dated Oct. 26, 2011 to the Xcel Energy Senior Executive Severance and Change-in-Control Policy (Exhibit 10.18 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2011).
10.14*+	First Amendment dated Feb. 20, 2013 to the Xcel Energy Inc. Executive Annual Incentive Award Plan (as amended and restated effective Feb. 17, 2010) (Exhibit 10.01 to Form 10-Q of Xcel Energy (file no. 001-03034) for the quarter ended March 31, 2013).
10.15*+	Fourth Amendment dated Feb. 20, 2013 to the Xcel Energy Senior Executive Severance and Change-in-Control Policy (Exhibit 10.02 to Form 10-Q of Xcel Energy (file no. 001-03034) for the quarter ended March 31, 2013).
10.16*+	First Amendment dated May 21, 2013 to the Xcel Energy Inc. 2005 Long-Term Incentive Plan (as amended and restated effective Feb. 17, 2010) (Exhibit 10.21 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2013).
10.17*+	Second Amendment dated May 21, 2013 to the Xcel Energy Inc. Nonqualified Deferred Compensation Plan (2009 Restatement) (Exhibit 10.22 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2013).
10.18*+	Xcel Energy Inc. 2005 Long-Term Incentive Plan Form of Long-Term Incentive Award Agreement (Exhibit 10.23 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2013).
10.19*+	Xcel Energy Inc. 2015 Omnibus Incentive Plan (incorporated by reference to Appendix B to Schedule 14A, Definitive Proxy Statement to Xcel Energy Inc. (file no. 001-03034) dated April 6, 2015).
10.20*+	Stock Equivalent Program for Non-Employee Directors of Xcel Energy Inc. (As First Effective May 20, 2015) under the Xcel Energy Inc. 2015 Omnibus Incentive Plan. (Exhibit 10.02 to Form 8-K of Xcel Energy, dated May 26, 2015 (file no. 001-03034).
10.21*+	Form of Xcel Energy Inc. 2015 Omnibus Incentive Plan Award Agreement and Award Terms and Conditions (Restricted Stock Units and Performance Share Units) under the Xcel Energy Inc. 2015 Omnibus Incentive Plan. (Exhibit 10.03 to Form 8-K of Xcel Energy, dated May 26, 2015 (file no. 001-03034).
10.22*+	Xcel Energy Inc. 2015 Omnibus Incentive Plan Form of Award Agreement (Exhibit 10.28 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2015).
10.23*+	Xcel Energy Inc. Executive Annual Incentive Award Sub-plan pursuant to the Xcel Energy Inc. 2015 Omnibus Incentive Plan (Exhibit 10.29 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2015).
10.24*+	Fifth Amendment dated May 3, 2016 to the Xcel Energy Senior Executive Severance and Change-in-Control Policy (Exhibit 10.01 to Form 10-Q of Xcel Energy (file no. 001-03034) for the quarter ended June 30, 2016).

10.25*	Second Amended and Restated Credit Agreement, dated as of June 20, 2016 among Xcel Energy Inc., as Borrower, the several lenders from time to time parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and Barclays Bank Plc, as Syndication Agents, and Wells Fargo Bank, National Association and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Documentation Agents. (Exhibit 99.01 to Form 8-K of Xcel Energy dated June 20, 2016 (file no. 001-03034)).
10.26*+	Third Amendment dated Sept. 30, 2016 to the Xcel Energy Inc. Nonqualified Deferred Compensation Plan (2009 Restatement) (Exhibit 10.01 to Form 10-Q of Xcel Energy (file no. 001-03034) for the quarter ended Sept. 30, 2016).
10.27*+	Form of Xcel Energy, Inc. 2015 Omnibus Incentive Plan Award Agreement and Award Terms and Conditions (Restricted Stock Units and Performance Share Units) under the Xcel Energy Inc. 2015 Omnibus Incentive Plan (Exhibit 10.27 to Form 10-K of Xcel Energy (file no. 001-03034) for the year ended Dec. 31, 2016).
10.28*+	Fourth Amendment to the Xcel Energy Inc. Nonqualified Deferred Compensation Plan (2009 Restatement) (Exhibit 10.1 to Form 10-Q of Xcel Energy for the quarter ended Sept. 30, 2017 (file no. 001-03034)).
10.29*	364-Day Term Loan Agreement dated as of Dec. 5, 2017 among Xcel Energy Inc., as Borrower, the several lenders from time to time parties thereto, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Administrative Agent (Exhibit 99.01 to Form 8-K of Xcel Energy dated Dec. 5, 2017 (file no. 001-03034)).
10.30*+	Sixth Amendment dated Feb. 22, 2018 to the Xcel Energy Senior Executive Severance and Change-in-Control Policy.
NSP-Minnesota	
10.31*	Restated Interchange Agreement dated Jan. 16, 2001 between NSP-Wisconsin and NSP-Minnesota (Exhibit 10.01 to NSP-Wisconsin Form S-4 (file no. 333-112033) dated Jan. 21, 2004).
10.32*	Second Amended and Restated Credit Agreement, dated as of June 20, 2016 among NSP-Minnesota, as Borrower, the several lenders from time to time parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and Barclays Bank Plc, as Syndication Agents, and Wells Fargo Bank, National Association and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Documentation Agents. (Exhibit 99.02 to Form 8-K of Xcel Energy dated June 20, 2016 (file no. 001-03034)).
NSP-Wisconsin	
10.33*	Restated Interchange Agreement dated Jan. 16, 2001 between NSP-Wisconsin and NSP-Minnesota (Exhibit 10.01 to Form S-4 (file no. 333-112033) dated Jan. 21, 2004).
10.34*	Second Amended and Restated Credit Agreement, dated as of June 20, 2016 among NSP-Wisconsin, as Borrower, the several lenders from time to time parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and Barclays Bank Plc, as Syndication Agents, and Wells Fargo Bank, National Association and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Documentation Agents. (Exhibit 99.05 to Form 8-K of Xcel Energy dated June 20, 2016 (file no. 001-03034)).
PSCo	
10.35*	Proposed Settlement Agreement excerpts, as filed with the CPUC (Exhibit 99.02 to Form 8-K of Xcel Energy (file no. 001-03034) dated Dec. 3, 2004).
10.36*	Second Amended and Restated Credit Agreement, dated as of June 20, 2016 among PSCo, as Borrower, the several lenders from time to time parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and Barclays Bank Plc, as Syndication Agents, and Wells Fargo Bank, National Association and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Documentation Agents. (Exhibit 99.03 to Form 8-K of Xcel Energy dated June 20, 2016 (file no. 001-03034)).
SPS	
10.37*	Second Amended and Restated Credit Agreement, dated as of June 20, 2016 among SPS, as Borrower, the several lenders from time to time parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A. and Barclays Bank Plc, as Syndication Agents, and Wells Fargo Bank, National Association and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Documentation Agents. (Exhibit 99.04 to Form 8-K of Xcel Energy dated June 20, 2016 (file no. 001-03034)).
Xcel Energy Inc.	
12.01	Statement of Computation of Ratio of Earnings to Fixed Charges.
21.01	Subsidiaries of Xcel Energy Inc.
23.01	Consent of Independent Registered Public Accounting Firm.
24.01	Powers of Attorney.

31.01	Principal Executive Officer's certification pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Principal Financial Officer's certification pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.01	Statement pursuant to Private Securities Litigation Reform Act of 1995.
101	The following materials from Xcel Energy Inc.'s Annual Report on Form 10-K for the year ended Dec. 31, 2017 are formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Balance Sheets, (v) the Consolidated Statements of Common Stockholders' Equity, (vi) Consolidated Statements of Capitalization, (vii) Notes to Consolidated Financial Statements, (viii) document and entity information, (ix) Schedule I, and (x) Schedule II.

SCHEDULE I

XCEL ENERGY INC.
CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(amounts in millions, except per share data)

	Year Ended Dec. 31		
	2017	2016	2015
Income			
Equity earnings of subsidiaries	$ 1,263	$ 1,199	$ 1,046
Total income	1,263	1,199	1,046
Expenses and other deductions			
Operating expenses	30	22	20
Other income	(6)	(3)	(1)
Interest charges and financing costs	128	116	91
Total expenses and other deductions	152	135	110
Income before income taxes	1,111	1,064	936
Income tax benefit	(37)	(59)	(48)
Net income	$ 1,148	$ 1,123	$ 984
Other Comprehensive Income			
Pension and retiree medical benefits, net of tax of $3, $(3), and $(3) respectively	$ 4	$ (4)	$ (5)
Derivative instruments, net of tax of $2, $2, and $2, respectively	3	4	3
Other comprehensive income (loss)	7	—	(2)
Comprehensive income	$ 1,155	$ 1,123	$ 982
Weighted average common shares outstanding:			
Basic	509	509	508
Diluted	509	509	508
Earnings per average common share:			
Basic	$ 2.26	$ 2.21	$ 1.94
Diluted	2.25	2.21	1.94
Cash dividends declared per common share	1.44	1.36	1.28

See Notes to Condensed Financial Statements

XCEL ENERGY INC.
CONDENSED STATEMENTS OF CASH FLOWS
(amounts in millions)

	Year Ended Dec. 31		
	2017	2016	2015
Operating activities			
Net cash provided by operating activities	$ 1,208	$ 817	$ 705
Investing activities			
Capital contributions to subsidiaries	(849)	(414)	(820)
Investments in the utility money pool	(1,258)	(1,880)	(971)
Return of investments in the utility money pool	1,173	1,880	987
Net cash used in investing activities	(934)	(414)	(804)
Financing activities			
Proceeds from (repayment of) short-term borrowings, net	715	(516)	204
Proceeds from issuance of long-term debt	—	1,539	495
Repayment of long-term debt	(250)	(704)	—
Proceeds from issuance of common stock	—	—	7
Repurchase of common stock	(3)	(32)	—
Dividends paid	(721)	(681)	(607)
Other	(14)	(9)	(1)
Net cash (used in) provided by financing activities	(273)	(403)	98
Net change in cash and cash equivalents	1	—	(1)
Cash and cash equivalents at beginning of period	—	—	1
Cash and cash equivalents at end of period	$ 1	$ —	$ —

See Notes to Condensed Financial Statements

XCEL ENERGY INC.
CONDENSED BALANCE SHEETS
(amounts in millions)

	Dec. 31	
	2017	2016
Assets		
Cash and cash equivalents	$ 1	$ —
Accounts receivable from subsidiaries	302	364
Other current assets	1	10
Total current assets	304	374
Investment in subsidiaries	14,932	13,904
Other assets	103	163
Total other assets	15,035	14,067
Total assets	$ 15,339	$ 14,441
Liabilities and Equity		
Current portion of long-term debt	$ —	$ 250
Dividends payable	183	172
Short-term debt	783	68
Other current liabilities	11	18
Total current liabilities	977	508
Other liabilities	29	37
Total other liabilities	29	37
Commitments and contingencies		
Capitalization		
Long-term debt	2,878	2,875
Common stockholders' equity	11,455	11,021
Total capitalization	14,333	13,896
Total liabilities and equity	$ 15,339	$ 14,441

See Notes to Condensed Financial Statements

NOTES TO CONDENSED FINANCIAL STATEMENTS

Incorporated by reference are Xcel Energy's consolidated statements of common stockholders' equity and OCI in Part II, Item 8.

Basis of Presentation — The condensed financial information of Xcel Energy Inc. is presented to comply with Rule 12-04 of Regulation S-X. Xcel Energy Inc.'s investments in subsidiaries are presented under the equity method of accounting. Under this method, the assets and liabilities of subsidiaries are not consolidated. The investments in net assets of the subsidiaries are recorded in the balance sheets. The income from operations of the subsidiaries is reported on a net basis as equity in income of subsidiaries.

As a holding company with no business operations, Xcel Energy Inc.'s assets consist primarily of investments in its utility subsidiaries. Xcel Energy Inc.'s material cash inflows are only from dividends and other payments received from its utility subsidiaries and the proceeds raised from the sale of debt and equity securities. The ability of its utility subsidiaries to make dividend and other payments is subject to the availability of funds after taking into account their respective funding requirements, the terms of their respective indebtedness, the regulations of the FERC under the Federal Power Act, and applicable state laws. Management does not expect maintaining these requirements to have an impact on Xcel Energy Inc.'s ability to pay dividends at the current level in the foreseeable future. Each of its utility subsidiaries, however, is legally distinct and has no obligation, contingent or otherwise, to make funds available to Xcel Energy Inc.

Related Party Transactions — Xcel Energy Inc. presents its related party receivables net of payables. Accounts receivable and payable with affiliates at Dec. 31 were:

	2017		2016	
(Millions of Dollars)	Accounts Receivable	Accounts Payable	Accounts Receivable	Accounts Payable
NSP-Minnesota	$ 68	$ —	$ 59	$ —
NSP-Wisconsin	13	—	14	—
PSCo	69	—	132	—
SPS	26	—	31	—
Xcel Energy Services Inc.	95	—	93	—
Xcel Energy Ventures Inc.	14	—	17	—
Other subsidiaries of Xcel Energy Inc.	17	—	18	—
	$ 302	$ —	$ 364	$ —

Dividends — Cash dividends paid to Xcel Energy Inc. by its subsidiaries were $1,063 million, $923 million and $784 million for the years ended Dec. 31, 2017, 2016 and 2015, respectively. These cash receipts are included in operating cash flows of the condensed statements of cash flows.

Money Pool — Xcel Energy received FERC approval to establish a utility money pool arrangement with the utility subsidiaries, subject to receipt of required state regulatory approvals. The utility money pool allows for short-term investments in and borrowings between the utility subsidiaries. Xcel Energy Inc. may make investments in the utility subsidiaries at market-based interest rates; however, the money pool arrangement does not allow the utility subsidiaries to make investments in Xcel Energy Inc. The following tables present money pool lending for Xcel Energy Inc.:

(Amounts in Millions, Except Interest Rates)	Three Months Ended Dec. 31, 2017
Loan outstanding at period end	85
Average loan outstanding	36
Maximum loan outstanding	85
Weighted average interest rate, computed on a daily basis	1.15%
Weighted average interest rate at end of period	1.18%
Money pool interest income	$ 0.1

(Amounts in Millions, Except Interest Rates)	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015
Loan outstanding at period end	85	—	—
Average loan outstanding	38	66	27
Maximum loan outstanding	226	211	141
Weighted average interest rate, computed on a daily basis	1.13%	0.69%	0.42%
Weighted average interest rate at end of period	1.18%	N/A	N/A
Money pool interest income	$ 0.4	$ 0.5	$ 0.1

See Xcel Energy's notes to the consolidated financial statements in Part II, Item 8 for other disclosures.

SCHEDULE II

XCEL ENERGY INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED DEC. 31, 2017, 2016 AND 2015
(amounts in millions)

	Balance at Jan. 1	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts[a]	Deductions from Reserves[b]	Balance at Dec. 31
Allowance for bad debts:					
2017	$ 51	$ 39	$ 10	$ 48	$ 52
2016	52	39	11	51	51
2015	58	36	12	54	52
NOL and tax credit valuation allowances:					
2017	$ 58	$ 9	$ 22	$ 12	$ 77
2016	28	3	35	8	58
2015	3	2	25	2	28

(a) Accrual of valuation allowance for North Dakota ITC, offset to regulatory liability.
(b) Reductions to valuation allowances for North Dakota ITC carryforwards primarily due to a consolidated adjustment to the regulatory liability accrual referenced above. Reductions to valuation allowances for NOL carryforwards primarily due to changes in forecasted taxable income.

Item 16 — Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

XCEL ENERGY INC.

Feb. 23, 2018 By: /s/ ROBERT C. FRENZEL
Robert C. Frenzel
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on the date indicated above.

/s/ BEN FOWKE Ben Fowke	Chairman, President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ ROBERT C. FRENZEL Robert C. Frenzel	Executive Vice President, Chief Financial Officer (Principal Financial Officer)
/s/ JEFFREY S. SAVAGE Jeffrey S. Savage	Senior Vice President, Controller (Principal Accounting Officer)
* Richard K. Davis	Director
* Richard T. O'Brien	Director
* David K. Owens	Director
* Christopher J. Policinski	Director
* James Prokopanko	Director
* A. Patricia Sampson	Director
* James J. Sheppard	Director
* David A. Westerlund	Director
* Kim Williams	Director
* Timothy V. Wolf	Director
* Daniel Yohannes	Director
*By: /s/ ROBERT C. FRENZEL Robert C. Frenzel	Attorney-in-Fact

(Back To Top)

Section 2: EX-4.10 (EXHIBIT 4.10)

Exhibit 4.10

SUPPLEMENTAL AND RESTATED
TRUST INDENTURE

FROM

NORTHERN STATES POWER COMPANY

TO

HARRIS TRUST AND SAVINGS BANK

DATED MAY 1, 1988

(Restating, amending and supplementing the Trust Indenture dated February 1, 1937, as previously supplemented through September 1, 1985)

CROSS-REFERENCE SHEET SHOWING THE LOCATION IN THE SUPPLEMENTAL AND RESTATED TRUST INDENTURE OF THE PROVISIONS INSERTED PURSUANT TO SECTIONS 310 THROUGH 318(a) INCLUSIVE OF THE TRUST INDENTURE ACTION OF 1939

Section of Trust Indenture Act	Section of Indenture	Page
310(a)(1)	16.09	95
310(a)(2)	16.09	95
310(a)(3)	16.14(b)	101
310(a)(4)	Not Applicable	
310(b)	16.08	90
	16.10(a)	95
	16.10(d)	95
	16.10(e)	96
310(c)	Not Applicable	
311(a)	16.13	97
311(b)	16.13	97
311(c)	Not Applicable	
312(a)	8.17	52
	16.17(a)	103
312(b)	16.17(b)	103
312(c)	16.17(c)	104
313(a)	16.18(a)	104
313(b)	16.18(b)	105
313(c)	16.18(c)	106
313(d)	16.18(d)	106

Section of Trust Indenture Act	Section of Indenture	Page
314(a)	8.18	52
314(b)	8.19	53
314(c)(1)	1.03 - definition of Officer's Certificate	20
	4.01(g)	39
	9.04(b)	55
	11.03(b)	61
	11.03(k)(2)	64
	11.10(c)	68
	17.01(c)	109
	20.08	118
	20.09	118
314(c)(2)	1.03 - definition of Opinion of Counsel	20
	4.01(c)	39
	5.05(d)	10
	11.03(h)	64
	11.03(k)(5)(C)	66
	17.01(c)	109
	20.08	118
	20.09	118
314(c)(1)	1.03 - definition of Accountant,	15
	Accountant's Certificate,	15
	Independent and	19
	Independent Accountant's Certificate	19
	4.01(d)	39
	5.04	38
	5.05(c)	38
	5.07(b)	41
	5.07(c)	42
	5.07(d)	42
	9.02	54
	9.04(c)	55
	11.03(k)(6)	66

		Page
	11.10(d)	68
	20.08	118
	20.09	118
314(d)(1)	1.03 - definition of Engineer,	18
	Engineer's Certificate	18
	Independent and	19
	Independent Engineer's Certificate	19
	11.03(c)	61
	11.03(d)	62
	11.03(k)(3)	65
	11.03(k)(4)	65

Section of Trust Indenture Act	Section of Indenture	Page
314(d)(2)	1.03 - definition of Engineer,	18
	Engineer's Certificate	18
	Independent and	19
	Independent Engineer's Certificate	19
	11.03(e)	63
	11.03(f)	63
314(d)(3)	1.03 - definition of Engineer,	18
	Engineer's Certificate	18
	Independent and	19
	Independent Engineer's Certificate	19
	5.05(a)	38
	5.05(b)	39
	7.02	46
	9.04	55
	11.03	61
	11.10	68
	16.01(d)	88
	20.08	118
	20.09	118
314(e)	20.08	118

		Page
314(f)	Not Applicable	
315(a)	16.01(a)(1)	87
	16.01(a)(2)	87
315(b)	16.02	88
315(c)	16.01(b)	87
315(d)	16.01(c)	87
315(e)	13.15(b)	80
316(a)(1)	1.03 - definition of "Outstanding"	21
	13.05	77
	16.01(c)(3)	87
	18.02	112
316(a)(2)	18.02	112
316(b)	13.15(a)	80
	13.15(c)	81
	18.02(a)	112
317(a)(1)	13.13	79
317(a)(2)	13.04	76
317(b)	8.16	51
318(a)	20.13(a)	119

Table of Contents
(Definitions of certain capitalized words used in the
Indenture are contained in Section 1.03)

THIS SUPPLEMENTAL AND RESTATED TRUST INDENTURE (the "Restated Indenture"), made as of first of May, 1988 by and between **NORTHERN STATES POWER COMPANY**, a corporation duly organized and existing under and by virtue of the laws of the State of Minnesota, having its principal office in the city of Minneapolis, Minnesota (the "Company"), party of the first part, and **HARRIS TRUST AND SAVINGS BANK**, a corporation duly organized and existing under and by virtue of the laws of the State of Illinois, having its principal office in the City of Chicago, Illinois, as Trustee (the "Trustee"), party of the second part;

WITNESSETH:

WHEREAS, the Company has heretofore executed and delivered to the Trustee its Trust Indenture (the "1937 Indenture"), made as of February 1, 1937, whereby the Company granted, bargained, sold, warranted, released, conveyed, assigned, transferred, mortgaged, pledged, set over, and confirmed to the Trustee, and to its respective successors in trust, all property, real, personal, and mixed then owned or thereafter acquired or to be acquired by the Company (except as therein excepted from the lien thereof) and, subject to the rights reserved by the Company under the provisions of the 1937 Indenture, to be held by the Trustee in trust in accordance with provisions of the 1937 Indenture for the equal pro rata benefit and security of each and every bond issued and to be issued thereunder in accordance with the provisions thereof; and

WHEREAS, the Company has executed and delivered to the Trustee a Supplemental Trust Indenture, dated as of June 1, 1942, whereby the Company conveyed, assigned, transferred, mortgaged, pledged, set over, and confirmed to the Trustee, and its respective successors in said trust, additional property acquired by it subsequent to the date of the 1937 Indenture; and

WHEREAS, the Company has executed and delivered to the Trustee the following additional Supplemental Trust Indentures which, in additional to conveying, assigning, transferring, mortgaging, pledging, setting over, and confirming to the Trustee, and its respective successors in said trust, additional property acquired by it subsequent to the preparation of the next preceding Supplemental Trust Indenture and adding to the covenants, conditions, and agreements contained in the 1937 Indenture certain additional covenants, conditions, and agreements to be observed by the Company, created the following series of Bonds:

Date of Supplemental Trust Indenture	Designation of Series
February 1, 1944	Series due February 1, 1974 (retired)
October 1, 1945	Series due October 1, 1975 (retired)
July 1, 1948	Series due July 1, 1978 (retired)
August 1, 1949	Series due August 1, 1979 (retired)
June 1, 1952	Series due June 1, 1982 (retired)
October 1, 1954	Series due October 1, 1984 (retired)
September 1, 1956	Series due 1986 (retired)

August 1, 1957	Series due August 1, 1987 (redeemed)
July 1, 1958	Series due July 1, 1988
December 1, 1960	Series due December 1, 1990
August 1, 1961	Series due August 1, 1991
June 1, 1962	Series due June 1, 1992
September 1, 1963	Series due September 1, 1993
August 1, 1966	Series due August 1, 1996
June 1, 1967	Series due June 1, 1995
October 1, 1967	Series due October 1, 1997
May 1, 1968	Series due May 1, 1998
October 1, 1969	Series due October 1, 1999
February 1, 1971	Series due March 1, 2001
May 1, 1971	Series due June 1, 2001
February 1, 1972	Series due March 1, 2002
January 1, 1973	Series due February 1, 2003
January 1, 1974	Series due January 1, 2004
September 1, 1974	Pollution Control Series A
April 1, 1975	Pollution Control Series B
May 1, 1975	Series due May 1, 2005
March 1, 1976	Pollution Control Series C
June 1, 1981	Pollution Control Series D, E and F (redeemed)
December 1, 1981	Series due December 1, 2011 (redeemed)
May 1, 1983	Series due May 1, 2013
December 1, 1983	Pollution Control Series G
September 1, 1984	Pollution Control Series H
December 1, 1984	Resource Recovery Series I
May 1, 1985	Series due June 1, 2015
September 1, 1985	Pollution Control Series J, K and L;

and

The 1937 Indenture and the foregoing Supplemental Trust Indentures are collectively referred to herein as the "Original Indenture." The Original Indenture, this Restated Indenture, any Subsequent Supplemental Trust Indentures and any Supplemental Trust Indentures executed after the Effective Date are collectively referred to herein as the "Indenture"; and

WHEREAS, the Company has deemed it necessary and desirable to amend, restate and supplement the Original Indenture as provided in Article I of this Restated Indenture; and

WHEREAS, this Restated Indenture shall become and be effective as provided in Article I hereof; and

WHEREAS, each Holder of a Bond of any series not now Outstanding, which series shall be originally authenticated by the Trustee and originally issued by the Company under the Indenture on or subsequent to the date of the Restated Indenture, by the acquisition, holding or ownership of such Bond, thereby consents and agrees to, and shall be bound by, the provisions of this Restated Indenture on and after the Effective Date; and

WHEREAS, the execution and delivery of this Restated Indenture have been duly authorized by the Company; and

WHEREAS, this Restated Indenture is supplemental to the Original Indenture and shall not in any way extinguish or otherwise adversely affect the Lien of the Original Indenture on the mortgaged and pledged property of the Company; and

WHEREAS, capitalized terms previously used in these recitals or hereafter used in the granting clauses (and not otherwise defined herein and therein) shall have the meanings assigned to them by Section 1.03; and

WHEREAS, all things necessary to make this Restated Indenture a valid, binding and legal instrument for the security of the Bonds have been done and preformed;

GRANTING CLAUSES

NOW, THEREFORE, THIS INDENTURE WITNESSETH: The Company, in consideration of the premises and of one dollar duly paid to it by the Trustee at or before the ensealing and delivery of these presents, the receipt of which is hereby acknowledged, and in order to secure the payment, of both the principal and interest, of all Bonds at any time Outstanding according to their tenor and effect and the performance of and compliance with the covenants and conditions contained in the Indenture, has granted, bargained, sold, warranted, released, conveyed, assigned, transferred, mortgaged, pledged, set over and confirmed, and by these presents does grant, bargain, sell, warrant, release, convey, assign, transfer, mortgage, pledge, set over and confirm unto the Trustee, and to its successors in said trust forever, all property, real, personal and mixed now owned or hereafter acquired to be acquired or by the Company, and wherever situated (except as hereinafter excepted from the Lien Hereof) subject to the rights reserved by the Company and by other provisions of the Indenture, including in the property subject and to be subject to the Lien of the Indenture (without in any manner limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in the Indenture) all lands, rights-of-way, other land rights, flowage and other water rights, reservoirs, dams, waterways, docks, roads, and other land improvements; fossil, nuclear, hydro and other electric generating plants, including buildings and other structures, turbines, generators, exciters, boilers, reactors, nuclear fuel, other boiler plant equipment, condensing equipment and all other generating equipment; substations; electric transmission and distribution systems, including structures, poles, towers, fixtures, conduits, insulators, wires, cables, transformers, services and meters; steam heating mains and equipment; gas transmission and distribution systems, including structures, storage facilities, mains, compressor stations, purifier stations, pressure holders, governors, services and meters; telephone plant and related distribution systems; trucks and trailers; office, shop and other buildings and structures, furniture and equipment; apparatus and equipment of all other kinds and descriptions; materials and supplies; all municipal and other franchises, leaseholds, licenses, permits, privileges, patents and patent rights; all shares of stock, bonds, evidences of indebtedness, contracts, claims, accounts receivable, choses in action and other intangibles, all books of account and other corporate records; parts or parcels of such real property and items of other property being more specifically described and mentioned or enumerated in Schedule A annexed hereto, and in schedules marked Schedule A and annexed to the Original Indenture and to all Subsequent Supplemental Trust Indentures, except all Permanent Additions owned by the Company on or after February 1, 1937, which have been removed, sold, abandoned, destroyed or which for any cause have been permanently withdrawn from service or property described in such schedules which has been released by the Trustee from the Lien Hereof (reference to such schedules for a more specific description and enumeration of the property therein described and enumerated being hereby made with the same force and effect as if the same were incorporated herein at length);

Together with all and singular the tenements, hereditaments and appurtenances belonging or in any way appertaining to the aforesaid property or any part thereof with the reversion and reversions, remainder and remainders, tolls, rents and revenues, issues, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

Notwithstanding anything contained herein to the contrary, all merchandise and appliances heretofore or hereafter acquired for the purpose of sale to customers and others is hereby excepted from the Lien of the Indenture.

It is hereby agreed by the Company that, except as aforesaid, all the property, rights and franchises acquired by the Company after the Effective Date shall be as fully embraced within the Lien Hereof as if such property were now owned by the Company and were specifically described herein and conveyed hereby, subject to the Company's rights until the occurrence and continuation of a Completed Default to: retain in its possession all shares of stock, notes, evidence of indebtedness, other securities and cash not expressly required by the provisions hereof to be deposited with the Trustee; retain in its possession all contracts, bills, accounts receivable, motor cars, any stock of goods, wares and merchandise, equipment or supplies acquired for the purpose of consumption in the operation, construction or repair of any of the properties of the Company; and sell, exchange, pledge, hypothecate or otherwise dispose of any or all of such property so retained in its possession free from the Lien Hereof, without permission or hindrance on the part of the Trustee, or any of the Bondholders. No person in any dealings with the Company in respect of any such property shall be charged with any notice or knowledge of any Completed Default while the Company is in possession of such property. Nothing contained herein shall be deemed or construed to require the deposit with, or delivery to, the Trustee of any of such property, except such as is specifically required to be deposited with the Trustee by some express provisions hereof.

The foregoing provisions, as they purport to subject to the Lien Hereof property hereafter acquired by any Successor Corporation, are subject to the provisions of Article XV relating to the effect of a consolidation or merger into another corporation or sale or lease of substantially all of the property of the Company.

TO HAVE AND TO HOLD all said properties, real, personal and mixed, mortgaged, pledged or conveyed by the Company as aforesaid, or intended to be, unto the Trustee and its successors and assigns forever; subject, however, to Permitted Encumbrances.

IN TRUST NEVERTHELESS, for the equal pro rata benefit and security of each and every Bond issued and to be issued in accordance with the provisions of the Indenture, without preference, priority or distinction as to lien over any other by reason of priority in time of the issue, negotiation or maturity thereof; subject however, to the provisions of the Indenture and of any Supplemental Trust Indenture relating to any sinking fund or similar fund for the benefit of the Bonds of any particular series or of any portion of the Bonds of any series; it being intended that the lien and security for all Bonds shall take effect from the execution and delivery of the Indenture, and that the security and Lien of the Indenture shall take effect from the date of execution and delivery thereof as though all of the Bonds of all series were actually authenticated and delivered upon such date.

PROVIDED, HOWEVER, and these presents are upon the condition that if the Company, its successors, or assigns, shall pay or cause to be paid unto the Holders of Bonds the principal and interest to become due in respect thereof, at the times and in the manner stipulated therein and herein, and shall keep, perform and observe each and every covenant and promise expressed in the Bonds and expressed in the Indenture to be maintained, performed and observed by or on the part of the Company, then the Indenture and the estate and rights hereby granted, shall cease and be void, otherwise to be and remain in full force and effect.

IT IS HEREBY COVENANTED, DECLARED AND AGREED by the Company that, after the Effective Date, all Bonds previously or hereafter issued are to be issued, authenticated and delivered in accordance with, and that, after the Effective Date, all property subject or to become subject hereto is to be held subject to the covenants, conditions, uses and trusts set forth herein. The Company, for itself and its successors and assigns, does hereby declare, covenant and agree to and with the

Trustee and its successor or successors in said trust, for the benefit of those who shall hold Bonds after the Effective Date as follows:

ARTICLE I.

Effective Date; Amendment and Restatement of
Original Indenture; Definitions.

SECTION 1.01. The term "Effective Date" as used herein shall mean the date selected by the Company that is no earlier than the date on which a Supplemental Trust Indenture is first recorded and filed in such manner and to such extent as may be required by law and which states that: (a) the Original Indenture Bonds shall have been retired through payment or redemption (including those Original Indenture Bonds "deemed to be paid" within the meaning of that term as used in Article XVII of the Original Indenture) at, before or after the maturity thereof, or (b) the Holders or Registered Holders of the Original Indenture Bonds not so retired through payment or redemption (or deemed to be paid within the meaning of Article XVII of the Original Indenture) in accordance with the requirements of Article XVIII of the Original Indenture, as amended pursuant to Article VI of the Supplement Trust Indenture dated May 1, 1985, shall have approved and agreed to be bound by Section 1.02, Section 1.03, Article II and Articles IV through XX of this Restated Indenture.

SECTION 1.02. (a) Upon the Effective Date, Articles I through XX of the 1937 Indenture shall be deleted and replaced by Section 1.03, Article II and Articles IV through XX of this Restated Indenture.

(b) Upon the Effective Date, the General Form of Coupon Bond, the General Form of Coupon, the General Form of Registered Bond without Coupons, the Form of Trustee's Certificate, the Form of Coupon Bonds of 3-1/2% Series due 1967, and the Form of Registered Bonds without Coupons of the 3 ½% Series due 1967 in the 1937 Indenture are deleted.

(c) Upon the Effective Date, the Articles of the Supplemental Trust Indentures listed below shall be deleted:

Date of Supplemental Trust Indenture	Articles Deleted
February 1, 1944	Art. II
	Art. III
	Art. IV
	Art. V
	Art. VI
October 1, 1945	Art. II
	Art. III
	Art. IV
	Art. V
	Art. VI
July 1, 1948	Art. II
	Art. III
	Art. IV

	Art. V
August 1, 1949	Art. II
	Art. III
	Art.IV
June 1, 1952	Art. II
	Art. III
	Art. IV
	Art. V
October 1, 1954	Art. II
	Art. III
	Art. IV
	Art. V
September 1, 1956	Art. II
	Art. III
	Art. IV
August 1, 1957	Art. II
	Art. III
	Art. IV

(d) On the Effective Date, the following clause in the recitals of the Supplemental Trust Indenture dated February 1, 1944, October 1, 1945, July 1, 1948, August 1, 1949, June 1, 1952 October 1, 1954, September 1, 1956, August 1, 1957, July 1, 1958, December 1, 1960, August 1, 1961, June 1, 1962, September 1, 1963, August 1, 1966, June 1, 1967, October 1, 1967, May 1, 1968, October 1, 1969, February 1, 1971, May 1, 1971, February 1, 1972, January 1, 1973, January 1, 1974, September 1, 1974, April 1, 1975, May 1, 1975, March 1, 1976, June 1, 1981, December 1, 1981, May 1, 1983, December 1, 1983, September 1, 1984, December 1, 1984, May 1, 1985 and September 1, 1985 is deleted:

"**WHEREAS**, Section 1 of this Article II of the Original Indenture provides that bonds may be issued thereunder in one or more series, each series to have such distinctive designation as the Board of Directors of the Company may select for such series; and"

and is replaced by the following clause;

"**WHEREAS**, the Indenture provides that bonds may be issued thereunder in one or more series, each series to have distinctive designation as the Board of Directors of the Company may select for such series; and".

(e) On the Effective date, the following clauses in the recitals of the Supplemental Trust Indentures dated July 1, 1958, December 1, 1960, August 1, 1961, June 1, 1962, September 1, 1963, August 1, 1966, June 1, 1967, October 1, 1967, May 1, 1968, October 1, 1969, February 1, 1971, May 1, 1971, February 1, 1972, January 1, 1973, January 1, 1974, September 1, 1974, April 1, 1975, May 1, 1975, March 1, 1976, June 1, 1981, December 1, 1981, May 1, 1983, December 1, 1983, September 1, 1984, December 1, 1984, May 1, 1985 and September 1, 1985 is deleted:

"**WHEREAS**, the Company has heretofore furnished the Trustee an opinion of counsel, satisfactory to said Trustee and in accordance with the provisions of Section 1 of

Article II of the Original Indenture, that bonds thereafter issuable under the Original Indenture may be properly designated "First Mortgage Bonds"; and".

(f) On the Effective Date, the following clause in the recitals of the Supplemental Trust Indentures dated February 1, 1944, October 1, 1945, July 1, 1948 and August 1, 1949 is deleted:

"**WHEREAS**, the Company heretofore furnished the Trustee an opinion of counsel satisfactory to said Trustee and in accord with the provisions of Section 1 of Article II of the Original Indenture, that bonds thereafter issuable under the Original Indenture may be properly designated "First Mortgage Bonds"; and".

(g) On the Effective Date, the following clause in the recitals of the Supplemental Trust Indentures dated June 1, 1952, October 1, 1954, September 1, 1956 and August 1, 1957 is deleted:

"**WHEREAS**, the Company has hereto furnished the Trustee an opinion of counsel satisfactory to said Trustee and in accordance with the provisions of Section 1 of Article II of the Original Indenture, that bonds thereafter issuable under the Original Indenture may be properly designated "First Mortgage Bonds"; and".

(h) On the Effective Date, the following clause in the recitals of the Supplemental Trust Indenture dated February 1, 1944 is deleted:

"WHEREAS, Section 1 of Article II and Section 1 of Article IV and Section 3 of Article XX of the Original Indenture provide in substance that the Company and the Trustee may enter into indentures supplemental thereto for the purposes, among others, of creating and setting forth the particulars of any new series of bonds and of providing the terms and conditions of the issue of the bonds of any series not expressly provided for in the Original Indenture and of assigning, conveying, mortgaging, pledging and transferring unto the Trustee additional property of the Company, and for any other purpose not inconsistent with the terms of the Original Indenture; and"

and is replaced by the following clause:

"WHEREAS, the Indenture provides in substance that the Company and the Trustee may enter into indentures supplemental hereto for the purpose, among others, of creating and setting forth the particulars of any new series of bonds and of providing the terms and conditions of the issue of the bonds of any series no expressly provided for in the Original Indenture and of conveying, assigning, transferring, mortgaging, pledging, setting over, and confirming to the Trustee additional property of the Company, and for any other purpose not inconsistent with the terms of the Indenture; and".

(i) On the Effective Date, the following clause in the recitals of the Supplemental Trust Indentures dates October 1, 1945, July 1, 1948 and August 1, 1949 is deleted:

"WHEREAS, Section 1 of Article II and Section 1 of Article IV and Section 3 of Article XX (as amended by Section II of Article VI of the Supplemental Trust Indenture dated February 1, 1944) of the Original Indenture provide in substance that the Company and the Trustee may enter into indentures supplemental thereto for the purpose, among others, of creating and setting forth the particulars of any new series of bonds and of providing the terms and conditions of the issue of the bonds of any series not expressly provided for in the Original Indenture and of assigning, conveying, mortgaging, pledging and transferring

unto the Trustee additional property of the Company, and for any other purpose not inconsistent with the terms of the Indenture; and"

and is replaced by the following clause:

"WHEREAS, the Indenture provides in substance that the Company and the Trustee may enter into indentures supplemental thereto for the purposes, among others, of creating and setting forth the particulars of any new series of bonds and of providing the terms and conditions of the issue of the bonds of any series not expressly provided for in the Original Indenture and of conveying, assigning, transferring, mortgaging, pledging, setting over, and confirming to the Trustee additional property of the Company, and for any other purpose not inconsistent with the terms of the Indenture; and."

(j) On the Effective Date, the following clause in the recitals of the Supplemental Trust Indentures dated June 1, 1952, October 1, 1954, September 1, 1956 and August 1, 1957 is deleted:

"**WHEREAS**, Section 1 of the Article II and Section 1 of Article IV and Section 3 of Article XX (as amended by Section II of Article VI of the Supplemental Trust Indenture dated February 1, 1944) of the Original Indenture provided in substance that the Company and the Trustee may enter into dentures supplemental thereto for the purpose, among others, of creating and setting forth the particulars of any new series of bonds and of providing the terms and conditions of the issues of the bonds of any series not expressly provided for in the Original Indenture and of conveying, assigning, mortgaging, pledging, transferring and setting over unto the Trustee additional property of the Company, and for and any other purpose not inconsistent with the terms of the Original Indenture; and"

and is replaced by the following clause:

"WHEREAS, the Indenture provides in substance that the Company and the Trustee may enter into indentures supplemental thereto for the purposes, among others, of creating and setting forth the particulars of any new series of bonds and of providing the terms and conditions of the issue of the bonds of any series not expressly provided for in the Original Indenture and of conveying, assigning, transferring, mortgaging, pledging, setting over, and confirming to the Trustee additional property of the Company, and for any other purpose not inconsistent with the terms of the Indenture; and".

(k) On the Effective Date, the following clause in the recitals in the Supplemental Trust Indenture dated July 1, 1958, December 1, 1960, August 1, 1961 and June 1, 1962 is deleted:

"WHEREAS, Section 1 of Article II and Section 1 of Article IV and Sections 3 of Article XX (as amended by Section II of Article VI of the Supplemental Trust Indenture dated February 1, 1944) of the Original Indenture provide in substance that the Company and the Trustee may enter to indentures supplemental thereto for the purposes, among others, of creating and setting forth the particulars of any new series of bonds and of providing the terms and conditions of the issue of the bonds of any series not expressly provided for in the Original Indenture and of conveying, assigning, transferring, mortgaging, pledging, setting over and confirming to the Trustee additional property of the Company, and for any other purpose not inconsistent with the terms of the Original Indenture; and"

and is replaced by the following clause:

"WHEREAS, the Indenture provides in substance that the Company and the Trustee may enter into indentures supplemental thereto for the purposes, among others, of creating and setting forth the particulars of any new series of bonds and of providing the terms and conditions of the issue of the bonds of any series not expressly provided for in the Original Indenture and of conveying, assigning, transferring, mortgaging, pledging setting over, and confirming to the Trustee additional property of the Company, and for any other purpose not inconsistent with the terms of the Indenture; and".

(l) On the Effective Date, the following clause in the recitals of the Supplemental Trust Indenture dated September 1, 1963, August 1, 1966, June 1, 1967, October 1, 1967, May , 1968, October 1, 1969, February 1, 1971, May 1, 1971, February 1, 1972, January 1, 1973, January 1, 1974, September 1, 1974, April 1, 1975, May 1, 1975, March 1, 1976, June 1, 1981, December 1, 1981, May 1, 1983, December 1, 1983, September 1, 1984, December 1, 1984, May 1, 1985 and September 1, 1985 is deleted:

"WHEREAS, Section 1 of Article II and Section 1 of the Article IV and Section 3 of Article XX (as amended by Section 11 of Article VI of the Supplemental Trust Indenture dated February 1, 1944) of the Original Indenture provide in substance that the Company and the Trustee may enter into indentures supplemental thereto for the purposes, among others, of creating and setting forth the particulars of any new series of bonds and of providing the terms and conditions of the issue of the bonds of any series not expressly provided for in the Original Indenture and of conveying, assigning, transferring, mortgaging, pledging, setting over, and confirming to the Trustee additional property of the Company, and for any other purpose not inconsistent with the terms of the Original Indenture; and"

and is replaced by the following clause:

"WHEREAS, the Indenture provides in substance that the Company and the Trustee may enter into indentures supplemental thereto for the purposes, among others, of creating and setting forth the particulars of any new series of bonds and of providing the terms and conditions of the issue of the bonds of any series not expressly provided for in the Original Indenture and of conveying, assigning, transferring, mortgaging, pledging setting over, and confirming to the Trustee additional property of the Company, and for any other purpose not inconsistent with the terms of the Indenture; and".

(m) On Effective Date, the following clause in the recitals of the Supplemental Trust Indenture dated February 1, 1944 is deleted:

"WHEREAS, Section 2 of Article XX of the Original Indenture provides, in substance, that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Original Indenture, may be in whole or in part waived or surrendered or subjected to any restriction if at any time unrestricted, or to additional, if already restricted, by an instrument in writing executed and acknowledged by the Company in such manner as would be necessary to entitle a conveyance of real estate to record in all states in which any real property at the time subject to the lien of the Original Indenture shall be situated; and that upon the execution, acknowledgement, and delivery to the Trustee of such instrument any modification of the provisions of the Original Indenture authorized by said Section 2 of Article XX shall be binding upon the parties to the Original Indenture, and successors and assigns and the holders of the bonds and coupons secured by the Original Indenture; and"

and is replaced by the following clause:

"WHEREAS, Section 20.02 of the Indenture provides, in substance, that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Indenture, may be in whole or in part waived or surrendered or subjected to any additional restriction, by a resolution of the Board of Directors of the Company and an instrument in writing, executed and acknowledged by the Company in such manner as would necessary to entitle a conveyance of real estate to be recorded in all states in which any real property at the time subject to the lien of the Indenture shall be situated: and that upon the execution, acknowledgement and delivery to the Trustee of such resolution of the Board of Directors of the Company and instrument, any modification of the provisions of the Indenture authorized by said Section 20.02 of the Indenture shall be binding upon the parties to the Indenture, and successors and assigns and the holders of the bonds and coupons secured by the Indenture; and".

(n) On the Effective Date, the phrase "a completed default as defined in Section 1 of Article XIII of the Original Indenture," referred to in Section 1.01 of the Supplemental Trust Indenture dated August 1, 1966, June 1, 1967, October 1, 1967, May 1, 1968, October 1, 1969, February 1, 1971, May 1, 1971, February 1, 1972, January 1, 1973, January 1, 1974, September 1, 1974, April 1, 1975, May 1, 1975, March 1, 1976, June 1, 1981, December 1, 1981, May 1, 1983, December 1, 1983, September 1, 1984, December 1, 1984, May 1, 1985 and September 1, 1985, is deleted and the following phrase is inserted in lieu thereof:

"a Completed Default as defined in the Indenture,".

(o) On the Effective Date, the phrase "permitted liens as defined in Section 5 of Article 1 of the Original Indenture" referenced in Section 1 of Article 1 of the Supplemental Trust Indenture dated February 1, 1944, and in Section 1.01 of the Supplemental Trust dated October 1, 1945, July 1, 1948, August 1, 1949, June 1, 1952, October 1, 1954, September 1, 1956, August 1, 1957, July 1, 1958, December 1, 1960, August 1, 1961, June 1, 1962, September 1, 1963, August 1, 1966, June 1, 1967, October 1, 1967, May 1, 1968, October 1, 1969, February 1, 1971, May 1, 1971, February 1, 1972, January 1, 1973, January 1, 1974, September 1, 1974, April 1, 1975, May 1, 1975, March 1, 1976, June 1, 1981, December 1, 1981, May 1, 1983, December 1, 1983, September 1, 1984, December 1, 1984, May 1, 1985 and September 1, 1985 is deleted and the following phrase is inserted in lieu thereof:

"Permitted Encumbrances as defined in the Indenture".

(p) On the Effective Date, the phrase "shall be dated as in Section 9 of Article II of the Original Indenture provided." Referenced in Section 2.01 of the Supplemental Trust Indenture dated July 1, 1958, December 1, 1960, August 1, 1961, June 1, 1962, September 1, 1963, August 1, 1966 and June 1, 1967 is deleted and the following phrase is inserted in lieu thereof:

"shall be dated as of the interest payment date of the Bonds of the series of which it is one, next preceding the date of issue thereof, unless on an interest payment date, in which event it shall be dated as of such date and shall bear interest from its date or if issued prior to an interest payment date in which event it shall be dated as of the date of coupon bonds of such series."

(q) On the Effective Date, the phrase "Section 2 of Article X of the Original Indenture" referenced in Section 2.02 of the Supplemental Trust Indentures dated July 1, 1958, December 1,

1960, August 1, 1961, June 1, 1962, September 1, 1963, August 1, 1966, June 1, 1967, October 1, 1967, May 1, 1968, October 1, 1969, February 1, 1971, May 1, 1971, February 1, 1972, January 1, 1973, January 1, 1974, May 1, 1975, December 1, 1981, May 1, 1983 and May 1, 1985 is deleted wherever it appears and the following phrase is inserted in each instance in lieu thereof:

"Section 10.02 of the Indenture".

(r) On the Effective Date, the phrase "Section 2 of Article X of the Original Trust Indenture" referenced in Sections 3.01, 3.02, 3.03 and 3.04 of the Supplemental Trust Indenture dated September 1, 1974 is deleted wherever it appears and the following phrase is inserted in each instance in lieu thereof:

"Section 10.02 of the Indenture".

(s) On the Effective Date, the phase "bearing interest as provided in Section 9 of Article II of the Original Indenture," referenced in Section 2.03 of the Supplemental Trust Indentures dated October 1, 1967, May 1, 1968, October 1, 1969, February 1, 1971, May 1, 1971, February 1, 1972, January 1, 1973, January 1, 1974, September 1, 1974, April 1, 1975, May 1, 1975, December 1, 1981, May 1, 1983 and May 1, 1985 is deleted and the following phrase is inserted in lieu thereof:

"bearing interest from its date,".

(t) On the Effective Date, the phrase "bearing interest as provided in Section 9 of Article II of the Original Indenture," referenced in Section 2.04 of the Supplemental Trust Indentures dated March 1, 1976, June 1, 1981, December 1, 1983, September 1, 1984 and December 1, 1984 is deleted and the following phrase is inserted in lieu thereof:

"bearing interest from its date,".

(u) On the Effective Date, the phrase "bearing interest as provided in Section 9 of Article II of the Original Indenture," referenced in Section 2.06 of the Supplemental Trust Indentures dated August 1, 1966 and June 1, 1967 is deleted and the following phrase is inserted in lieu thereof:

"bearing interest from its date,".

(v) On the Effective Date, the phrase "bearing interest as provided in Section 9 of Article II of the Original Indenture," referenced in Section 2.08 of the Supplement Trust Indenture dated September 1, 1985 is deleted and the following phrase is inserted in lieu thereof:

"bearing interest from its date,".

(w) On the Effective Date, the phrase "dated and bearing interest as provided in Section 9 of Article II of the Original Indenture, and upon payment, if the Company shall so require, of the charge therefor as provided in Section 11 of Article II of the Original Indenture." referenced in Section 2.05 of the Supplemental Trust Indentures dated July 1, 1958, December 1, 1960, August 1, 1961, June 1, 1962 and September 1, 1963 is deleted and the following phrase is inserted in lieu thereof:

"dated and bearing interest as provided in Section 2.01 hereof, and upon payment, if the Company shall so require, of a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge required to be paid by the Company by reason of such exchange

and in addition may charge a sum not exceeding five dollars ($5.00) for each bond issued upon any such exchange, which shall be paid by the party requesting such exchange as a condition precedent to the exercise of the privilege of making such exchange."

(x) On the Effective Date, the phrase "dated and bearing interest as provided in Section 9 of Article II of the Original Indenture." referenced in Section 2.05 of the Supplemental Trust Indentures dated August 1, 1966 and June 1, 1967 is deleted and the following phrase is inserted in lieu thereof:

"dated and bearing interest as provided in Section 2.01 hereof."

(y) On the Effective Date, the phrase "bearing interest as provided in Section 9 of Article II of the Original Indenture, and upon payment, if the Company shall so require, of the charge therefor provided in Section 11 of Article II of the Original Indenture." referenced in Section 2.06 of the Supplemental Trust Indentures dated July 1, 1958, December 1, 1960, August 1, 1961, June 1, 1962 and September 1, 1963 is deleted and the following phrase is inserted in lieu thereof:

"bearing interest as provided in Section 2.01 hereof, and upon payment, if the Company shall so require of a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge required to be paid by the Company by reason of such exchange and in addition may charge a sum not exceeding five dollars ($5.00) for each bond issued upon any such exchange, which shall be paid by the party requesting such exchange as a condition precedent to the exercise of the privilege of making such exchange."

(z) On the Effective Date, Sections 3.01(c) of the Supplemental Trust Indentures dated July 1, 1958, December 1, 1960, August 1, 1961, June 1, 1962, September 1, 1963, August 1, 1966, June 1, 1967, October 1, 1967, May 1, 1968, October 1, 1969, February 1, 1971, May 1, 1971, February 1, 1972, January 1, 1973, January 1, 1974, May 1 1975, December 1, 1981, May 1, 1983 and May 1, 1985 is deleted and the following phrase is inserted in lieu thereof:

"(c) The delivery by the Company to the Trustee of a written application of the Company signed by its President or a Vice President, to apply an Amount of Established Permanent Additions established as provided in Sections 5.05 and 5.06 of the Indenture (which has not previously been applied to any other purpose specified in the Indenture) to the Sinking Fund provided for in this Article III, shall for purposes of said Sinking Fund be deemed equivalent under this Section to the payment of cash equal to the amount required to effect the redemption on the first day of December next following, of a principal amount of Bonds of this Series equal to 66-2/3% of the Amount of Established Permanent Additions so applied."

(aa) On the Effective Date, the phrase "(subject to the provisions of Section 5 of Article XX, of the Original Indenture)" and the phrase "subject to the provisions of Section 5 of Article XX, referenced in Section 3.02(c) of the Supplemental Trust Indentures dated July 1, 1958, December 1, 1960, August 1, 1961, June 1, 1962, September 1, 1963, August 1, 1966, June 1, 1967, October 1, 1967, May 1, 1968, October 1, 1969, February 1, 1971, May 1, 1971, February 1, 1972, January 1, 1973, January 1, 1974, May 1, 1975, December 1, 1981, May 1, 1983 and May 1, 1985 are deleted and the following phrase is inserted in lieu thereof:

"subject to the provisions of Section 20.03 of the Indenture".

(bb) On the Effective Date, Article VI of the Supplemental Trust Indentures dated October 1, 1967 and May 1, 1985 is deleted.

(cc) On the Effective Date, Section 2.12 of the Supplemental Trust Indenture dated September 1, 1985 is deleted.

SECTION 1.03. Definitions.

Certain terms, as used specifically in particular Articles of the Indenture, are defined in those Articles.

For all purposes of the Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(A) The terms defined in this Section have the meanings assigned to them in this Section and include the plural as well as the singular.

(B) If the Indenture is qualified under the Trust Indenture Act, all other terms used herein which are defined in said Act, either directly or by reference therein, have the meanings assigned to them therein.

(C) All accounting terms not otherwise defined herein have the meanings assigned to them, and all computations herein provided for, shall be made in accordance with generally accepted accounting principles, except that the Company may conform to any order, rule or regulation of any regulatory authority having jurisdiction over the Company.

(D) Unless otherwise indicated, all references in this instrument to designated Articles, Sections, subsections, paragraphs and clauses are to the designated Articles, Sections, subsections, paragraphs and clauses of this instrument as originally executed.

(E) Unless otherwise indicated, all references in this instrument to a particular article and section of the Original Indenture are intended to refer to the specified article and section of the 1937 Indenture, subject to any amendments thereto contained in a Supplemental Trust Indenture.

(F) The words "herein," "hereof" and "hereunder" and other words of similar import refer to the Indenture as a whole and not to any particular Article, Section, subsection, paragraph or clause unless specifically stated to the contrary.

"Accountant" means a Person engaged in the practice of accounting who (except as otherwise expressly provided in the Indenture) may be employed by or affiliated with the Company.

"Accountant's Certificate" means a certificate, conforming to the applicable requirements of Sections 20.08 and 20.09, signed and verified by the President or a Vice President of the Company and by an Accountant, who may be such President or Vice President (in which case only one signature shall be required), or who may otherwise be employed by the Company.

"Acquired Facility" means any property which, within six months prior to the date of its acquisition by the Company, has been used or operated by a Person other than the Company in a business similar to that in which such property has been or is to be used or operated by the Company.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Amount of Established Permanent Additions" means the balance stated in each Engineer's Certificate delivered pursuant to paragraph (8) of subsection (a) of Section 5.05.

"Application" means as application for the authentication and delivery of Bonds, the release of property or the withdrawal of cash under any provision of the Indenture and shall consist of, and shall not be deemed complete until there shall have been delivered to the Trustee, such cash, Bonds, securities and documents as are required by such provision to establish the right of the Company to the action applied for. The date of a particular Application shall be deemed to be the date of completion of all such deliveries to the Trustee and not the date of any particular document so delivered.

"Authenticating Agent," when used with respect to any particular series of Bonds, means any Person named as authenticating agent for said series in the provisions of the Indenture relating to said series and any successor authenticating agent.

"Board of Directors" means either the Board of Directors of the Company or any committee of the Company appointed by the Board of Directors of the Company, provided that such committee of the Company has been properly elected or appointed in accordance with law and the by-laws of the Company and has the power requisite to take the action in question.

"Bondholder" means a Registered Holder of a Bond or, when used with respect to a Coupon Bond, means the bearer of such Bond or, when used with respect to any coupon, shall mean the bearer thereof.

"Bond Register" and "Bond Registrar" have the respective meanings stated in Section 2.12.

"Bond" means any bond authenticated and delivered under the Indenture and, if applicable unless the context otherwise requires, any coupons applicable thereto.

"Commission" means the Securities and Exchange Commission, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties theretofore assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Company" means the party of the first part hereto, Northern States Power Company, a Minnesota corporation, until a Successor Corporation shall have become such pursuant to the Indenture, and thereafter, "Company" shall mean such Successor Corporation.

"Company Consent," "Company Order" and "Company Request" mean, respectively, a written consent, order or request signed in the name of the Company by the President, a Vice President, the Treasurer, an Assistant Treasurer or the Controller and attested by the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee.

"Completed Default" has the meaning stated in Section 13.01.

"Completed Depreciable Property" means, as of any specified time of computation, an amount, determined in accordance with generally accepted accounting principles, equal to the cost, as shown on the books of the Company, of the portion of the properties subject to the Lien Hereof that are currently depreciable.

"Cost," as applied to Permanent Additions and used in any certificate herein provided for, shall be computed as of any particular date to be the amounts paid, expended or incurred by the Company for such Permanent Additions and added to the utility plant or fixed capital accounts of the Company according to the pertinent classification of accounts prescribed by any commission or other governmental authority to whose jurisdiction the Company at the time may be subject (or, in the absence of such a system, in accordance with generally accepted accounting principles), and, in the case of an Acquired Facility, shall be deemed to include the cost of any franchises, contracts, operating agreements, other rights or intangible property acquired simultaneously therewith and related thereto, even though no separate or distinct consideration shall have been paid for or apportioned to such franchises, contracts, operating agreements or other rights or property; provided that:

(1) there shall be included in the Cost of Permanent Additions the principal amount of any monetary obligations incurred or assumed by the Company which is directly related to the construction, acquisition or erection thereof or subject to which such Permanent Additions are acquired.

(2) if the Company acquires any Permanent Additions in consideration, in whole or in part, of its own capital stock, the reasonable value of such stock may, at the option of the Company, be included in the Cost of such Permanent Additions. The reasonable value of such stock shall be the value thereof as found or determined by a commission or other governmental authority to whose jurisdiction the Company may be subject or, if no such finding or determination shall have been made, then the reasonable value of such stock shall be ascertained as follows: The Company shall appoint one or more Independent appraisers, approved by the Trustee, to determine the reasonable value of such stock on the date or dates of its delivery, which determination shall be evidenced by a certificate, conforming to the requirements of Sections 20.08 and 20.09, signed by such Person so appointed and filed with the Trustee, stating the reasonable value of such stock in the opinion of such Person. Such certificate shall be conclusive evidence of the reasonable value of such stock for purposes of the Indenture.

3) if Permanent Additions consist of property owned by a Successor Corporation immediately prior to the time it shall have become such by consolidation, merger or sale, as provided in Section 15.01, the Cost to the Company shall be the ledger value of such property on the books of such Successor Corporation, less applicable reserves for depreciation, retirements and depletion immediately prior to such consolidation, merger or sale.

"Coupon Bond" means any coupon bond of the Series due July 1, 1988, December 1, 1990, August 1, 1991, June 1, 1992, September 1, 1993, June 1, 1995 or August 1, 1996.

"Date Hereof" means May 1, 1988.

"Default" means any event which has occurred and is continuing which, with the lapse of time or giving of notice, or both, would constitute a Completed Default.

"Defaulted Interest" has the meaning stated in Section 2.03.

"Depreciable Property" means, as of any specified time of computation, an amount, determined in accordance with generally accepted accounting principles, equal to the cost, as shown on the books of the Company, of (i) the Completed Depreciable Property and (ii) properties subject to the Lien Hereof that are in the process of being constructed and will be depreciable upon completion.

"Earnings Applicable to Bond Interest" for any applicable period means an amount computed as follows: From Gross Revenues of the Company, plus losses sustained from the disposition, write down or write off of capital assets, subtract (1) all profit realized from the sale of capital assets; (2) deductions (other than taxes measured by income and interest charges) for all operating expenses and other income deductions (including, to the extent not otherwise deducted, all losses sustained from the disposition, write down or write off of capital assets); and (3) any amount by which the actual expenditures or charges of the Company for ordinary repairs and maintenance and charges for reserves, renewals, replacements, retirements, depreciation and depletion are less than 2.50% of Completed Depreciable Property, as of the end of such period.

"Effective Date" means that date defined in Section 1.01.

"Engineer" means a Person who is (1) engaged in the engineering profession, (2) an appraiser or (3) other expert who (except as otherwise expressly provided in the Indenture) may be employed by or affiliated with the Company.

"Engineer's Certificate" means a certificate, conforming to the applicable requirements of Sections 20.08 and 20.09, signed and verified by the President or a Vice President of the Company and by an Engineer who may be such President or Vice President (in which case only one signature shall be required), or who may otherwise be employed by the Company.

"Fair Value," when used with respect to any property (including obligations for the payment of money or other securities), means the fair value thereof to the Company in the opinion of the Person making the determination. The Fair Value to the Company of any Permanent Additions consisting of an Acquired Facility (i) shall include an amount for any franchises, contracts, operating agreements or other rights acquired simultaneously therewith and related thereto, even though no separate or distinct consideration shall have been paid for or apportioned to such franchises, contracts, operating agreements or other rights, and (ii) shall include as an element of the value of such Permanent Additions a proper amount for the earnings capability of such Permanent Additions.

If the Fair Value of any property, obligation or securities shall be stated both in an Engineer's Certificate and in an Independent Engineer's Certificate, the Fair Value stated in the Independent Engineer's Certificate shall be deemed to be the Fair Value of such property, obligations or securities for all purposes of the Indenture.

"Government Obligations" means obligations which are full faith and credit obligations of the United States of America or payment of which has been unconditionally guaranteed by the United States of America.

"Gross Revenues" means and includes all operating revenues, other revenues and other income of the Company determined in accordance with generally accepted accounting principles.

"Holder," when used with respect to any Bond, means a Bondholder.

"Indenture" means the 1937 Indenture, as supplemented: (i) by Supplemental Trust Indentures thereto dated June 1, 1942, February 1, 1944, October 1, 1945, July 1, 1948, August 1, 1949, June 1, 1952, October 1, 1954, September 1, 1956, August 1, 1957, July 1, 1958, December 1, 1960, August 1, 1961, June 1, 1962, September 1, 1963, August 1, 1966, June 1, 1967, October 1, 1967, May 1, 1968, October 1, 1969, February 1, 1971, May 1, 1971, February 1, 1972, January 1, 1973, January 1, 1974, September 1, 1974, April 1, 1975, May 1, 1975, March 1, 1976, June 1, 1981, December 1, 1981, May 1, 1983, December 1, 1983, September 1, 1984, December 1, 1984, May 1, 1985 and September 1, 1985, (ii) by this Supplemental and Restated Trust Indenture dated May 1, 1988, (iii) by any Subsequent Supplemental Trust Indentures, and (iv) by any other Supplemental Trust Indentures or instruments supplemental to the Indenture entered into pursuant to the applicable provisions hereof.

"1937 Indenture" means the Trust Indenture dated February 1, 1937, from the Company to Harris Trust and Savings Bank.

"Independent," when used with respect to any specified Person, means such a Person who (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the Company or in any other obligor upon the Bonds or in any Affiliate of the Company or such other obligor and (3) is not connected with the Company, or such other obligor or any Affiliate of the Company or such obligor as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions. The term "employee" in this definition of Independent shall not include any Person, otherwise independent, by reason of having been employed for any purpose for which an Independent Person is necessary independent, by reason of having been employed for any purpose for which an Independent Person is necessary under the provisions of the Indenture. Whenever it is herein provided that any Independent Person's opinion or certificate shall be furnished to the Trustee, such Person shall be appointed by a Company Order and approved by the Trustee in the exercise of reasonable care. Such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

"Independent Accountant's Certificate" means a certificate, conforming to the applicable requirements of Sections 20.08 and 20.09, signed by an Independent Accountant or a firm of Independent Accountants who are Independent and are appointed by a Company Order and approved by the Trustee in the exercise of reasonable care.

"Independent Engineer's Certificate" means a certificate, conforming to the applicable requirements of Section 20.08 and 20.09, signed by an Independent Engineer appointed by a Company Order and approved by the Trustee in the exercise of reasonable care.

"Interest Payment Date" means the Stated Maturity of an installment of interest on the Bonds.

"Land" means, as of any specified time of computation, an amount, determined in accordance with generally accepted accounting principles, equal to the cost, as shown on the books of the Company, of the portion of the properties subject to the Lien Hereof that consist of any interest in real property and are not currently depreciable.

"Lien Hereof" and "Lien of the Indenture" mean the lien created by the Indenture (including the after acquired property clauses of the Indenture) and the lien created by any concurrent or subsequent conveyance to the Trustee hereunder (whether made by the Company or any other Person), of any property which is a part of the security held by the Trustee pursuant to the terms, trusts and conditions specified in the Indenture.

"Maintenance Fund" means the fund created in Section 9.01.

"Maturity," when used with respect to any Bond, means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration or call for redemption or otherwise.

"Net Earnings Certificate" means an Accountant's Certificate stating the amount of Earnings Applicable to Bond Interest for a specified period, computed as provided herein, and describing, in reasonable detail, how the same has been calculated and, to the end, specifying the amounts deducted from Gross Revenues on account of the items required to be deducted pursuant to the definition of Earnings Applicable to Bond Interest. When applicable the following rules shall be applied:

(1) for purposes of calculating: (i) the interest requirements applicable to any Bonds, Prior Lien Obligations or Permitted Indebtedness bearing interest at adjustable, floating or variable rates and (ii) the interest requirements applicable to any Bonds, Prior Lien Obligations or Permitted Indebtedness on which interest charges attributable to such Bonds, Prior Lien Obligations or Permitted Indebtedness will not become payable until a date more than one year after the date of such calculation, the interest rate used shall be the higher of (x) the interest rate applicable to such Bonds, Prior Lien Obligations or Permitted Indebtedness on the date of such calculation, or (y) the average interest rate payable on all Bonds Outstanding, Prior Lien Obligations and Permitted Indebtedness during the 12-month period immediately preceding the date of such calculation.

(2) if any property is owned by the Company at the time of: (i) the authentication and delivery of any Bonds applied for or (ii) the withdrawal of any cash, either or both of which require a Net Earnings Certificate, then, although not owned during the whole, or any part, of the period for which the computation of Earnings Applicable to Bond Interest is made, the net earnings or income of such property during the whole of such period (computed in the same manner as Earnings Applicable to Bond Interest is computed), may at the option of the Company be included in Earnings Applicable to Bond Interest for all purposes of the Indenture; provided that is any such property has been acquired in exchange or substitution for property released from the Lien Hereof or through the use of cash deposited with the Trustee under any of the provisions hereof (other than cash deposited in accordance with the provisions of Article VII as a basis for the issuance of Bonds) then the earnings from the property released or which is represented by such cash shall be excluded from Earnings Applicable to Bond Interest.

"Officer's Certificate" means a certificate, conforming to the applicable requirements of Sections 20.08 and 20.09, signed by the President, a Vice President, the Treasurer, or the Controller and attested by the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee. Whenever the Indenture requires that an Officer's Certificate also be signed by an Engineer or an Accountant or other expert, such Engineer, Accountant or other expert (except as otherwise expressly provided in the Indenture) may be employed by the Company and shall be acceptable to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, conforming to the applicable requirements of Section 20.08 and 20.09, and who (except as otherwise expressly provided in the

Indenture) may be counsel for the Company, and shall be acceptable to the Trustee. Any Opinion of Counsel given as to title to property may be based, in whole or in part, upon the documents and opinions described in Section 20.17.

"Original Indenture" means the 1937 Indenture, as supplemented by Supplemental Trust Indentures thereto dated June 1, 1942, February 1, 1944, October 1, 1945, July 1, 1948, August 1, 1949, June 1, 1952, October 1, 1954, September 1, 1956, August 1 1957, July 1, 1958, December 1, 1960, August 1, 1961, June 1, 1962, September 1, 1963, August 1, 1966, June 1 1967, October 1, 1967, May 1, 1968, October 1, 1969, February 1, 1971, May 1, 1971, February 1, 1972, January 1, 1973, January 1, 1974, September 1, 1974, April 1, 1975, May 1, 1975, March 1, 1976, June 1, 1981, December 1, 1981, May 1, 1983, December 1, 1983, September 1, 1984, December 1, 1984, May 1, 1985 and September 1, 1985.

"Original Indenture Bonds" means all the Bonds of each series originally authenticated by the Trustee and originally issued under the Original Indenture prior to the date of this Restated Indenture and the coupons, if any, pertaining to such Bonds.

"Outstanding," when used with respect to Bonds, means, as of the date determination, all Bonds theretofore authenticated and delivered under the Indenture, except:

(1) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(2) Bonds for which provisions for payment or redemption shall have been made in accordance with Section 6.03 or for whose payment or redemption money, in the necessary amount, has been deposited with Trustee or any Paying Agent in trust for the Holders of such Bonds, provided that, if such Bonds are to be redeemed, notice of such redemption has duly given pursuant to the Indenture or provision therefor, satisfactory to the Trustee, has been made; and

(3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture;

provided that, in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by the Company or any other obligor upon the Bonds or any Affiliate of the Company or of such other obligor shall be disregarded and demand not Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for such purposes if the pledge establishes to the satisfaction of the Trustee the pledgee's right so to act independently with respect to such Bonds and that the pledgee is not the Company or any other obligor upon the Bonds or any Affiliate of the Company or of such other obligor.

"Paying Agent" means any Person meeting the requirements established by Section 16.20 who is authorized by the Company to pay the principal of, premium, if any, or interest on any Bonds on behalf of the Company.

"Permanent Additions" means all interests (fractional or otherwise) in property, real, personal or mixed (including therein, without in any way limiting or impairing, by the enumeration of the same, the scope and intent of the foregoing except as hereinafter specifically limited, all lands, buildings, plants, power houses, dams, facilities that process raw materials or waste materials into fuel for the purpose of producing energy, nuclear fuel, reservoirs, stations, lines, pipes, mains, conduits, cables, machinery, pumps, transmission lines, pipelines, rights-of-way, distribution systems, storage facilities, sub-stations, transformers, service systems, supply systems, wires, poles, cross-arms,

apparatus of all kinds and descriptions, improvements, extensions and additions, including operating public utility properties acquired as an entirety) which shall have been made, acquired, constructed or erected by the Company subsequent to January 31, 1937, or which shall be in the process of construction or erection insofar as actually constructed or erected subsequent to January 31, 1937, and used or to be used in the business of: (1) generating, manufacturing, storing, transporting, transmitting, distributing or supplying electricity or other forms of energy, including but not limited to gas for light, heat, power, refrigeration or other purposes or steam for heating, processing or other energy purposes, or other forms of energy; (2) acquiring, storing, transporting, transmitting, distributing or supplying water for use in the generation of power; (3) selling, granting, leasing or licensing the right to use water (but not for the purpose of irrigation) or (4) providing telephone or other communications services.

(a) Permanent Additions, as described above, need not consist of a specific or completed development, plant, betterment, addition, extension, improvement or enlargement, but may include construction work in progress and property in the process of purchase insofar as the Company shall have acquired title to such property, and may include the following:

(1) fractional interests in poles or other property used for transmission or distribution;

(2) other interests (fractional or otherwise) in property owned jointly or in common with any other Person or in other property used in connection with or relating to any such property owned jointly or in common, whether there are or are not other agreements or obligations on the part of the Company with respect to any such property;

(3) engineering, economic, environmental, financial, geological and legal or other studies, surveys and reports, preliminary to or associated with the acquisition or construction of any property included in the calculation of Depreciable Property.

(b) The term Permanent Additions shall not include:

(1) any property not subject to the Lien of the Indenture;

(2) any land or equipment acquired, leased or used by the Company for the purpose of producing gas, oil, coal, or natural gas or oil rights owned or under lease or gas wells or oil wells or equipment therefor, or coal mines or equipment therefor;

(3) any shares of stock, bonds, notes, evidences or certificates of indebtedness or other securities;

(4) goodwill, going concern value, contracts, agreements, franchises, licenses or permits, whether acquired as such, separate and distinct from the property in connection therewith, or acquired as an incident thereto;

(5) any stock of goods, wares and merchandise acquired for the purpose of consumption in the operation, construction or repair of any of the properties of the Company and not chargeable to capital investment be generally accepted accounting principles or any merchandise or appliances held by the Company for sale to customers or others;

(6) any property acquired, made or constructed by the Company for keeping or maintaining the property subject to the Lien Hereof in good repair, working order and condition or merely to renew, replace or substitute for Retired Property or any property whose cost has not been charged, or is not properly chargeable, to a utility plant or fixed capital account;

(7) any plant or system or other property in which the Company shall acquire only a leasehold interest or any betterments, extensions or improvements or additions of, upon or to any plant or system or other property in which the Company shall own only a leasehold interest, unless the same shall be movable physical personal property which the Company has the right to remove; or

(8) any property that is subject to an encumbrance of the type described in paragraph (20) of the definition of Permitted Encumbrances.

"Permanent Additions of the Company" means and includes property owned by the Company within the definition of Permanent Additions.

"Permitted Encumbrances," prior to the retirement through payment or redemption of the Original Indenture Bonds (including those Original Indenture Bonds "deemed to be paid" within the meaning of that term as used in Article XVII of the 1937 Indenture) means "permitted liens" as defined in Section 5 of Article I of the 1937 Indenture, and thereafter means:

(1) as to the property specifically described in Granting Clauses of the Indenture as of the Effective Date, the restrictions, exceptions, reservations, conditions, limitations and interests which are set forth or referred to in such descriptions and each of which fits one or more of the descriptions in the following paragraphs of this definition, provided that such exceptions do not, in the aggregate, materially detract from the value of the property affected thereby and do not materially impair the use of such property for the purposes for which it is held by the Company;

(2) liens for taxes, assessments and other governmental charges that are not delinquent;

(3) liens for taxes, assessments and other governmental charges already delinquent which are currently being contested in good faith by appropriate proceedings, provided that the Company shall have set aside on its books any reserves with respect thereto that are required by generally accepted accounting principles;

(4) mechanics' and materialmen's liens not filed of record and similar charges, not delinquent, that are incident to current construction and mechanics' and materialmen's liens incident to such construction which are filed of record but which are being contested in good faith and have not proceeded to judgment, provided that the Company shall have set aside on its books any reserves with respect thereto that are required by generally accepted accounting principles;

(5) mechanics', workmen's, repairmen's, materialmen's warehousemen's and carriers' liens and other similar liens arising in the ordinary course of business for charges which are not delinquent, or which are being contested in good faith and have not proceeded to judgment, provided that the Company shall have set aside on its books any reserves with respect thereto that are required by generally accepted accounting principles;

(6) liens in respect of attachments, judgments or awards with respect to which the Company shall in good faith currently be prosecuting an appeal or proceedings for review and with respect to which the Company shall have secured a stay of execution pending such appeal or proceedings for review, provided that the Company shall have set aside on its books any reserves with respect thereto that are required by generally accepted accounting principles;

(7) easements or reservations in any property of the Company for roads, public utilities or similar purposes, rights-of-way and easements over or in respect of any real property owned by the

Company and zoning ordinances, regulations and restrictions, provided that they do not materially impair the use of such property in the operation of the business of the Company;

(8) minor defects, liens and encumbrances as to which an Opinion of Counsel states: (1) that they will not interfere with the proper operation of the Company's business and (2) (a) that any effect thereof upon security of the Indenture, is adequately guarded against by bond or other designated indemnity or (b) that any effect thereof does not materially affect the marketability of title to such property and does not materially impair the use of such property for the purposes for which it is held by the Company;

(9) rights of Persons who are parties to agreements with the Company relating to property owned or used jointly (in common) by the Company with such Persons, provided (a) that such rights do not materially impair the use of such jointly owned or used property in the normal operation of the Company's business and do not materially affect the security afforded by the Indenture for the Bonds Outstanding and (b) that such rights are not inconsistent with the rights of the Trustee under Article XIII (a waiver of a right to partition by all joint owners is binding upon the Trustee and is not inconsistent with the provisions of Article XIII);

(10) liens existing at the Effective Date that secure indebtedness neither created, assumed nor guaranteed by the Company nor on account of which it customarily pays interest, or, at the time of acquisition of property by the Company after the Effective Date, liens upon lands over which easements or rights-of-way are acquired by the Company, provided: (a) that such liens do not materially impair the use of such easements or rights-of-way for the purposes for which they are held by the Company or (b) that, in the Opinion of Counsel, the Company has power under eminent domain, or similar statutes, to remove such liens;

(11) (a) leases existing at the Effective Date affecting property owned by the Company on the Effective Date; (b) leases permitting the lessee to occupy or use any of the mortgaged and pledged property in any manner that does not interfere in any material respect with the use of such property for the purpose for which it is held by the Company and which will not have a material adverse impact on the security afforded by the Indenture; or (c) other leases relating to not more than 5% of the sum of (i) Depreciable Property and (ii) Land;

(12) terminable or short-term leases or permits for occupancy, which leases or permits expressly grant to the Company the right to terminate them at any time on not more than six months' notice and which occupancy does not interfere with the operation of the business of the Company;

(13) liens or privileges vested in any lessor, licensor or permittor for rent to become due or for other obligations or acts to be performed, the payment of which rent or the performance of which other obligations or acts is required under leases, subleases, licenses or permits, so long as the payment of such rent or the performance of such other obligations or acts is not delinquent;

(14) liens or privileges of any employees of the Company for salary or wages earned but not yet payable;

(15) burdens of any law or governmental regulation or permit requiring the Company to maintain certain facilities or perform certain acts as a condition of its occupancy of or interference with any public lands or any river or stream or navigable waters;

(16) irregularities in or deficiencies of title to any right-of-way for telephone, telegraph or other communications lines, pipelines, power lines or appurtenances thereto, or other improvements thereon, and to any real estate used or to be used primarily for right-of-way purposes, provided that,

in the Opinion of Counsel, the Company shall have obtained from the apparent owner of the lands or estates therein covered by any such right-of-way a sufficient right, by the terms of the instrument granting such right-of-way, to the use thereof for the construction, operation or maintenance of the lines, appurtenances or improvements for which the same are used or are to be used, or provided that, in the Opinion of Counsel, the Company has power under eminent domain, or similar statutes, to remove such irregularities or deficiencies;

(17) rights reserved to, or vested in, any municipality or governmental or other public authority to control or regulate any property of the Company, or to use such property in any manner, which rights do not materially impair the use of such property for the purposes for which it is held by the Company;

(18) obligations or duties, affecting the property of the Company, to any municipality or governmental or other public authority with respect to any franchise, grant, license or permit;

(19) rights which any municipal or governmental authority may have by virtue of any franchise, license, contract or statute to terminate any franchise, license or other rights or to regulate the property and business of the Company;

(20) any mortgage, lien, charge or encumbrance prior or equal to the Lien of the Indenture, other than a Prepaid Lien, existing at the date any property is acquired by the Company, provided that at the date of acquisition of such property: (a) no Default has occurred and is continuing; (b) the principal amount of indebtedness outstanding under and secured by such mortgage, lien, charge or encumbrance shall not exceed 66-2/3% of the lesser of the Cost or Fair Value of the property so acquired (determined in the same manner as the Cost or Fair Value to the Company of Permanent Additions); (c) each such mortgage, lien, charge or encumbrance shall apply only to the property originally subject thereto and fixed improvements erected on such real property or affixed to such personal property or equipment used in connection with such real or personal property and the Company shall cause to be closed all mortgages or other liens existing at the time of acquisition of any property hereafter acquired by the Company and will permit no additional indebtedness to be issued thereunder or secured thereby, except for the replacement of any mutilated, lost or destroyed notes or bonds or to effect exchanges of notes or bonds of different denominations or transfer of such notes or bonds, as may be permitted by the mortgage, lien, charge or encumbrance securing such notes or bonds;

(21) Prepaid Liens; and

(22) reservations of minerals and mineral rights existing at the time any real property is acquired by the Company.

"Permitted Indebtedness" means any outstanding indebtedness which is secured by a mortgage, lien, charge or encumbrance described in paragraph (20) of the definition of Permitted Encumbrances.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subsection thereof.

"Place of Payment," when used with respect to the Bonds of any series, means a city or any political subdivision thereof in which the Company is required, by the Indenture, to maintain an office or agency for the payment of the principal of, premium, if any, or interest on the Bonds of such series.

"Prepaid Lien" means any Prior Lien Obligation or Permitted Indebtedness, for which the Company has deposited or caused to be deposited in trust, with the Trustee, or other banking institution specified in the documentation pertaining to such Prior Lien or Prepaid Indebtedness, any combination:

(i) of cash and

(ii) of Government Obligations (which shall not contain provisions permitting the redemption thereof at the option of the issuer), maturing as to principal and interest (without any regard to the reinvestment thereof) in such amounts and at such times as will assure the availability of cash

that is necessary to pay and discharge the entire principal of, premium, if any, and interest on such Prior Lien Obligation or Permitted Indebtedness to the date of maturity thereof or the redemption date, as the case may be; and, if such Prior Lien Obligation or Permitted Indebtedness is to be redeemed, the Company has made arrangements satisfactory to the Trustee for the giving of notice of redemption at the expense of the Company. Upon the filing with the Trustee of an Accountant's Certificate and an Opinion of Counsel stating that such Prior Lien Obligation or Permitted Indebtedness has been paid or reduced or has been ascertained by judicial determination or otherwise to be in whole or in part invalid, and specifying the amount of such payment, reduction or the extent of such invalidity, as the case may be, any cash and Government Obligations so deposited shall be repaid to the Company proportionately to the extent of such payment, reduction or invalidity, as the case may be.

"Prior Lien" means any mortgage, lien, charge or encumbrance on or pledge of or security interest in any of the property of the Company subject to the Lien of the Indenture prior to or upon a parity with the Lien of the Indenture, other than Permitted Encumbrances.

"Prior Lien Obligation" means any indebtedness and any evidence thereof secured by a Prior Lien.

"Redemption Date," when used with respect to any Bond to be redeemed, means the date fixed for such redemption.

"Registered Bond" means any Bond registered in the Bond Register.

"Registered Holder," when used with respect to any Registered Bond, means the Person in whose name such Bond is registered in the Bond Register.

"Regular Record Date" for the interest payable on any Interest Payment Date on the Bonds of any series means the date specified in the provisions of the Supplemental Trust Indenture creating such series.

"Release Fund" means the fund created by Section 11.09.

"Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Responsible Officer," when used with respect to the Trustee, means the chairman or vice-chairman of the board of directors of the Trustee, the chairman or vice-chairman of the executive committee of said board, the president, any vice-president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller, any assistant controller or any other officer of the Trustee customarily performing

functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restated Indenture" means this Supplemental and Restated Trust Indenture dated May 1, 1988.

"Retired Property" shall mean (a) all Permanent Additions owned by the Company on or after February 1, 1937, which have been removed, sold, abandoned, destroyed or which for any cause have been permanently withdrawn from service and (b) after the Date Hereof, the portion of all Permanent Additions for which reductions have been made in the Cost at which such Permanent Additions have been recorded on the books of the Company, except reductions resulting from the transfer of any portion of the Cost of such Permanent Additions to some other property account of the Company (until the Permanent Additions so transferred shall be retired from such other account) and except reductions, if any, resulting from depreciation or similar charges.

"Special Record Date" for the payment of any Defaulted Interest on Bonds means a date fixed by the Trustee pursuant to Section 2.03.

"Stated Maturity," when used with respect to any Bond, means each date specified in such Bond as the fixed date on which the principal of and installments of interest on such Bond are due and payable.

"Subsequent Supplemental Trust Indenture" means any indenture supplement to the Indenture that is dated, executed by the Company and delivered to the Trustee after the Date Hereof and prior to the Effective Date.

"Successor Corporation" has the meaning stated in Section 15.02.

"Supplemental Trust Indenture" means an indenture supplemental to the Indenture executed by the Company and delivered to the Trustee.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as in force at the Date Hereof.

"Trustee" means the party of the second part hereto, Harris Trust and Savings Bank, until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"Vice President," when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a work added to the title.

ARTICLE II.

Form and Execution of Bonds.

SECTION 2.01. The Indenture creates a continuing lien to secure the full and final payment of the principal of, premium if any, and interest on all Bonds which may be Outstanding. The aggregate principal amount of Bonds which may be issued, authenticated, delivered and Outstanding under the Indenture is not limited, except as provided in Articles IV through VII and the provisions of any Supplemental Trust Indenture creating any series of Bonds and except as may be limited by law.

At the option of the Company, Bonds may be issued in one or more series. All Bonds of any one series shall be identical in form and language except for necessary or proper variations between temporary Bonds, Registered Bonds and Coupon Bonds or Bonds of different denominations and, in the case of Bonds of any series of serial maturity as to the date of maturity, and the prices, terms, and conditions of redemption thereof. Each series shall have such distinctive designation as the Board of Directors may select for such series, and each Bond shall bear upon the face thereof the designation so selected for the series to which it belongs. Each series may bear interest at a fixed or variable rate or may bear no interest or may bear interest only upon the occurrence of certain events described in the Bonds or the Supplemental Trust Indenture relating to the Bonds of that series. The form of the Bonds of each series created before the Effective Date shall conform to the applicable provisions of the Original Indenture or any Subsequent Supplemental Trust Indenture relating thereto. The form of the Bonds of each series that is created on or after the Effective Date shall be established at the time of the creation of the series by Resolution. Subject to the qualifications contained in the preceding sentence and in Sections 2.02 through 2.17, the text of the Bonds and of the certificate of the Trustee upon all Bonds shall be as described in Section 2.02. The Bonds of any series, whether temporary or Registered or Coupon, may contain such other terms, provisions, specifications and descriptive words, and may have such letters, words, numbers or other marks of identification or designation and such legends or endorsements printed, lithographed or engraved thereon, not inconsistent with the provisions hereof, as may be necessary or proper to comply with the rules of any broker's board or exchange or with the order of any governmental body having jurisdiction, or to conform to usage with respect thereto or as may be desired by the Board of Directors.

Before any Bonds of any series that is created on or after the Effective Date shall be authenticated or delivered by the Trustee, a copy of the Resolutions creating the series shall be delivered by the Company to the Trustee. The Company also shall deliver to the Trustee a Supplemental Trust Indenture in recordable form, which contains the particulars of the new series of Bonds as above set forth, and also contains provisions appropriate to give such Bonds the protection and security of the Indenture.

SECTION 2.02. The form of Bonds of each series that is created on or after the Effective Date and the form of the Trustee's certificate of authentication shall be set forth in a Supplemental Trust Indenture. The Bonds of any one or more series that is created on or after the Effective Date may be expressed in one or more foreign languages, if also expressed in the English language. The English text shall govern the construction thereof and both or all texts shall constitute only a single obligation. The English text of the Bonds and the Trustee's certificate of authentication shall be in the form set forth in a Supplemental Trust Indenture; provided that the form of each series of Bonds shall specify the descriptive title of such series of Bonds (which title shall contain the words "First Mortgage Bond"), the designation of such series, the rate or rates of interest, if any (or the method by which such rate or rates are determined), to be borne by the Bonds of such series, the coin

or currency in which payable (which need not be coin or currency of the United States of America), the Stated Maturities of principal and interest, and a place or places (which need not be in the United States of America), and the means (which may include mail) for the payment of principal of, premium, if any, and interest on such Bonds, and the record dates for the payment of interest. Any series of Bonds that is created on or after the Effective Date also may have such omissions or modifications or contain such other provisions not prohibited by the Indenture as may be set forth in a Supplemental Trust Indenture. Any portion of the text of any Bond may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Bond.

The definitive Bonds of each series shall be printed, lithographed, engraved or produced by any combination of these methods or produced in any other manner permitted by the rules of any securities exchange on which the Bonds may be listed or, if not so listed, as determined by the Company but subject to the provisions of subsection (c) of Section 2.12, all as determined by the officers executing such Bonds as evidenced by their execution thereof.

SECTION 2.03. The principal of and interest on the Bonds shall be payable at the option of the Company at such place or places as set forth in such Bonds.

Interest on any Bond of any series that was created prior to the Effective Date shall be payable to the Person specified in such Bond or in the provisions of the Supplemental Trust Indenture creating such series.

Interest on any Bond of any series that is created on or after the Effective Date which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Bond is registered at the close of business on the Regular Record Date for such interest. At the option of the Company, interest on any such Bond may be paid by check mailed to the Person entitled to such interest.

Any interest on any Bond of any series that is created on or after the Effective Date which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Registered Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest shall be paid by the Company, at its election, as provided in subsection (a) or (b) below:

(a) The Company may elect to make payment of any Defaulted Interest on the Bonds of any series to the Persons in whose names such Bonds are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment. Such money, when deposited, shall held in trust for the benefit of the Persons entitled to such Defaulted Interest as provided in this subsection (a) and shall not be deemed part of the mortgaged and pledged property hereunder. The Company also shall notify the Trustee, in writing, of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment. Such date of proposed payment shall enable the Trustee to comply with the next sentence hereof. Thereupon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be (i) not more than 15 nor less than 10 days prior to the date of the proposed payment and (ii) not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such

Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of a Bond of such series at his address, as it appears in the Bond Register not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Registered Holders of the Bonds of such series on such Special Record Date and shall no longer be payable pursuant to the following subsection (b).

(b) The Company may make payment of any Defaulted Interest on the Bonds of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Bonds may be listed (or, if not so listed, in any other lawful manner) and upon such notice as may be or would be required by such exchange, if, after written notice given by the Company to the Trustee of the proposed payment pursuant to this subsection (b), such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section 2.03, each Bond delivered upon transfer of or in exchange for or in lieu of any other Bond shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

SECTION 2.04. At the option of the Company, provision may be made with respect to the Bonds of any series for (a) the payment of the principal thereof, interest thereon or both without deduction for taxes and (b) any taxes which shall be reimbursed by the Company in case of payment by the Bondholder, provided that the obligation to make any such reimbursement shall not be deemed part of the indebtedness secured by the Lien of the Indenture. Such provisions may be limited to taxes imposed by any taxing authorities of a specified class and may exclude from its operation, or be limited to, any specified tax or taxes or any portion thereof.

SECTION 2.05. The dates of issue, Stated Maturities of principal and interest and rates of interest of the Bonds of each series, the designation of the series, and the descriptive title of the Bonds included therein and the terms and conditions, if any, upon which the Company may redeem any of such Bonds before its Stated Maturity, shall be as designated in the form established for such series in accordance with the provisions hereof.

SECTION 2.06. The Company may, in the Bonds of each series that is created on or after the Effective Date, stipulate and agree that the principal of such Bonds may be converted, at the option of the Holders, into the capital stock or other securities, of any class of the Company, or of any Successor Corporation, upon such terms and conditions as the Board of Directors may determine and may cause appropriate insertions to be made in the text of such Bonds for the purpose of stating such agreement with respect to conversion and the terms and conditions thereof.

SECTION 2.07. The Company may, at the time of creation of any series of Bonds, make suitable provision, in such manner as may be determined by the Board of Directors not inconsistent with the provisions hereof, for the payment to the Trustee as or toward a sinking fund or similar fund

for the payment, redemption, acquisition or retirement in any manner of the Bonds of such series, or any portion thereof.

SECTION 2.08. Except as otherwise provided in any Supplemental Indenture creating a series of Bonds, the Bonds of any series shall be executed, authenticated and delivered as Registered Bonds without coupons and may be issued in denominations of $1,000 and such multiples thereof as the Board of Directors may authorize.

SECTION 2.09. All Bonds of each series that is created on or after the Effective Date shall be dated the date of their authentication. Bonds of each series created prior to the Effective Date shall be dated in the manner specified in the Supplemental Trust Indenture creating such series.

SECTION 2.10. The Bonds of any series, at the option of the Company, may contain provisions permitting the exchange or interchange of Bonds as specified in this Section 2.10, to wit: the exchange or interchange of Bonds for or with Bonds of other denominations; and the exchange of Bonds of one series for Bonds of another series of the same or later maturity. Such privileges of exchange or interchange may be made subject to any conditions, limitations or restrictions which the Company shall cause to be specified in the Bonds so made exchangeable or interchangeable or in the Supplemental Trust Indenture creating the series. The privilege of exchange or interchange may be conferred upon the Holders of Bonds of one or more denominations and withheld from the Holders of Bonds of other denominations of the same series.

Each Bond issued in exchange for or upon transfer of any other Bond shall be a valid obligation of the Company, evidence the same debt, secured by the Lien Hereof and entitled to all benefits and protection hereof to the same extent as the Bond surrendered for such exchange or transfer.

SECTION 2.11. In all cases of exchanges of Bonds contemplated by Section 2.10, the Bonds to be exchanged shall be surrendered at the office or agency of the Company in such place or places as shall be designated for the purpose in such Bonds or in the Indenture or any Supplemental Trust Indenture and the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor the Bonds which the Bondholder making the exchange shall be entitled to receive. All Bonds so surrendered for exchange shall be cancelled by the Trustee. After the Effective Date, and before the Effective Date if so provided in a Supplemental Trust Indenture creating a series of Bonds prior to the Effective Date, the Company may impose a reasonable service charge to cover its costs incurred in connection with any registration, transfer or exchange, including registrations and transfers of Bonds under the provisions of Section 2.12. The Company may make a charge sufficient to reimburse it for any tax or taxes or other governmental charge required to be paid by the Company by reason of such exchange or transfer. The Company shall not be obligated (a) to exchange any Bond of any series that is created on or after the Effective Date for the 15-day period next preceding the day of the first mailing of a notice of redemption of Bonds of such series under Section 10.02 or (b) to exchange any such Bond so selected for redemption in whole or in part.

SECTION 2.12. (a) The Company shall keep at the office of the Trustee and at the Company's office or agency in such other place as shall be designated for the purpose in any Bond, books for the registration and transfer of Bonds (the "Bond Register"), which, at all reasonable times, shall be open for inspection by the Trustee, and, upon presentation for such purpose at any office or agency, the Company will register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as it may prescribe, any Bonds entitled to be transferred at such office or agency.

(b) The Trustee is hereby appointed "Bond Registrar" for the purposes of registering and transferring Bonds. Upon the transfer of any Bond, the Company shall issue, in the name of the transferee or transferees, a new Bond of like form and the Trustee shall authenticate and deliver the same to him or them. The Company shall not be required (1) to issue or transfer any Bond of any series that is created on or after the Effective Date during the 15 days next preceding the day of the first mailing of a notice of redemption of Bonds of such series under Section 10.02 or (2) to issue or transfer any such Bond so selected for redemption in whole or in part.

(c) The Company may, at its option, provide for alternative methods or forms for evidencing and recording the ownership of Bonds. As provided in Section 18.01, the Company may amend the Indenture to establish such alternative methods or forms.

SECTION 2.13. All Bonds shall be executed on behalf of the Company by its President or one of its Vice Presidents and its corporate seal shall be affixed thereunto, or printed, lithographed, or engraved thereon, in facsimile, and attested by the signature of its Secretary or one its Assistant Secretaries. Any such signatures may be manual or facsimile signatures and may be imprinted or otherwise reproduced. In case any of the officers who shall have signed any Bonds or attested the seal thereon shall cease to be such officers of the Company before the Bonds so signed and sealed shall have been authenticated by the Trustee or delivered by the Company, such Bonds nevertheless may be issued, authenticated and delivered with same force and effect as though the Persons who signed such Bonds and attested the seal thereon had not ceased to be officers of the Company. Any Bond may be signed or attested on behalf of the Company by a Person who at the actual date of the execution of such Bond shall be the proper officer of the Company, although at the date of such Bond such Person shall not have been an officer of the Company.

SECTION 2.14. Until definitive Bonds are ready for delivery, there may be authenticated, delivered and issued in lieu thereof, temporary printed, lithographed or typewritten Bonds in registered form substantially of the tenor of the Bonds described herein, with appropriate variations, omissions or insertions. Such temporary Bonds may be of such denominations, as the Company may determine. Until exchanged for definitive Bonds, such temporary Bonds shall be entitled to the benefit and Lien of the Indenture. Without unnecessary delay, the Company will execute and furnish definitive Bonds to be exchanged for such temporary Bonds upon surrender thereof to the Trustee or, at the option of the Holder, at the office of any Authenticating Agent appointed in accordance with Section 16.15. Upon such exchange, which the Company shall make without any charge therefor, such temporary Bonds shall be destroyed by the Trustee. Upon the exchange and destruction of said Bonds, a certificate of such destruction shall be delivered to the Company pursuant to Section 20.07. Until such definitive Bonds are ready for delivery, the Holder of temporary Bonds may, if provided by the terms thereof, exchange the same by surrendering such temporary Bonds to the Trustee for a like aggregate principal amount of temporary Bonds in such denominations as the Company may determine to issue in exchange.

SECTION 2.15. Upon receipt by the Company and the Trustee of evidence satisfactory to them of the loss, destruction, mutilation or theft of any Outstanding Bond and of indemnity satisfactory to them and upon surrender and cancellation of any mutilated Bond, the Company may execute, and the Trustee may authenticate and deliver, a new Bond of the same series and maturity and of like tenor, to be issued in lieu of such lost, stolen, destroyed or mutilated Bond. Such new

Bond in the discretion of the Company or the Trustee may bear the same serial number as the lost, stolen, destroyed or mutilated Bond in lieu of which it is issued (in which case the new Bond may be marked "Duplicate" or be otherwise distinguished) or may bear a different serial number and such endorsement as may be agreed upon by the Company and by the Trustee, and which at the time may be necessary to conform to the requirement of any stock exchange. The Company and the Trustee may require the payment of a sum sufficient to reimburse them for all expenses in connection with the issue of each new Bond under this Section 2.15.

SECTION 2.16. Subject to the qualifications herein set forth, the Bonds to be secured hereby shall be substantially of the tenor and effect herein recited. No Bonds shall be secured hereby unless there shall be endorsed thereon the certificate by the Trustee that it is one of the Bonds described herein; and such certificate on any such Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered and is secured hereby.

SECTION 2.17. (a) If the Company, pursuant to Article XV, shall be consolidated with or merged into any other corporation or shall sell the mortgaged and pledged property as an entirety or substantially as an entirety, and the Successor Corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received a conveyance or transfer as aforesaid, shall have executed with the Trustee and caused to be recorded an indenture pursuant to Article XV, any of the Bonds issued prior to such consolidation, merger, conveyance or transfer may, at the request of the Successor Corporation, be exchanged for other Bonds of the same series and Maturity executed in the name and under the seal of the Successor Corporation, with such changes in phraseology and form as may be appropriate but in substance of like tenor as the Bonds surrendered for such exchange, and of like principal amount; and the Trustee, upon the request of the Successor Corporation, shall authenticate Bonds as specified in such request for the purpose of such exchange and shall deliver them upon surrender of the Bonds to be exchanged therefor. In case of any such exchange, the Trustee shall forthwith cancel the surrendered Bonds and, on the written request of the Company, deliver the same to the Company. All Bonds so executed in the name and under the seal of the Successor Corporation and authenticated and delivered shall in all respects have the same legal rank and security as the Bonds executed in the name of the Company and surrendered upon such exchange with like effect if the Bonds so delivered in the name of the Successor Corporation had been made, authenticated and issued hereunder on the Date Hereof.

(b)The Company covenants and agrees that, if additional Bonds of any particular series of which Bonds are at the time Outstanding shall be authenticated and delivered in the name of a Successor Corporation, the Company will provide for the exchange of any Bonds of any such series previously issued for Bonds issued in the name of such Successor Corporation, at the option of and without expense to the Holder.

ARTICLE III.

[Omitted]

ARTICLE IV.

Provisions Applicable Generally to Issuance of All Additional Bonds.

SECTION 4.01. No Bonds shall be authenticated and delivered by the Trustee under the provisions of Articles V, VI or VII unless the Trustee shall have received prior to or at the time of the authentication and delivery thereof:

(a) a written Application, dated not more than ninety days preceding the date of the authentication and delivery of Bonds then applied for, executed in the name of the Company by the President or a Vice President of the Company stating the aggregate principal amount, the series thereof, the denomination and form of the Bonds requested to be authenticated and delivered, and the Persons to whom or upon whose order such Bonds are to be delivered;

(b) a Resolution authorizing such Application;

(c) An Opinion of Counsel that (i) no consent of any governmental authority is requisite to the legal issue of the Bonds, the authentication and delivery of which have been applied for, or that the issue of such Bonds has been duly authorized by any and all governmental authorities, the consent of which is requisite to the legal issue of such Bonds and specifying any officially authenticated certificates or other documents by which such consent is or may be evidenced, (ii) all mortgage, registration and other similar taxes applicable to the Bonds applied for have been paid, or that provision for the payment thereof has been made or that no such payment is required by law, (iii) the amount of indebtedness or bonded indebtedness which may be incurred by the Company is not then limited by law or by any corporate action limiting the total authorized indebtedness or bonded indebtedness of the Company, or that the total amount of outstanding indebtedness or bonded indebtedness of the Company, stated in the accompanying Accountant's Certificate provided for in subsection (d) of this Section 4.01, plus the aggregate principal amount of the Bonds applied for in the accompanying Application, does not exceed the amount of indebtedness or bonded indebtedness of the Company as then limited by law or by such corporate action and (iv) all corporate action necessary to be taken by the Company to permit the legal and valid issue and authentication and delivery of the Bonds which have been applied for has been duly taken;

(d) Unless the Opinion of Counsel provided for in the foregoing subsection (c) shall state that the amount of indebtedness or bonded indebtedness which may be incurred by the Company is not then limited by law or by such corporate action, an Accountant's Certificate stating the total amount of indebtedness or bonded indebtedness of the Company, including the aggregate face amount of Bonds Outstanding;

(e) The officially authenticated certificates or other documents, if any, specified in the Opinion of Counsel provided for in the foregoing subsection (c), and evidence satisfactory to the Trustee of the payment or provision for payment of any taxes therein referred to;

(f) the Resolution or Resolutions and the Supplemental Trust Indenture creating the series of which such Bonds are a part, if the Bonds, the authentication and delivery of which are applied for, are not a part of any series then existing;

(g) an Officer's Certificate stating that no Default has occurred and is continuing and that the granting of such Application will not result in a Default.

SECTION 4.02. The Trustee shall authenticate and deliver Bonds only in accordance with the provisions of the Indenture.

ARTICLE V.

Issuance of Bonds upon the Basis of Permanent Additions.

SECTION 5.01. Subject to the provisions of Article IV, Bonds may be executed by the Company and delivered to the Trustee and shall be authenticated and delivered by the Trustee upon the basis of the acquisition or construction of Permanent Additions. Such additional Bonds shall be authenticated and delivered only in accordance with and subject to the conditions, provisions and limitation set forth in Sections 5.02 through 5.08.

SECTION 5.02. Any Permanent Additions which shall have been certified to the Trustee at any time, in accordance with Section 5.05 for one of the purposes described in Section 5.05, of a Cost or Fair Value, whichever shall be less, in excess of the amount required by the applicable provisions of the Indenture, shall be available to the extent of such excess, upon submission to the Trustee of any subsequent Application, as a basis for any of the purposes set forth in Section 5.05.

SECTION 5.03. No Bonds shall be authenticated and delivered under the provisions of this Article V upon the basis of the acquisition or construction by the Company of any Permanent Additions until the Cost and Fair Value of such Permanent Additions shall have been certified to the Trustee as provided in Section 5.05. The aggregate principal amount of Bonds that may be authenticated and delivered under the provisions of this Article V is limited to 66-2/3% of the Cost or Fair Value, whichever is less, of the Permanent Additions forming the basis of the authentication and delivery thereof, provided that: (a) in each case, there shall be deducted from such Cost or Fair Value, as the case may be, the amounts removed from the fixed capital accounts of the Company as and for the Cost of any Retired Property during the period from February 1, 1937 to a date not more than 90 days preceding the date of authentication and delivery of the Bonds applied for; (b) in the case of Retired Property lost or destroyed by fire, or sold and released from the Lien of the Indenture, which is offset in whole or in part by cash, purchase money obligations deposited with the Trustee or property received in exchange for such Retired Property and made subject to the Lien of the Indenture, the amount deducted on account of such Retired Property shall be only the amount by which the Cost thereof shall exceed the aggregate amount of cash, the Fair Value of the purchase money obligations so deposited and the property received in such exchange; and (c) any such amounts which shall have been once deducted from the Cost or Fair Value of Permanent Additions included in any certificate previously delivered to the Trustee (including certificates delivered, prior to the Effective Date, pursuant to the Original Indenture or any Subsequent Supplemental Trust Indenture), for the authentication and delivery of Bonds, the withdrawal of cash or the release of property under any of the provisions of the Indenture, for the establishment of a credit to the Maintenance Fund or for the satisfaction of any sinking fund requirement relating to any series of Bonds, need not be deducted again on any such subsequent Application.

In no event shall the Indenture be construed to require the Company to deduct the Cost of Retired Property which was constructed, acquired or erected on or subsequent to February 1, 1937, but which has not at any time been included and may not after such time be included as a Permanent Addition in any Engineer's Certificate delivered to the Trustee under subsection (a) of Section 5.05.

SECTION 5.04. No Bonds shall be authenticated and delivered under this Article V unless, as shown by a Net Earnings Certificate, the Earnings Applicable to Bond Interest for a period of 12 consecutive calendar months within the 15 calendar months immediately preceding the date of any Application for authentication and delivery of Bonds shall have been, in the aggregate, at least twice the interest requirements for a period of one year upon (a) the Bonds applied for, (b) all Bonds Outstanding on the date of such Application and (c) all Prior Lien Obligations and Permitted Indebtedness maturing more than one year after the date of such calculation.

SECTION 5.05. The Company may deliver to the Trustee the documents described in the following subsections (a), (c) and (d) and, when applicable, subsections (b) and (e), each accompanied by the others, for the purpose of establishing the Cost and Fair Value of Permanent Additions and the Amount of Established Permanent Additions to be used for the following purposes:

(i) authentication and delivery of Bonds under the provisions of this Article V;

(ii) withdrawal of cash under Section 7.02;

(iii) taking a credit to the Maintenance Fund under the provisions of subsection (d) of Section 9.01;

(iv) withdrawal of cash from Maintenance Fund based on the Cost or Fair Value of any Permanent Additions under the provisions of Section 9.04;

(v) withdrawal under the provisions of Section 11.10 of moneys in the Release Fund or moneys which are required by any provision of the Indenture to be held, applied or disposed of by the Trustee in the same manner as moneys in the Release Fund; or

(vi) application to a sinking fund of the Bonds of any series as and to the extent set forth in the Supplemental Trust Indenture creating such series.

(a) An Engineer's Certificate dated not more than 90 days preceding the delivery thereof to the Trustee:

(1) stating, with respect to the first Engineer's Certificate delivered on or after the Effective Date: (i) the amount of Permanent Additions that has been certified to the Trustee prior to the Effective Date in accordance with the Original Indenture as supplemented by any Subsequent Supplemental Trust Indenture and that could have been used immediately prior to the Effective Date as a basis for the authentication of Bonds under the Original Indenture as supplemented by Subsequent Supplemental Trust Indentures and (ii) that none of such Permanent Additions has been used for any of the purposes set forth in Section 2 of Article V of the Original Indenture as supplemented by Subsequent Supplemental Trust Indentures and the amount set forth shall be the initial Amount of Established Permanent Additions;

(2) stating that between dates specified in the certificate, the Company has made, acquired, constructed or erected the Permanent Additions therein described in addition to those listed in paragraph (1) above or any subsequent Engineer's Certificate delivered under this subsection (a);

(3) specifying such Permanent Additions and briefly describing the same in such manner as to show conformity thereof with the definition of Permanent Additions set forth in Section 1.03 and stating that no part of the Permanent Additions so described was included in any Engineer's Certificate previously delived to the Trustee under this subsection (a);

(4) stating that the signers, either personally or through one or more competent assistants, have examined the Permanent Additions so specified; that such properties conform to the definition of Permanent Additions; that they are used or to be used in a business specified in said definition and that they do not include any property excluded from the definition of Permanent Additions;

(5) stating the Cost and the Fair Value to the Company of the property described in the Engineer's Certificate and that the Cost, so stated, was the amount stated in the Accountant's Certificate provided for in subsection (c) of this Section 5.05;

(6) stating whether or not any of the property described in the Engineer's Certificate is an Acquired Facility and specifying each such Acquired Facility and separately stating the Fair Value of each such Acquired Facility and if the Fair Value of said Acquired Facility, is, or are, as the case may be, not less than $25,000 and not less than 1% of the aggregate principal amount of Bonds then Outstanding, that such Fair Value in the Independent Engineer's Certificate provided for in subsection (b) of this Section 5.05 was included in the aggregate amount stated pursuant to paragraph (5) of this subsection (a);

(7) stating the amount removed from the utility plant or fixed capital accounts of the Company as and for the Cost of all Retired Property (to the extent provided in Section 5.03) subsequent to February 1, 1937, to a date specified in the certificate, which shall be not more than 90 days preceding the date of the delivery of the certificate (exclusive of amounts in respect of which appropriate deduction has been made in an Engineer's Certificate or certificates or an Accountant's Certificate or certificates previously delivered under this Section 5.05, under subsection (d) of Section 5.07 or under another provision of the Indenture containing the statements and calculation required by subsection (d) of Section 5.07 or, prior to the Effective Date, under the Original Indenture as supplemented by Subsequent Supplemental Trust Indentures); and stating that such amount stated pursuant to this paragraph (7) was taken at the amount stated in the Accountant's Certificate provided for in subsection (c) of this Section 5.05; and

(8) stating an "Amount of Established Permanent Additions," which is the balance remaining after deducting from the lesser of the Cost or Fair Value (as stated pursuant to paragraph (5) of this subsection (a)), the amounts removed from the utility plant or fixed capital accounts (as stated pursuant to paragraph (7) of this subsection (a)).

(b) If any portion of the Permanent Additions described in the accompanying Engineer's Certificate, delivered pursuant to subsection (a) of this Section 5.05, consists of an Acquired Facility of a Fair Value not less than $25,000 and not less than 1% of the aggregate principal amount of

Bonds then Outstanding, then there shall be delivered to the Trustee an Independent Engineer's Certificate, stating, in the opinion of the signer, the Fair Value of such Acquired Facility (together with the Fair Value of any other Acquired Facility which has been subjected to the Lien of the Indenture since the commencement of the then current calendar year, and for which an Independent Engineer's Certificate has not previously been furnished, determined as of a date not more than 90 days preceding the date of the delivery of the Independent Engineer's Certificate to the Trustee.

(c) An Accountant's Certificate, dated not earlier than the date of the accompanying Engineer's Certificate provided for in subsection (a) of this Section 5.05, stating in substance:

(1) the Cost of the Permanent Additions described in such Engineer's Certificate, pursuant to paragraph (3) of subsection (a) of this Section 5.05 and, if any portion of such Permanent Additions is stated in such Engineer's Certificate to consist of an Acquired Facility, the Cost of such Acquired Facility shall be specified;

(2) the amount removed from the utility plant or fixed capital accounts of the Company as and for the Cost of all Retired Property (to the extent provided in Section 5.03) subsequent to February 1, 1937, to a date specified in the certificate which shall be the date specified in the accompanying Engineer's Certificate (exclusive of amounts in respect of which appropriate deduction has been made in an Engineer's Certificates or certificates or an Accountant's Certificate or certificates previously delivered under this Section 5.05, under subsection (d) of Section 5.07 or under another provision of the Indenture containing the statements and calculation required by subsection (d) of Section 5.07 or, prior to the Effective Date, under the Original Indenture as supplemented by Subsequent Supplemental Trust Indentures); and specifying by classes the amount of Retired Property previously characterized as Permanent Additions which has not been included in a certificate previously delivered to the Trustee; and

(3) that no part of the Permanent Additions described in the accompanying Engineer's Certificate, and no part of the Cost or Fair Value thereof, was included in any Engineer's Certificate previously delivered to the Trustee pursuant to subsection (a) of this Section 5.05.

(d) An Opinion of Counsel, stating, in the opinion of the signer that:

(1) except for all Permanent Additions owned by the Company on or after February 1, 1937, which have been removed, sold, abandoned, destroyed or which for any cause have been permanently withdrawn from service, the Company has title to all of the Permanent Additions specified in the accompanying Engineer's Certificate, subject to Permitted Encumbrances, or that, upon the delivery of instruments of conveyance, assignment or transfer specified in the Opinion of Counsel, it will have title to such properties, subject to Permitted Encumbrances;

(2) except for all Permanent Additions owned by the Company on or after February 1, 1937, which have been removed, sold, abandoned, destroyed or which for any cause have been permanently withdrawn from service, and subject to Permitted Encumbrances, all of the Permanent Additions specified in the accompanying Engineer's Certificate are subject to the Lien of the Indenture and that none of such Permanent Additions is subject to any Prior Lien or, in the alternative, stating what, if any, documents should be delivered, recorded or filed to subject such property to the Lien of the Indenture;

(3) except for all Permanent Additions owned by the Company on or after February 1, 1937, which have been removed, sold, abandoned, destroyed or which for any cause have been permanently withdrawn from service, the Company has corporate authority to own the Permanent Additions specified in the accompanying Engineer's Certificate, subject to Permitted Encumbrances; and

If any of the Permanent Additions specified in the accompanying Engineer's Certificate include any property which is subject to any Permitted Encumbrances of the character described in paragraphs (8), (10) or (16) of the definition of Permitted Encumbrances, an Opinion of Counsel also shall be provided as required in such paragraphs.

(e) the instruments of conveyance, assignment and transfer, if any, specified in the Opinion of Counsel provided for in subjection (d) of this Section 5.05 in accordance with paragraph (1) of said subsection (d) or evidence satisfactory to the Trustee of the delivery thereof to the Company and the documents, if any, stated in such Opinion of Counsel in accordance with paragraph (2) of said subdivision (d) or evidence satisfactory to the Trustee of their delivery or recording or filing.

SECTION 5.06. (a) No Permanent Additions specified or described in any Engineer's Certificate provided for in subsection (a) of Section 5.05 shall thereafter be included in any similar Engineer's Certificate subsequently delivered to the Trustee.

(b) In accordance with Section 5.02, no Amount of Established Permanent Additions used or applied for any of the purposes specified in Section 5.05 shall be used or applied again for any such purposes, except to the extent permitted by Section 9.05.

SECTION 5.07. (a) No Application by the Company to the Trustee for the authentication and delivery of Bonds under this Article shall be granted by the Trustee unless the Trustee shall have received:

(a)the documents provided for in Section 4.01.

(b) a Net Earnings Certificate stating the amount of Earnings Applicable to Bond Interest for specified period of 12 consecutive calendar months within the 15 calendar months immediately preceding the first day of the calendar month in which the accompanying Application for the authentication and delivery of Bonds is made and stating separately: (1) the aggregate principal amount of (i) the Bonds applied for, (ii) all Bonds Outstanding at the date of said Application and (iii) the aggregate principal amount of all Prior Lien Obligations and Permitted Indebtedness maturing more than one year after the date of such calculation; (2) the interest requirements for a period of one year on all such Bonds, Prior Lien Obligations and Permitted Indebtedness maturing more than one year after the date of such calculation; and (3) the aggregate principal amount of

Bonds authenticated and delivered since the commencement of the then current calendar year, exclusive of: (i) Bonds in connection with the authentication and delivery for which no Net Earnings Certificate was required and (ii) Bonds in connection with the authentication and delivery for which an Independent Accountant's Certificate has been previously delivered to the Trustee.

(c) an Independent Accountant's Certificate containing statements required by subsection (b) of this Section 5.07, if (1) the aggregate principal amount of the Bonds stated in the Net Earnings Certificate provided for in subsection (b) of this Section 5.07 to have been authenticated and delivered since the commencement of the current calendar year, plus the principal amount of the Bonds applied for, is equal to or exceeds 10% of the aggregate principal amount of all Bonds Outstanding at the time, as stated in such Net Earnings Certificate, and (2) the 12-month period in respect of which Earnings Applicable to Bond Interest are stated in such Net Earnings Certificate is a period with respect to which an annual report is required to be filed by the Company pursuant to Section 8.18.

(d) an Accountant's Certificate containing a statement of the Amount of Established Permanent Additions remaining available for the purposes set forth in Section 5.05 and stating;

(1) the unapplied balance, if any, of the Amount of Established Permanent Applications (including any amounts attributable to subjection (b) of Section 9.05) stated in the next preceding similar Accountant's Certificate, if any, delivered to the Trustee under the provisions of this subjection (d) or under another provision of the Indenture containing the statements and calculation required by this subsection (d);

(2) the Amount of Established Permanent Additions stated in such of the Engineer's Certificates delivered to the Trustee under the provisions of subsection (a) of Section 5.05 that have not been included in any similar Accountant's Certificate previously delivered to the Trustee under this subsection (d) or under another provision of the Indenture containing the statements and calculation required by this subsection (d), which it is desired then to include in the Accountant's Certificate, taking such Engineer's Certificates consecutively according to the dates thereof; and specifying the respective dates of such Engineer's Certificates;

(3) the aggregate of the unapplied balance stated under paragraph (1) above and the Amount of Established Permanent Additions stated under paragraph (2) above;

(4) the amount removed from the utility plant or fixed capital accounts of the Company as and for the Cost of all retired Property (to the extent provided in Section 5.03) subsequent to February 1, 1937, to a date specified in the certificate which shall be not more than 90 days preceding the authentication and delivery of the Bonds applied for in the accompanying Application, exclusive of amounts in respect of which appropriate deduction has been made in an Engineer's Certificate or in a similar Accountant's Certificate previously delivered to the Trustee under Section 5.05, this Section 5.07, or under another provision of the Indenture containing the statements and calculation required by this subsection (d) or, prior to the Effective Date, under the Original Indenture as supplemented by Subsequent Supplemental Trust Indentures;

(5) the balance remaining after deducting the amount stated under paragraph (4) above from the aggregate stated under paragraph (3) above, which remaining balance shall

be the amount available to be applied for any of the purposes stated in Section 5.05 at the time of the delivery of the Accountant's Certificate to the Trustee.

(6) such portion (determined pursuant to Section 5.08) of the amount stated under paragraph (5) above that is to be applied to the authentication and delivery of Bonds (or, as the case may be, any other purpose permitted by Section 5.05) applied for in the accompany Application;

(7) the balance remaining after deducting the amount stated under paragraph (6) above from the balance stated under paragraph (5) above, which remaining balance shall be the amount included in the next similar Accountant's Certificate delivered to the Trustee as the unapplied balance of the Amount of Established Permanent Additions to be stated therein in accordance with paragraph (1) of this subsection (d).

(8) that no part of any unapplied balance of the Amount of Established Permanent Additions included under paragraph (1) above, or of any Amount of Established Permanent Additions included under paragraph (2) above, has theretofore been applied for any of the purposes stated in clauses (i) through (vi) in Section 5.05, except to the extent permitted by Section 9.05.

SECTION 5.08. In each case of the application of any Amount of Established Permanent Additions for items specified in paragraph (i) or (ii) of Section 5.05, the amount so applied shall be 150% of the aggregate principal amount of Bonds applied for and authenticated and delivered under this Article V, or of the cash applied for and withdrawn under Section 7.02, on any particular application. In each case of the application of any Amount of Established Permanent Additions for any items specified in paragraphs (iii) through (v) of Section 5.05, the amount so applied shall be 100% of the amount of cash applied for and withdrawn on any particular application or credit taken at any particular time. In the case of the application of any Amount of Established Permanent Additions for any items specified in paragraph (vi) of Section 5.05, the amount so applied shall be the percentage set forth in the Supplemental Trust Indenture creating the series of Bonds for which the sinking fund is applicable.

ARTICLE VI.

Issuance of Bonds upon Retirement of Bonds.

SECTION 6.01. Subject to the provisions of Article IV, the Company may issue and the Trustee shall authenticate and deliver Bonds, in addition to those provided for in any other section hereof, in an aggregate principal amount not exceeding the aggregate principal amount of any previously issued Bonds which shall have been retired, if the Trustee shall have received an Officer's Certificate stating the aggregate principal amount of Bonds in respect of whose retirement the Bonds applied for in the accompanying Application are to be authenticated and delivered and that such Bonds do not include Bonds retired or uses subsequently specified in this Section 6.01; provided that no Bond shall be issued in respect of any such retired Bond (a) which shall have been retired (1) through the use of cash deposited with the Trustee pursuant to the provisions of Article VII, (2) through the use of cash constituting any part of the Release Fund or which pursuant to the Indenture is to be held or disposed of or applied in the same manner as moneys in the Release Fund, or (3) through the use of cash constituting a part of, or in lieu of the deposit of any such cash in, or through the operation of, the Maintenance Fund, or through the operation of a sinking fund or other similar fund applicable to its retirement if the provisions establishing such sinking fund or other similar fund prohibit such issuance, or (b) whose retirement was previously used as a basis for the issuance of Bonds under this Section 6.01, or (c) which shall have been retired prior to the Effective Date and which the Company would not have been permitted under Section 1 of Article VI of the Original Indenture to use as a basis for the issuance of additional Bonds.

SECTION 6.02. No Bond shall be issued in respect of any retired Bond more than one year prior to the final Stated Maturity of the principal amount of such retired Bond unless: the Bond so issued bears no greater rate of interest that such retired Bond or, if the Bond so issued bears a greater rate of interest than such retired Bond, the Trustee shall have received a Net Earnings Certificate complying with subsection (b) of Section 5.07 and, when required, an Independent Accountant's Certificate pursuant to subsection (c) of Section 5.07 showing that the Earnings Applicable to Bond Interest meets requirements of Section 5.04.

SECTION 6.03. Any Bond (including, if applicable, any unmatured Coupons appertaining thereto) shall be deemed retired if it shall have been paid or redeemed or surrendered to the Trustee and cancelled or destroyed (unless such surrender shall have been made in exchange for another Bond of the same series and evidencing the same indebtedness) or if provision for the payment or redemption of such Bond shall have been made in the following manner:

(a) if the Bond has been selected for redemption, the Trustee shall have given (or the Company shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give), on a date in accordance with the provisions of Section 10.2 and the terms of such Bond notice of redemption of such Bond or portions thereof;

(b) there shall have been deposited with the Trustee any combination:

(i) of cash and

(ii) of Government Obligations (which shall not contain provisions permitting the redemption thereof at the option of the issuer), maturing as to principal and

interest (without any regard to the reinvestment thereof) in such amounts and at such times as will assure the availability of cash

that is necessary to pay when due the principal of, premium, if any, and interest due and to become due on such Bond on or prior to the Redemption Date or Stated Maturity thereof, as the case may be; and

(c) if the Bond does not mature and is not to be redeemed within the next succeeding 30 days, the Company shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to give, as soon as practicable, in the same manner as a notice of redemption is given pursuant to Section 10.02, a notice to the Holder of such Bond stating that: (1) the deposit required by paragraph (b) above has been made with the Trustee; (2) such Bond is deemed to have been paid in accordance with this Section 6.03; and (3) the Stated Maturity or Redemption Date upon which moneys are to be available for payment of the principal of, premium, if any, and interest on such Bond.

ARTICLE VII.

Issuance of Bonds upon Deposit of Cash with Trustee.

SECTION 7.01. Subject to the provisions of Article IV, the Trustee shall authenticate and deliver Bonds if the Company shall deposit cash with the Trustee in an amount equal to the principal amount of the Bonds requested to be authenticated and delivered and if the Trustee shall have received a Net Earnings Certificate as described in Section 5.04 showing that the Earnings Applicable to Bond Interest for a period of 12 consecutive calendar months within the 15 calendar months immediately preceding the date of the Application of authentication and delivery of Bonds shall have been in the aggregate at least equivalent to twice the interest requirements for a period of one year upon (a) the Bonds applied for, (b) all Bonds Outstanding on the date of such Application and (c) all Prior Lien Obligations are Permitted Indebtedness maturing more than one year after the date of such calculation.

SECTION 7.02. All cash deposited with the Trustee under the provisions of Section 7.01 shall be held by the Trustee as part of the mortgaged and pledged property, but, whenever the Company shall become entitled to the authentication and delivery of Bonds under Article V or VI, the Trustee, upon application by the Company, evidenced by a Resolution, shall pay to the Company, in lieu of the Bonds to which the Company may then be so entitled, such cash equal to the aggregate principal amount of such Bonds without any limitation by reason of the amount of Earnings Applicable to Bond Interest; and for such purpose (a) the requisite certificates and other documents delivered to the Trustee may contain such variations, omissions or insertions as may be appropriate in the light of the purpose for which they are used, (b) Section 5.04 shall be inapplicable to the withdrawal of such cash pursuant to this Section 7.02 and (c) it shall not be necessary to deliver to the Trustee any Net Earnings Certificate or any Independent Accountant's Certificate with respect to Earnings Applicable to Bond Interest, or any of the documents provided for in Section 4.01 except subsection (g).

ARTICLE VIII.

Particular Covenants of the Company.

The Company hereby covenants as follows:

SECTION 8.01. That it lawfully possesses all the aforesaid mortgaged and pledged property; that it will maintain and preserve the Lien of the Indenture on such mortgaged and pledged property in accordance with the terms hereof so long as any of the Bonds are Outstanding; and that it has good right and lawful authority to mortgage and pledge such mortgaged and pledged property, as provided by the Indenture; and that the mortgaged and pledged property is free and clear of all liens and encumbrances, except Permitted Encumbrances, and except as otherwise provided herein.

SECTION 8.02. That it will duly and punctually pay the principal of, premium, if any, and interest on all the Bonds Outstanding according to the terms thereof and of the Indenture.

SECTION 8.03. That it will maintain an office or agency (approved by the Trustee), while any of the Bonds are Outstanding, at each Place of Payment, where notices, presentations and demands to or upon the Company in respect of the Bonds or the Indenture may be given or made, and for the payment of the principal of, premium, if any, and interest on the Bonds. The Company will give the Trustee prompt written notice of the location of and any change in location of such office or agency. If the Company shall fail to maintain such office or agency in each Place of Payment, or to give the Trustee written notice of the location thereof, the Trustee shall appoint in each such Place of Payment an agent of the Company for the foregoing purposes and the Trustee is hereby authorized and empowered to make any such appointment on behalf of the Company. In case of any such failure of the Company, any such notice, presentation or demand in respect of the Bonds or the Indenture may be given or made, unless other provision is expressly made herein, to or upon the Trustee at is principal corporate trust office, and the Company hereby authorizes such presentation and demand to be made to and such notice to be served on the Trustee in such event.

SECTION 8.04. That it will pay, when the same shall become payable, all taxes, assessments and other governmental charges lawfully levied or assessed upon the mortgaged and pledged property, or upon any part thereof or upon any income therefrom, or upon the interest of the Trustee in the mortgaged and pledged property when the same shall become due, and will duly observe and conform to all valid requirements of any governmental authority relative to any of the mortgaged and pledged property, and all covenants, terms and conditions upon or under which any of the mortgaged and pledged property is held and that, except as herein otherwise provided, it will not permit, create or incur any lien to be existing hereafter upon the mortgaged and pledged property whether now owned or hereafter acquired, or any part thereof, or the income therefrom, equal to or prior to the Lien of the Indenture, except Permitted Encumbrances.

SECTION 8.05. (a) That it will keep all the mortgaged and pledged property of a character usually insured by companies engaged in a similar business and similarly situated, and which is at any time subject to the Lien of the Indenture, insured with reasonable deductibles and
retentions again loss or damage by fire or extended coverage perils, to such amount as such property is usually insured by companies similarly situated, either by means of policies issued by reputable insurance companies or, in lieu of or supplementing such insurance in whole or in part, at the Company's election, by means of some other method or plan of protection including an insurance

fund maintained by the Company alone or in conjunction with any other Person. All such insurance policies or alternative methods or plans of protection upon any part of the mortgaged and pledged property shall provide that the proceeds thereof shall be payable to the Trustee. The Company agrees to deposit with the Trustee all proceeds from any insurance or alternative method or plan of protection received by the Company with respect to any such loss relating to the mortgaged and pledged property.

Upon request, the Company will furnish to the Trustee a statement signed by the President, a Vice President, the Treasurer or an Assistant Treasurer and attested by the Secretary or an Assistant Secretary of the Company, showing

(i) the number of the policies of insurance in effect and the names of the issuing companies,

(ii) the amount of such policies,

(iii) the nature of the property covered by such policies, and

(iv) a detailed statement of each alternative method or plan of protection,

and stating that each such insurance policy or alternative method or plan of protection provides that losses thereunder for fire or extended coverage perils are payable to the Trustee. In lieu of the statement described in the preceding sentence, the Company may deliver to the Trustee a certificate of one or more nationally known insurance brokers that he or they have examined the fire and extended coverage insurance policies and alternative methods or plans of protection in effect upon the property of the Company and that in his or their opinion the Company has fully complied with the provisions of this subsection (a).

(b) That all proceeds of any insurance or alternative method or plan of protection received by the Trustee, shall be held and applied by the Trustee in the same manner and for the same purposes and shall be subject to the same conditions as moneys held in the Release Fund, except that, until a Completed Default shall occur and be continuing, any such proceeds received by the Trustee for any single loss not exceeding $1,000,000 shall be paid promptly to the Company upon receipt by the Trustee of a Company Order directing such payment.

(c) That all proceeds of any insurance or alternative method or plan of protection paid to the Company by the Trustee pursuant to subsection (b) of this Section 8.05 promptly shall be expended for Permanent Additions, or be applied to the rebuilding, renewal or replacement of the property damaged or destroyed.

(d) That subject to Section 16.01, in case of any loss covered by any insurance policy or alternative method or plan of protection, any appraisement or adjustment of such loss and settlement and payment of indemnity therefor, which shall be approved in an Officer's Certificate, may be consented to and accepted by the Trustee, and the Trustee shall in no way be liable or responsible for the collection of any insurance in case of any loss nor for consenting to or accepting any such appraisement, adjustment, settlement or payment of indemnity.

SECTION 8.06. That the business of the Company will be continuously carried on and conducted in an efficient manner; that all property, plants and equipment of the Company classified as Permanent Additions subject to the Lien of the Indenture and used and useful in the carrying on of its business will be maintained in adequate repair, working order and condition to the extent that, in the Company's opinion, it is economical to do so, and, if worn out, obsolete or severely damaged, it will be replaced or offset by other property of the character of Permanent Additions of at least equal value; that, except as permitted under the provisions of Section 11.02, none of the rights, powers, franchises or privileges of the Company subject to the Lien of the Indenture, whether now owned or hereafter acquired, will be allowed to lapse other than by expiration of the term of duration thereof or be forfeited so long as the same shall be necessary for the carrying on of the business of the Company; that, except as permitted by Article XV, it will maintain its corporate existence and right to carry on business in the states in which its property and plants subject to the Lien of the Indenture, or any part thereof, may be located and will use reasonable efforts to obtain all necessary renewals and extensions thereof, and subject to the provisions hereof, will diligently endeavor to maintain, preserve and renew all such rights, powers, privileges and franchises owned by it and necessary for carrying on the business of the Company; that it will at all times use all reasonable diligence to provide service adequate to meet the reasonable requirements of the communities in which it may be operating; that, except to the extent herein expressly permitted, it will at no time commit or allow to be committed any waste upon the mortgaged and pledged property of the character of Permanent Additions, or do, or permit to be done, in or upon the mortgaged and pledged property, anything that may in any way tend to impair the value thereof, or to weaken, diminish or impair the security afforded by the Indenture, and that it will fully and in due time comply with all laws and ordinances applicable to the Company or the mortgaged and pledged property. However, nothing herein shall be construed to prevent the Company (a) from contesting in good faith the validity of any such laws or ordinances by necessary and appropriate legal proceedings or in such other manner as may be deemed advisable by the Company; (b) from ceasing to maintain and operate any of its plants or any other properties if, in the judgment of the Company, it is advisable not to operate or maintain the same; (c) from selling or otherwise disposing of its mortgaged and pledged property subject to the provisions of Article XI; or (d) from dismantling or taking such other action with respect to its plants or other property as it deems proper and customary under the circumstances.

SECTION 8.07. That the sum of:

(i) all dividends declared or paid or other distributions made on or in respect of the common stock of the Company after the Effective Date (except dividends paid or distributions made solely in shares of common stock of the Company); and

(ii) the amount, if any, by which all of the Considerations (as defined below) given by the Company for the purchase or other acquisition of shares by the Company of its common stock after the Effective Date exceeds the Considerations received by the Company after the Effective Date from the sale of its common stock;

shall not exceed the sum of:

(i) the retained earnings of the Company at the Effective Date; and

(ii) an amount equal to the net income of the Company earned after the Effective Date, after deducting all dividends accruing after the Effective Date on all classes and series of preferred stock of the Company and after taking into consideration all proper charges and

credits to retained earnings made after the Effective Date, all determined in accordance with generally accepted accounting principles.

In computing the amount equal to the net income of the Company earned after the Effective Date, there will be deducted any amount by which after the date commencing 365 days prior to the Effective Date the actual expenditures or charges for ordinary repairs and maintenance and charges for reserves, renewals, replacements, retirements, depreciation and depletion are less than an amount equal to 2.50% of Completed Depreciable Property as of the end of such period.

The term "Considerations" as used in this Section 8.07 means the amount of any cash considerations and the book value of any considerations other than cash.

SECTION 8.08. That it will cause the Indenture and all indentures and instruments supplemental thereto to be kept, recorded and filed in such manner and to such extent as may be required or permitted by law and in such places as may be required by law in order to make effective and maintain the Lien Hereof and to fully preserve and protect the security of the Bondholders and all rights of the Trustee.

SECTION 8.09. That it will execute and deliver such further instruments and do such further acts as may be necessary or proper to carry out the purposes of the Indenture, and to make subject to the Lien Hereof any property hereafter acquired and intended to be subject to the Lien of the Indenture, and to transfer to any new trustee the estate, powers, instruments and any funds held in trust under the Indenture.

SECTION 8.10. That it will, at all times, keep or cause to be kept, proper books of record and account in which full, true and correct entries will be made, of all dealings or transactions in relation to the Bonds, plants, properties, business and affairs of the Company; that it will at any and all reasonable times, upon the written request of the Trustee, permit it, or its clerks, agents, or auditors, for that purpose duly authorized, to inspect the books, accounts, papers, documents and memoranda of the Company, as well as its plants and properties, and to take from its books, accounts, papers, documents and memoranda such extracts as may be deemed necessary; that it will at any time, upon the written request of the Trustee, furnish to the Trustee a full and complete statement of the property covered by the Lien Hereof or intended so to be covered.

SECTION 8.11. That it will not go into voluntary bankruptcy or insolvency, or apply for or consent to the appointment of a receiver of itself or of its property or make any general assignment for the benefit of its creditors, or allow any order adjudicating it to be bankrupt or insolvent or appointing a receiver of it or of its property, to be made and remain unvacated for a period of 90 days.

SECTION 8.12. That it is duly authorized under the laws of the State of Minnesota and under all other applicable provisions of law to create and issue the Bonds and to execute and deliver the Indenture; that all corporate action required for the creation and issue of said Bonds and the execution of the Indenture has been duly and effectually taken; that said Bonds when issued and in the possession of the Holders thereof are and will be valid and enforceable obligations of the Company; and that the Indenture is and always will be a valid mortgage or deed of trust to secure the payment of said Bonds.

SECTION 8.13. That upon the issue of each Bond, it will pay all such taxes (which may legally be paid by the Company) as may be imposed by any law, then in force applicable to and imposed upon the issue of such Bond, of the United States of America, of the State of Minnesota or of any other state in which its property and plants, or any part thereof, may be located.

SECTION 8.14. That it will not issue, or permit to be issued, any Bonds in any manner other than in accordance with the provisions of the Indenture and that it will faithfully observe and perform all the conditions, covenants and requirements of the Indenture.

SECTION 8.15. That it will duly and punctually perform all the conditions and obligations imposed on it by the terms of any Prior Lien or any mortgage, lien, charge or encumbrance described in paragraph (20) of the definition of Permitted Encumbrances to the extent necessary to keep the security afforded by the Indenture substantially unimpaired and that it will not permit any default under any such Prior Lien or mortgage, lien, charge or encumbrance to occur and continue for any grace period, specified therein, if thereby the security afforded by the Indenture would be materially impaired or endangered.

SECTION 8.16. That, if it shall act as its own Paying Agent, it will, on or before each due date of the principal of, premium, if any, or interest on any of the Bonds, set aside and segregate and hold in trust for the benefit of the Holders of such Bonds or the Trustee a sum sufficient to pay the principal of, premium, if any, or interest so becoming due, and the Company promptly will notify the Trustee of its action or failure so to act.

Whenever, the Company shall have one or more Paying Agents, it will, on or prior to each due date of the principal of, premium, if any, or interest on any Bonds, deposit with a Paying Agent a sum sufficient to pay the principal of, premium, if any, or interest so becoming due, such sum to be held in trust for the benefit of the Holders of such Bonds or the Trustee (unless such Paying Agent is the Trustee) the Company promptly will notify the Trustee of its action or failure so to act.

Moneys so segregated or deposited and held in trust shall not be a part of the mortgaged and pledged property but shall constitute a separate trust fund for the benefit of the Persons
entitled to such principal, premium or interest. Except in the case of moneys so segregated by the Company when acting as its own Paying Agent, moneys held in trust by the Trustee or any other Paying Agent for the payment of the principal of, premium, if any, or interest on the Bonds need not be segregated from other funds, except to the extent required by law.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which Paying Agent shall agree with the Trustee, subject to the provisions of this Section 8.15, that such Paying Agent will:

(a) hold all sums held by it for the payment of principal of, premium, if any, or interest on Bonds in trust for the benefit of the Holders of such Bonds or the Trustee until such sums shall be paid to the Holders or withdrawn for deposit with a successor Paying Agent or with the Trustee or until disposed of as herein provided;

(b) give the Trustee notice of any default by the Company (or any other obligor upon the Bonds) in the making of any such payment of principal, premium, if any, or interest; and

(c) at any time during the continuance of any such default, upon the written request of the Trustee, promptly pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of the Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all money held in trust by the Company or such Paying Agent pursuant to this Section 8.16, such money to be held by the Trustee upon the same trusts as those upon which such money was held by the Company or such Paying Agent; and, upon such payment by the Company, the Company shall be discharged from such trust, and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Anything in this Section 8.16 to the contrary notwithstanding, any money deposited with the Trustee or any Paying Agent or held by the Company in trust for the payment of the principal of, premium, if any, or interest on any Bond shall be subject to the provisions of Section 20.03

SECTION 8.17. That it will furnish or cause to be furnished to the Trustee between September 1 and September 30, in each year beginning with the September following the Effective Date, and also between March 1 and March 31, in each year beginning with the March following the Effective Date, and at such other times as the Trustee may request in writing, a statement in such form as the Trustee may reasonably require, containing all the information in the possession or control of the Company or of any of its Paying Agents as to the names and addresses of the Holders of Bonds obtained since the date as of which the next previous statement, if any, was furnished, excluding from any such list the names and addresses received by the Trustee in its capacity as Bond Registrar. Each such statement shall be dated as of a date not earlier than the tenth day of the month next preceding the month during which said statement is furnished, and need not include information received after such date.

SECTION 8.18. That it will:

(a) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may prescribe by rules and regulations) which the Company may be required to file with the Commission pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934, as amended; or, if the Company is not required to file information, documents or reports pursuant to either of such sections, that it will file with the Trustee and the Commission, in accordance with rules and regulations that may be prescribed by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to section 13 of the Securities Exchange Act of 1934, as amended, in respect of a security listed and registered on a national securities exchange as may be prescribed in such rules and regulations;

(b) file with the Trustee and the Commission, in accordance with such rules and regulations as may be prescribed by the Commission and to which the Company shall be subject, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants provided for in the Indenture as may be required by such rules and regulations, including in the case of annual reports (if required by such rules and regulations), certificates or opinions of independent public accountants (conforming to the requirements of Sections 20.08 and 20.09) as to compliance with conditions or covenants (which compliance is subject to verification by accountants), but no such certificate or opinion shall be required as to any matter specified in

clause (A), (B) or (C) of paragraph (3) of subjection (c) of Section 314 of the Trust Indenture Act; and

(c) transmit to the Bondholders in the manner and to the extent provided in subsection (c) of Section 16.18, such summaries of any information, documents and reports required to be filed by the Company pursuant to subsections (a) and (b) of this Section 8.18 as may be required by rules and regulations prescribed by the Commission

SECTION 8.19. That it will furnish to the Trustee: (a) promptly after the Effective Date and promptly after the execution of any Supplemental Trust Indenture, after the Effective Date, an Opinion of Counsel either stating that the Indenture has been properly recorded and filed so as to make effective the Lien of the Indenture intended to be created thereby, and reciting the details of such action, or stating that no such action is necessary to make such Lien of the Indenture effective; and (b) by May 1, in each year after the Effective Date, an Opinion of Counsel either stating that such action has been taken with respect to the recording, filing, re-recording and refiling of the Indenture as is necessary to maintain the Lien Hereof, and reciting the details of such action, or stating that no such action is necessary to maintain such Lien of the Indenture. Compliance with clauses (a) and (b) of this Section 8.19 shall be achieved if (1) the Opinion of Counsel herein required to be delivered to the Trustee shall state for details: the time, place, and manner of such recording, re-recording, filing and refiling as the case might be and that, in the Opinion of Counsel (if such is the case) such receipt for record of filing makes the Lien of the Indenture intended to be created thereby effective and (2) such Opinion of Counsel is delivered to the Trustee within such time, following the date and execution of this Restated Indenture and each Supplemental Trust Indenture, as shall be practicable, giving due regard to the number and distance of the jurisdictions in which the Indenture or such Supplemental Trust Indenture is required to be recorded or filed.

ARTICLE IX.

Maintenance Fund.

SECTION 9.01. The Company covenants that, for each calendar year while any of the Bonds remain Outstanding, it will pay or cause to be paid to the Trustee on the next succeeding May 1, as a "Maintenance Fund," an amount equal to 2.50% of Completed Depreciable Property as of the end of such calendar year; less, to the extent that the Company desires to include the same, the following credits:

(a) all amounts expended during such calendar year for maintenance of all property included in the calculation of Completed Depreciable Property owned by the Company;

(b) all expenditures or charges during such calendar year for renewals and replacements of property included in the calculation of Completed Depreciable Property owned by the Company, or for retirements of property included in the calculation of Completed Depreciable Property owned by the Company to the extent that the charges for such retirement have been off-set by expenditures for acquisition, construction or erection of Permanent Additions;

(c) the principal amount of all Bonds which have been retired or redeemed, except Bonds which have been retired or used in the manner set forth in clause (a), (b) or (c) of Section 6.01; and

(d) any portion of an Amount of Established Permanent Additions determined in accordance with Article V if it has not been previously applied to any other purpose specified in Section 5.05.

The credits provided for in this Section 9.01 shall not include any amounts reserved for or accrued for depreciation or obsolescence on the books of the Company in any such calendar year, except to the extent that the charges or expenditures in paragraph (a) or (b) above include depreciation or charges related to equipment or materials used for maintenance, renewals or replacements of property included in the calculation of Completed Depreciable Property.

SECTION 9.02. By May 1 of each year, the Company shall deliver to the Trustee:

(a) an Accountant's Certificate stating (i) the amount of the Completed Depreciable Property of the Company at the end of the previous calendar year; (ii) the amount equal to 2.50% of the amount stated pursuant to clause (i) of this subsection (a); (iii) to the extent that the Company desires to include the same, the credits (separately stated) that are provided for under subsections (a), (b), (c) and (d) in Section 9.01; (iv) the credit balance, if any, provided for in Section 9.05; and (v) the remaining balance, if any, of the amount set forth under clause (ii) of this subsection (a) after deducting the credits set forth under clauses (iii) and (iv);

(b) if the Company includes in the Accountant's Certificate provided for in subsection (a) of this Section 9.02 any credit under subsection (d) of Section 9.01, the Accountant's Certificate also shall contain the statements and calculation provided for in subsection (d) of Section of 5.07, with such changes therein as may be necessary to adapt the same to the purposes of this Section 9.02 and Section 9.01; and

(c) an amount of cash or an aggregate principal amount of Bonds (except Bonds which have been retired or used in any manner set forth in clause (a), (b) or (c) of Section 6.01), equal the balance, if any, stated in the Accountant's Certificate provided for in subsection (a) of this Section 9.02 pursuant to clause (v) of said subsection (a).

SECTION 9.03. Any cash balance held in the Maintenance Fund, at the option and upon the request of the Company, expressed by a Resolution, shall be applied by the Trustee to the purchase or redemption of Bonds in the manner provided for with reference to cash in the Release Fund as provided in Sections 11.13 and 11.14, but in no event shall such cash be considered as part of the Release Fund for purposes of Section 11.15. At the option of the Company, any moneys constituting any part of the Maintenance Fund may be withdrawn by the Company upon the delivery to the Trustee of Bonds (except Bonds which have been used or retired in a manner set forth in clause (a), (b) or (c) of Section 6.01) of an aggregate principal amount equal to the amount of moneys so withdrawn.

All Bonds purchased or otherwise acquired by or delivered to the Trustee for the Maintenance Fund shall forthwith be cancelled, and the Trustee shall thereupon destroy such Bonds and deliver evidence of the destruction thereof to the Company, pursuant to Section 20.07.

SECTION 9.04. Any cash deposited by the Company with the Trustee in the Maintenance Fund may be withdrawn by the Company upon the basis of the Cost or Fair Value, whichever is less (after making the deductions provided for in Section 5.03 because of Retired Property), of Permanent Additions certified to the Trustee as provided in Article V and subject to the conditions of Sections 5.06 and 5.08, but only upon delivery to the Trustee of:

(a) a Company Request, authorized by Resolution;

(b) an Officer's Certificate stating that no Default has occurred and is continuing, and that the granting of such Company Request will not result in a Default; and

(c) an Accountant's Certificate containing the statements and calculation provided for in subsection (d) of Section 5.07 with such changes therein as may be necessary to adapt the same to the purposes of this Section 9.04.

SECTION 9.05. If the total amount of credits, applicable to the Maintenance Fund, specified in any Accountant's Certificate (or any Treasurer's certificate filed pursuant to Section 2 of Article IX of the Original Indenture) filed for any calendar year after 1987 shall exceed an amount equal to 2.50% of Completed Depreciable Property as of the end of such calendar year, the excess, if any, may be used:

(a) as a credit balance to offset any deficiency for expenditures or charges as shown by any subsequent Accountant's Certificate or Certificates submitted pursuant to Section 9.02; or

(b) to increase the Amount of Established Permanent Additions available for any of the purposes described in paragraphs (i) through (vi) of Section 5.05, but only

in an aggregate amount equal to the lesser of: (i) such excess credits or (ii) the Amount of Established Permanent Additions used, after calendar year 1987, as a credit to the Maintenance Fund or for the withdrawal of cash from the Maintenance Fund.

The amount of excess Maintenance Fund credits shall be reduced by the amount of any such excess credits applied for either of the purposes described in the foregoing clauses (a) and (b).

SECTION 9.06. If the mortgaged and pledged property shall be sold either under the power of sale herein provided, or under decree of court in a suit for the foreclosure of the Indenture, then any moneys at the time remaining in the Maintenance Fund shall be added to and dealt with as if it were a part of the proceeds of such sale.

ARTICLE X.

Redemption of Bonds.

SECTION 10.01. Bonds that are, by their terms, redeemable before maturity may, at the option of the Company, be redeemed at such times, in such amounts and at such prices as may be specified therein and in accordance with the provisions of Sections 10.02 through 10.07.

SECTION 10.2. In case of redemption of only part of the Bonds of any series, the particular Bonds to be redeemed shall be selected by the Trustee by lot, in such manner as it shall elect. In any such selection by lot under this Section 10.2, each Bond shall be represented by a separate number for each $1,000 of its principal amount.

Notice of intention to redeem Bonds of any series, wholly or in part, shall be given, by or on behalf of the Company, by first class mail, postage prepaid, at least 30 days before the Redemption Date, to each Holder of a Bond to be redeemed at the address shown on the Bond Register; but the failure to give such notice, or any defect in such notice so given, shall not affect the validity of the proceedings for the redemption of any Bond not affected by such failure or defect. All notices of redemption shall state the Redemption Date and redemption price, the portion, if less than all, of the Bonds to be redeemed, the place at which the Bonds are to be surrendered for payment, which, unless otherwise stated, shall be the principal corporate trust office of the Trustee, and that on the Redemption Date the redemption price will become due and payable on each such Bond (or the portion thereof to be redeemed) and interest thereon shall cease to accrue on and after such date.

If only part of the Bonds of any particular series is to be redeemed, said notice of redemption shall specify the numbers of such Registered Bonds to be redeemed in whole or in part. If any Bond is to be redeemed in part only, said notice shall specify the portion of the principal amount thereof to be redeemed and shall state that, upon presentation of such Bond for redemption, a new Bond of the same series, of the same maturity and of an aggregate principal amount equal to the unredeemed portion of such Bond, will be issued in lieu thereof.

In case of a redemption of any Bonds that are Coupon Bonds, such written notice of redemption shall also be given, by or on behalf of the Company, by publication at least once in each of not less than three successive calendar weeks preceding the Redemption Date and in each case on any day in the week (the first publication to be at least thirty days, or such other number of days as shall be fixed by the terms of the Bonds to be redeemed, before the Redemption Date) in one daily newspaper, in the English language, of general circulation published in Chicago, Illinois, and in one newspaper, in the English language, of general circulation published in each other city, if any, in which the principal of any of the Bonds to be redeemed may be payable.

In case only a portion of any Bond shall be called for redemption (it being understood that no Coupon Bond shall be called for redemption in part absent contrary provisions in such Coupon Bond or the Supplemental Trust Indenture creating such Coupon Bond), the Company at its expense shall execute and the Trustee shall authenticate and deliver to the Holder of such
Bond a new Bond of the same series and of the same maturity for the principal amount of the surrendered Bond, less the principal amount redeemed and paid.

SECTION 10.03. If the Company shall give and complete notice of its intention to redeem any of the Bonds, the Company shall, and it hereby covenants that it will, on or before the Redemption Date specified in such notice, deposit with the Trustee a sum of cash, Government Obligations or a combination thereof, which will provide sufficient cash to redeem all of such Bonds on such Redemption Date.

SECTION 10.04. Cash, Government Obligations or a combination thereof deposited by the Company with the Trustee under the provisions of this Article X for the redemption of any of the Bonds shall be deposited and held in a trust fund for the account of the respective Holders of the Bonds to be redeemed and shall be paid to them respectively, upon presentation and surrender of such Bonds (including, if applicable, all unmatured coupons appertaining thereto); and on and after such Redemption Date if the moneys for the redemption of said Bonds shall be on deposit as aforesaid, such Bonds shall cease to bear interest, and such Bonds shall cease to be entitled to the benefits and security of and the Lien of the Indenture and, if applicable, all unmatured coupons relating to such Bonds shall be void and deemed paid.

SECTION 10.05. All Bonds paid, retired or redeemed under any of the provisions of this Article X shall be cancelled forthwith, and the Trustee shall thereupon destroy such Bonds and deliver evidence of the destruction thereof to the Company in accordance with Section 20.07.

SECTION 10.06. If there have been deposited with the Trustee any combination:

(i) of cash and

(ii) of Government Obligations (which shall not contain provisions permitting the redemption thereof at the option of the issuer), maturing as to principal and interest (without any regard to the reinvestment thereof) in such amounts and at such times as will assure the availability of cash

that is necessary to pay when due the principal of , premium, if any, and interest due and to become due on such Bond on or prior to the Redemption Date thereof, and either the notice provided for in respect of the redemption of such Bonds shall have been duly given by the Trustee or irrevocable authorization shall have been given by the Company to the Trustee to give notice, on behalf of the Company, as provided in Section 10.02, then the Company and the Trustee shall consider such Bonds (including, if applicable, all unmatured coupons appertaining thereto) redeemed from the Holder thereof and paid for purposes of release and satisfaction of the Indenture.

SECTION 10.07. In case any question shall arise as to whether proper and sufficient action shall have been taken for the redemption of Bonds, such question shall be decided by the Trustee and the decision of the Trustee shall, subject to Section 16.01, be final and binding upon all parties in interest.

ARTICLE XI.

Possession, Use and Release of Mortgaged and Pledged Property.

SECTION 11.01. Until a Completed Default shall occur and be continuing, the Company shall be permitted, subject to the provisions of this Article XI, to possess, use, manage, operate and enjoy the mortgaged and pledged property (except money and securities which are expressly required to be deposited with the Trustee); to collect, receive, use, invest and dispose of the rents, issues, income, revenues, products and profits from all the mortgaged and pledged property, with power (in the ordinary course of business freely and without permission from or hindrance by the Trustee or the Bondholder) to use, consume and dispose of materials and supplies; and, except as herein otherwise expressly provided to the contrary, to exercise any and all rights under or in relation to choses in action, leases and contracts.

SECTION 11.02. (a) Until a Completed Default shall occur and be continuing, the Company may, without any release or consent by the Trustee, or accountability thereto for any consideration received by the Company;

(1) sell or otherwise dispose of, free from the Lien of the Indenture, (A) any machinery, equipment, tools, implements or other similar property subject to the Lien Hereof which may have become obsolete or unfit for use or no longer useful, necessary or profitable in the conduct of business of the Company, upon replacing the same by or substituting for the same, other machinery, equipment, tools or implements, not necessarily of the same character but of at least equal value to that of such property disposed of; (B) any shares of stock, bonds, notes, evidences of indebtedness and other securities other than such as may be required to be deposited with the Trustee in accordance with the provisions hereof; (C) contracts, bills, and accounts receivable; (D) motor vehicles; (E) timber on lands owned by the Company; and (F) any stock of goods, wares and merchandise, equipment or supplies acquired for the purpose of consumption in the operation, construction, or repair of any of the properties of the Company;

(2) abandon, terminate, cancel, or make changes or alterations in, or substitutions of, any and all contracts, leases and right-of-way grants of either land or easements;

(3) surrender or assent to the modification of any franchise, license, governmental consent or permit under which it may be operating, provided that, in the event of any such surrender or modification, the Company shall have (under some other franchise, license, governmental consent, permit or right, or under the modified franchise, license, governmental consent or permit, or under a new franchise, license, governmental consent ofrpermit) received in exchange therefor, authority which is sufficient, in the Opinion of Counsel, for the conduct of the same or an extended business in the same or substantially the same or an extended territory for the same or substantially the same or an extended or unlimited period of time or until the maturity date of the last maturing series of Bonds at the time Outstanding or for the most extended period or term then possible under existing laws or regulations or until it is no longer necessary or expedient to continue in the territory affected thereby;

(4) surrender any franchise, license or governmental consent or permit now held or which may be held hereafter by the Company or under which it now may be operating or may operate hereafter any of its properties or assent to or arrange for any modification or alteration of any of the terms thereof, provided that the Board of Directors determine by Resolution that it is either no longer necessary or no longer in the best interests of the Company and the Bondholders and that the value and efficiency of the mortgaged and pledged property as an entirety will not be impaired thereby, and a copy of such Resolution shall be filed with the Trustee, and provided further that the Company shall still have power and authority, in the Opinion of Counsel, sufficient for the conduct of its business in the same or substantially the same territory;

(5) grant rights-of-way and easements over or in respect of any of the mortgaged and pledged property, of the nature described in the definition of Permitted Encumbrances, provided that such grant will not impair the use of such property for the purposes for which it is held by the Company and will not have a material adverse impact on the security afforded by the Indenture;

(b) Until a Completed Default shall occur and be continuing, and following the retirement through payment or redemption of the Original Indenture Bonds (including those Original Indenture Bonds "deemed to be paid" within the meaning of that term as used in Article XVII of the Original Indenture), the Company may, without any release or consent by the Trustee, or accountability thereto for any consideration received by the Company:

(1) sell or otherwise dispose of, free of the Lien of the Indenture:

(A) all automobiles, buses, trucks, truck cranes, tractors, trailers and similar vehicles and movable equipment, and all accessories and supplies used in connection with any of the foregoing;

(B) all vessels, boats, barges and other marine equipment, all railroad engines, cars and related equipment, all airplanes, airplane engines and other flight equipment, and all accessories and supplies used in connection with any of the foregoing;

(C) all office furniture and all leasehold interests in property owned by Persons other than the Company for office purposes; and

(2) enter into leases permitting the lessee to occupy or use any of the mortgaged and pledged property in any manner that does not interfere in any material respect with the use of such property for the purpose for which it is held by the Company and will not have a material adverse impact on the security afforded by the Indenture; and

(3) surrender any franchise, license or governmental consent or permit now held or which may be held hereafter by the Company or under which it now may be operating or may operate hereafter any of its properties or assent to or arrange for any modification or alteration of any of the terms thereof, provided that the Board of Directors determines by Resolution that it is either no longer necessary or no longer in the best interests of the Company to continue to operate in the territory affected thereby or to comply with the terms and provisions of the franchise or governmental consent or permit and such surrender or modification will not materially impair the value and efficiency of the mortgaged and pledged property as an entirety or be prejudicial in any material respect to the interests of the Bondholders.

(c) The Trustee shall execute a written instrument to confirm any action taken by the Company under this Section 11.02, upon receipt by the Trustee of (1) a Resolution requesting such written instrument and expressing any required opinions, (2) an Officer's Certificate stating that no Default has occurred and is continuing and that said action was duly taken in conformity with a designated subsection of this Section 11.02 and (3) an Opinion of Counsel stating that said action was duly taken by the Company in conformity with said subsection and that the execution of such written instrument is appropriate to confirm such action under this Section 11.02.

SECTION 11.03. Until a Completed Default shall occur and be continuing, the Company may sell, exchange or otherwise dispose of any other of the mortgaged and pledged property, and the trustee shall release the same from the Lien Hereof upon the submission by the Company to the Trustee of an Application and delivery to the Trustee of the items listed in either (i) subsections (a) through (j) or (ii) subsection (k) of this Section 11.03, as applicable:

(a) a Resolution requesting such release and describing the applicable property;

(b) an Officer's Certificate, stating that no Default has occurred and is continuing, and that the granting of such Application will not result in a Default;

(c) an Engineer's Certificate, dated not more than 90 days preceding the date of the delivery of the Application for such release, stating in substance that the Company has sold, exchanged, or otherwise deposed of or intends to sell, exchange or otherwise dispose of the property or securities to be released, and stating:

(1) a brief description of the property or securities, if any, to be released (which may be given by reference to the Resolution requesting the release if such property is described therein) and stating whether such property is of the character of Permanent Additions;

(2) a brief description of the consideration, if any, received or to be received by the Company for the property or securities, if any, to be released, which consideration may consist in whole or in part of one or more of the following:

(A) cash;

(B) obligations owed to the Company secured by purchase money first mortgages upon the property to be released, provided that the principal amount of such obligations does not exceed (i) individually, 66-2/3% of the Fair Value of the property to be released and (ii) when added to the aggregate principal amount of all other such obligations previously received by the Company for property released pursuant to this clause (B), and then held by the Trustee, 15% of the aggregate principal amount of Bonds then Outstanding; or

(C) any other property;

provided that if the property to be released is of the character of Permanent Additions, then such other property referred to in this clause (C) shall be of the character of Permanent Additions;

(3) the amount of cash, if any, to be deposited by the Company pursuant to subsection (j) of this Section 11.03;

(4) the Fair Value of the property and securities to be released and stating, if such is the case, that the Fair Value of such property and securities is taken at the amount stated in the Independent Engineer's Certificate provided for in subsection (d) of this Section 11.03;

(5) the Fair Value of the property (other than cash) to be received in consideration for the property to be released and (A) if such property is of the character of Permanent Additions, stating that the Fair Value of such property is taken at the amount stated in the Engineer's Certificate provided for in paragraph (1) of subsection (g) of this Section 11.03 (or, in a proper case, an Independent Engineer's Certificate provided for in paragraph (2) of subsection (g) of this Section 11.03), and (B) if any portion of such property to be received consists of securities, stating that the Fair Value of such securities is taken at the amount stated in the Engineer's Certificate provided for in subsection (e) of this Section 11.03 (or if applicable, at the amount stated in the Independent Engineer's Certificate provided for in subsection (f) of this Section 11.03); and

(6) that, in the opinion of the signer, such release will not impair the security under the Indenture in contravention of the provisions thereof;

(d) if the aggregate of the Fair Value of the property or securities to be released, the amount of any award or consideration received under Section 11.06, and the Fair Value of any other property or securities theretofore released under this Section 11.03, since the beginning of the then current calendar year, is shown by the Engineer's Certificates filed in connection with

such releases to be 10% or more of the aggregate principal amount of Bonds at the time Outstanding, an Independent Engineer's Certificate making the statements required by paragraphs (4) and (6) of subsection (c) of this Section 11.03, but no such Independent Engineer's Certificate shall be required in the case of any release of property or securities, the fair value of which, as set forth in the Engineer's Certificate required by subsection (c) of this Section 11.03, is less than $25,000 or less than 1% of the aggregate principal amount of the Bonds at the time Outstanding;

(e) if any of the property to be received in consideration for the property to be released is shown by the Engineer's Certificate provided for in subsection (c) of this Section 11.03 to consist of securities, an Engineer's Certificate stating (1) the Fair Value of such securities and (2) since the commencement of the current calendar year, the Fair Value of all other securities made the basis for (i) the authentication and delivery of Bonds, (ii) the withdrawal of cash constituting part of the mortgaged and pledged property, and (iii) the release of property or securities subject to the Lien of the Indenture;

(f) if any portion of the property to be received in consideration for the property to be released is shown by the Engineer's Certificate provided for in subsection (c) of this Section 11.03 to consist of securities, and if the Fair Value of such securities, together with the Fair Value of all other securities made the basis for the authentication and delivery of Bonds, withdrawal of cash, and release of property or securities since the beginning of the then current calendar year, as shown by the Engineer's Certificate provided for in subsection (e) of this Section 11.03, is 10% or more of the aggregate principal amount of Bonds at the time Outstanding, then, in addition to the Engineer's Certificate provided for in subsection (e) of this Section 11.03, the Company shall furnish to the Trustee an Independent Engineer's Certificate stating, in the opinion of the signer, the Fair Value of such securities at the date of the Engineer's Certificate provided for in subsection (c) of this Section 11.03; but no such Certificate of an Independent Engineer shall be required if the Fair Value of the securities constituting consideration for the property then to be released, as set forth in the Engineer's Certificate provided for in subsection (e) of this Section 11.03, is less than $25,000 or less than 1% of the aggregate principal amount of Bonds at the time Outstanding under the Indenture;

(g) if any of the property to be received in consideration for the property to be released is of a character which would be included within the definition of Permanent Additions:

(1) an Engineer's Certificate containing the statements required by paragraphs (3), (4), (5) and (6) of subsection (a) of Section 5.05 with such changes therein as may be necessary to adapt the same to the purposes of this Article XI;

(2) if any portion of such property described in the Engineer's Certificate provided for in paragraph (1) above consists of an Acquired Facility of a Fair Value of not less than $25,000 and not less than 1% of the aggregate principal amount of Bonds at the time

Outstanding, an Independent Engineer's Certificate containing the statements required by subsection (b) of Section 5.05 with such changes therein as may be necessary to adapt the same to the purposes of this Article XI; and

(3) an Opinion of Counsel and the instruments and documents or evidence respectively required by subsections (d) and (e) of Section 5.05, with such changes therein as may be necessary to adapt the same to the purposes of this Article XI;

(h) an Opinion of Counsel, with respect to any of the property consisting of any obligation to be received by the Company in consideration for the property to be released, stating that such obligation is a valid obligation and, if such obligation is secured by a purchase money mortgage, that such mortgage is sufficient to afford a first lien (subject to Permitted Encumbrances) upon the property to be released; and if the property to be released consists of or includes any franchise, an Opinion of Counsel that such release will not impair the right of the Company to operate any of its remaining properties constituting the mortgaged and pledged properties;

(i) any cash, obligations or other securities or other property capable of manual delivery described in the Engineer's Certificate provided for in subsection (c) of this Section 11.03, pursuant to paragraph (2) of said subsection (c), to be the consideration for the property to be released; and

(j) cash and Bonds delivered pursuant to Section 11.16, which taken together, equal the amount, if any, by which the fair Value of the property and securities, if any, to be released as described in the Engineer's Certificate provided for in subsection (c) of this Section 11.03, pursuant to paragraph (4) of such subsection (c), exceeds the total of the cash received by the Trustee pursuant to subsection (i) of this Section 11.03 and the Fair Value of the property and securities to be received in consideration therefor as described in said Engineer's Certificate pursuant to paragraph (5) of said subsection (c).

(k) following the retirement through payment or redemption of the Original Indenture Bonds (including those Original Indenture Bonds "deemed to be paid" within the meaning of that term as used in Article XVII of the Original Indenture), and if the Fair Value of all mortgaged and pledged property of the character of Permanent Additions, excluding Retired Property, equals or exceeds an amount equal to 150% of the aggregate principal amount of Bonds Outstanding at the time of such release, the following:

(1) a Resolution requesting such release and describing the applicable property;

(2) an Officer's Certificate, stating that no Default has occurred and is continuing, and that the granting of such Application will not result in a Default;

(3) an Engineer's Certificate, dated not more than 90 days preceding the date of delivery of the Application for such release, stating:

(A) a brief description of the property to be released (which may be given by reference to the Resolution requesting the release if such property is described therein) and stating whether such property is of the character of Permanent Additions;

(B) a brief description of the consideration, if any, to be received by the Company for the property to be released;

(C) the Cost and Fair Value of:

(i) all of the mortgaged and pledged property that are Permanent Additions, excluding Retired Property, and

(ii) the property to be released; and

(D) that, in the opinion of the signer, such release will not impair the security under the Indenture in contravention of the provisions hereof;

(4) if the aggregate of the Fair Value of the property to be released, the amount of any award or consideration received under Section 11.06, and the Fair Value of any other property or securities theretofore released under this Section 11.03, since the beginning of the then current calendar year, is shown by the Engineer's Certificates filed in connection with such releases to be 10% or more of the aggregate principal amount of Bonds at the time Outstanding, an Independent Engineer's Certificate making the statements required by clause (ii) of subparagraph (C) and subparagraph (D) of paragraph (3) of this subsection (k), but no such Independent Engineer's Certificate shall be required in the case of any release of property or securities, the Fair Value of which, as set forth in the Engineer's Certificate required by paragraph (3) of this subsection (k), is less than $25,000 or less than 1% of the aggregate principal amount of the Bonds at the time Outstanding;

(5) if any of the property to be received in consideration for the property to be released is of a character which would be included within the definition of Permanent Additions:

(A) an Engineer's Certificate containing the statements required by paragraphs (3), (4), (5) and (6) of subsection (a) of Section 5.05 with such changes therein as may be necessary to adapt the same to the purposes of this Article XI;

(B) if any portion of such property described in the Engineer's Certificate provided for in subparagraph (A) of this paragraph (5) consists of an Acquired Facility of a Fair Value of not less than $25,000 and not less than 1% of the aggregate principal amount of Bonds at the time Outstanding, an Independent Engineer's Certificate containing the statements

required by subsection (b) of Section 5.05 with such changes therein as may be necessary to adapt the same to the purposes of this Article XI; and

(C) as Opinion of Counsel and the instruments and documents or evidence respectively required by subsections (d) and (e) of Section 5.05, with such changes therein as may be necessary to adapt the same to the purposes of this Article XI; and

(6) an Accountant's Certificate stating the aggregate principal amount of Bonds Outstanding at the time of such release, and stating that the lesser of the Cost or Fair Value of all of the Permanent Additions (excluding the mortgaged and pledged property to be released but including any Permanent Additions to be acquired by the Company with the proceeds of, or otherwise in connection with, such release) stated in the Engineer's Certificate filed pursuant to paragraph (3) or the Independent Engineer's Certificate filed pursuant to paragraph (4), both of this subsection (k), equals or exceeds an amount equal to 150% of such aggregate principal amount of Bonds Outstanding.

SECTION 11.04. Until a Completed Default shall occur and be continuing and upon receipt of a Company Request, the Trustee without requiring compliance with any of the foregoing provisions of Section 11.03, shall release from the Lien Hereof any property, the Fair Value of which shall be stated in an Engineer's Certificate delivered to the Trustee simultaneously with said Company request, provided that such Fair Value is less that $25,000 or less that 1% of the aggregate principal amount of Bonds Outstanding at the date of the Engineer's Certificate and which property, as stated in such Engineer's Certificate, is not useful or necessary in the conduct of the business of the Company. Said Engineer's Certificate shall also state that such release will not in any material respect impair the security under the Indenture. The aggregate Fair Value of all property released pursuant to this Section 11.04 in any calendar year shall not exceed $500,000. The Company covenants that it will deposit with the Trustee the consideration, if any, received by it upon the sale of other disposition of any property so released. The provisions of the Section 11.04 shall not be available if any portion of the property to be received in consideration for the property of the Company to be released consists of securities.

SECTION 11.05. Interest on and principal of any obligation received by the Trustee pursuant to the provisions of Section 11.03 may be collected by it, but, until a Completed Default shall occur and be continuing, interest as received by the Trustee on any such obligation thereof shall be paid over to the Company.

Any new property acquired by exchange or purchase (other than cash received pursuant to subsection (k) of Section 11.03) to take the place of any property released under any provision of this Article XI shall forthwith and without further conveyance become subject to the Lien of the Indenture; and the Company covenants that, if so requested by the Trustee, it will convey the

same, or cause to be conveyed, to the Trustee by appropriate instruments of conveyance upon the trusts and for the purposes of the Indenture.

SECTION 11.06. Should any of the mortgaged and pledged property be taken by exercise of the power of eminent domain or should any governmental body or agency, at any time, exercise any right which it may have to require the Company to sell to it any part of said property, the Trustee shall accept any cash award therefor, and at the request of the Company shall release the property so taken or purchased, upon being furnished with an Opinion of Counsel to the effect that such property has been taken by exercise of the power of eminent domain or purchased by a governmental body or agency in the exercise of a right which it had to purchase the same. The proceeds of all property so taken or purchased shall be paid over to the Trustee, to be held and applied by the Trustee in the same manner and on the same basis as moneys received by the Trustee pursuant to Section 11.03.

SECTION 11.07. If all or substantially all of the mortgaged and pledged property, other than any money and securities deposited with the Trustee, shall be in the possession of a trustee or receiver, lawfully appointed in any action or judicial proceeding for the foreclosure hereof or for the enforcement of the rights of the Trustee or of the Bondholders, the powers conferred upon the Company with respect to the sale or other disposition of the mortgaged and pledged property may be exercised by such trustee or receiver, and any request, certificate or appointment made or signed by such trustee or receiver for such purpose shall have the same effect as if made by the Company or the Board of Directors or any of the officers of the Company as herein provided. If the Trustee shall be in possession of the mortgaged and pledged property under any provision in the Indenture, then such powers may be exercised by the Trustee in its discretion.

SECTION 11.08. No Person, purchasing in good faith property purporting to have been released hereunder shall be bound to ascertain the authority of the Trustee to execute the release, or to inquire as to the existence of any conditions herein prescribed for the exercise of such authority; nor shall any purchaser or grantee of any property or rights permitted by Section 11.02, 11.03 or 11.04 to be sold, granted, exchanged or otherwise disposed of by the Company, be under any obligation to ascertain or inquire into the authority of the Company to make such sale, grant, exchange or other disposition. Any release executed by the Trustee under this Article XI shall be sufficient for the purpose of the Indenture and shall constitute a good and valid release of the property therein described from the Lien Hereof.

SECTION 11.09. The "Release Fund" shall consist of all moneys deposited with or received by the Trustee, pursuant to any Section of this Article XI (excluding any cash received by the Company pursuant to subsection (k) of Section 11.03) or in payment of or in exchange for any of the obligations deposited with or received by the Trustee pursuant to the provisions of Section 11.03 or 11.04 (except interest or dividends on said obligations or other securities) or which under any of the provisions of the Indenture are to be held, applied, or disposed of by the Trustee in the same manner as moneys or cash in such Release Fund. The Release Fund shall be

held by the Trustee in trust for the security of the Bonds Outstanding until withdrawn or paid out as provided in sections 11.10 through 11.17.

SECTION 11.10. Until a Completed Default shall occur and be continuing, at the option of the Company any moneys constituting all or any part of the Release Fund shall be paid over to the Company by the Trustee in an amount equal to the Cost or Fair Value, whichever is less, of Permanent Additions certified to the Trustee as provided in Article V, after making the deductions provided for in Section 5.03 for Retired Property and subject to the conditions of Sections 5.06 and 5.08 but only upon the delivery to the Trustee of:

(a) a Company Order;

(b) a Resolution authorizing such Company Order;

(c) an Officer's Certificate stating that no Default has occurred and is continuing, and that the granting of such Company Order will not result in a Default; and

(d) an Accountant's Certificate containing the statements and calculation provided for in subsection (d) of Section 5.07 with the changes necessary to adapt the same to the purposes of this Section 11.10.

SECTION 11.11. Upon receipt of a Company Request in the form of an Officer's Certificate and without requiring compliance with any of the provisions of Section 11.10 (except subsection (c) of Section 11.10), the Trustee shall pay over to the Company the proceeds of any sale of property, for which the consideration was less than $25,000, and the Company covenants that moneys so received, pursuant to the provisions of this Section 11.11, promptly will be expended for property of the character of Permanent Additions. The aggregate amount withdrawn pursuant to this Section 11.11 in any calendar year shall not exceed (i) $100,000 prior to the retirement through payment or redemption of the Original Indenture Bonds (including those Original Indenture Bonds "deemed to be paid" within the meaning of that term as used in Article XVII of the Original Indenture) and (ii) $500,000 thereafter. Withdrawals under this Section 11.11 shall be deducted from the Amount of Established Permanent Additions in the next succeeding Accountant's Certificate filed under Section 11.10.

SECTION 11.12. If the mortgaged and pledged property shall be sold, either under the power of sale herein provided, or under decree of court in a suit for the foreclosure of the Indenture, then the Release Fund shall be added to and dealt with as if it were part of the proceeds of such sale.

SECTION 11.13. Until a Completed Default shall have occurred and be continuing, upon Company Request, authorized by Resolution, the Trustee shall to the extend that such Bonds are available for such purpose, apply all or any part of the cash held by it in the Release Fund to the purchase of Outstanding Bonds of one or more series as the Company may designate

at the lowest price obtainable, but such purchase price shall not exceed the current regular redemption price applicable to such Bonds. Upon the purchase by the Trustee of any Bond, as hereinabove provided, the Trustee shall notify the Company in writing thereof, specifying the serial numbers and principal amount of the Bonds purchased and any amount of accrued interest thereon paid or to be paid by the Trustee on such purchase, and the Company covenants that, upon the receipt by it of any such notice, it immediately will pay to the Trustee, as an additional payment to the Release Fund, an amount of cash equal to such accrued interest on the Bonds so purchased, or to be purchased, as specified in such notice to the end that the Release Fund shall not be diminished by the payment therefrom of interest.

SECTION 11.14. Until a Completed Default shall have occurred and be continuing, and upon Company Request, authorized by Resolution, the Trustee shall as soon as practicable apply all or any part of the cash held by it in the Release Fund to the redemption of Bonds, which are by their terms then redeemable, of one or more series as may be designated by the Company in the manner and as provided for redemption of Bonds in Article X. In the event of each such redemption the Trustee promptly shall notify the Company in writing of the Bonds selected for redemption, specifying the amount of accrued interest payable in respect of the Bonds to be redeemed upon such redemption. The Company covenants that it will give or cause to be given the notice provided for in respect of the redemption of such Bonds and will, on or prior to the date fixed for such redemption, deposit with the Trustee an additional amount of cash equal to such accrued interest, to the end that the Release Fund shall not be diminished by the payment of interest therefrom.

The provisions of the Section 11.14 and of Section 11.15 shall not grant to the Company the power to redeem any Bond that is not otherwise redeemable or to redeem any Bond at a price less than the price at which such Bond could be redeemed pursuant to Article X or pursuant to the terms of such Bond.

SECTION 11.15. Until a Completed Default shall have occurred and be continuing, if the balance in the Release Fund exceeds $300,000 for a period of 24 months or more, and during that period the Company shall not have made a proper request for reimbursement pursuant to Section 11.10 or for the application of such balance to the purchase or redemption of Bonds pursuant to Section 11.13 and 11.14, respectively, then the balance in the Release Fund shall be applied by the Trustee without further action by, or election of, the Company to the purchase or redemption of Bonds (subject to the last paragraph of Section 11.14) in the manner specified in Sections 11.13 and 11.14, choosing for such purpose Bonds of the series of the lowest current redemption price that may be then Outstanding and available for such purpose. In the event of each such application and upon written notice from the Trustee, the Company shall give or cause to be given the notice provided for in respect of the redemption of such Bonds and shall pay to the Trustee additional cash equal to any accrued interest that will be payable upon such redemption.

SECTION 11.16. Until a Completed Default shall have occurred and be continuing, delivery by the Company to the Trustee of Bonds (except Bonds which have been retired or used in any manner set forth in clause (a), (b) or (c) of Section 6.01), shall be deemed equivalent under this Article XI to payment of cash under sections 11.03 and 11.04 equal to the aggregate principal amount of the Bonds so delivered.

SECTION 11.17. Until a Completed Default shall have occurred and be continuing, any moneys constituting part of the Release Fund may be withdrawn by the Company upon the delivery to the Trustee of Bonds (except Bonds which have been retired or used in any manner set forth in clause (a), (b) or (c) of section 6.01), of an aggregate principal amount equal to the amount of moneys withdrawn.

SECTION 11.18. All Bonds purchased or otherwise acquired by, or delivered to the Trustee for the Release Fund shall be cancelled forthwith, and the Trustee thereupon shall destroy such Bonds and deliver evidence of the destruction to the Company, pursuant to Section 20.07.

ARTICLE XII

Meetings of Bondholders.

SECTION 12.01. A meeting of Holders of Bonds of any or all series may be called at any time pursuant to the provisions of this Article XII for any of the following purposes:

(1) to give any notice to the Company or to the Trustee, or to give any directions to the Trustee, or to waive any Completed Default and its consequences, or to take any other action authorized to be taken by Holders pursuant to any of the provisions of Article XIII;

(2) to remove the Trustee and appoint a successor Trustee pursuant to the provisions of Article XVI;

(3) to consent to the execution of a Supplemental Trust Indenture pursuant to the provisions of Section 18.02; or

(4) to take any other action authorized to be taken by or on behalf of the Holders of any specified percentage in aggregate principal amount of the Bonds of any or all series, as the case may be, under any other provisions of the Indenture or under applicable law.

SECTION 12.02. The Trustee at any time may call a meeting of Holders of Bonds of any or all series to take any action specified in section 12.01, such meeting to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Holders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given to Holders of Bonds of each series affected, in the manner and to the extent provided in subsection (c) of Section 16.18, not less than 20 nor more than 180 days prior to the date fixed for the meeting; provided that; if there shall be Outstanding any Coupon Bonds not registered as to principal, publication of such notice in the newspapers specified in Section 10.02 for a redemption of Coupon Bonds shall occur at least twice, with each publication to be not less than 20 nor more than 180 days prior to the date fixed for the meeting.

SECTION 12.03. If the Company, pursuant to a Resolution, or the Holders of at least 25% in aggregate principal amount of the Bonds then Outstanding, shall have requested the Trustee in writing to call a meeting of Holders to take any action authorized in Section 12.01, which request shall set forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed the notice of such meeting within 20 days after receipt of such request, then the Company or the Holders of at least 25% in aggregate principal amount of the Bonds then Outstanding may determine the time and the place for such meeting and may call such meeting by mailing (and, if applicable, publishing) notice thereof as provided in Section 12.02. The Trustee shall be required to attend any such meeting properly called by the Company or Bondholders.

SECTION 12.04. To be entitled to vote at any meeting of Holders, a Person shall be a Holder of one or more Outstanding Bonds, of any or all series, as the case may be, with respect to which such meeting is being held or be a Person appointed by an instrument in writing as proxy by such Holder. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 12.05. Notwithstanding any other provisions of the Indenture, the Trustee may establish such reasonable rules as it may deem advisable for any meeting of Holders in regard to: (a) proof of the holding of Bonds and of the appointment of proxies; (b) the appointment and duties of inspectors of votes; (c) the submission and examination of proxies, certificates and other evidence of the right to vote; and (d) such other matters concerning the conduct of the meeting as the Trustee shall determine. Except as otherwise permitted or required by any such rules, the holding of Bonds shall be proved in the manner specified in Section 14.02 and the appointment of any proxy shall be proved in the manner specified in Section 14.02 or by having the signature of the Person executing the proxy witnessed or guaranteed by any bank or trust company satisfactory to the Trustee.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or the Holders as provided in Section 12.03, in which case the Company or the Holders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by majority vote of the meeting.

Subject to the provisions of Section 12.04, at any meeting each Holder of Outstanding Bonds, with respect to which such meeting is being held, or proxy therefor shall be entitled to one vote for each $1,000 principal amount of Outstanding Bonds held or represented by each Holder; provided, that no vote shall be cast or counted in any meeting in respect of any Bonds challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote except as a Holder or proxy. At any meeting of Holders, the presence of Persons holding or representing Bonds in an aggregate principal amount sufficient to take action on any business for which such meeting was called shall constitute a quorum.

Any meeting of Holders duly called pursuant to the provisions of Section 12.02 or 12.03 may be adjourned from time to time by vote of the Holders of a majority in aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum be then present at such meeting, and any meeting so adjourned may be continued without further notice.

SECTION 12.06. The vote upon any resolution submitted to any meeting of Holders of Bonds with respect to which such meeting is being held or represented by them shall be by written ballots on which shall be subscribed the signatures of the Holders or proxies and, if deemed appropriate by the Trustee, the serial number or numbers and principal amount of the Bonds of each series held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their notarized and sworn written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote taken by ballot and affidavits by one or more Persons having knowledge of the facts, setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 12.02. The record shall be signed and verified by the permanent chairman and secretary of the meeting. One of the duplicates shall be delivered to the Company. The other duplicate, with the ballots voted at the meeting attached thereto, shall be delivered to the Trustee to be preserved by the Trustee.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

ARTICLE XIII

Remedies of Trustee and Bondholders upon Default.

SECTION 13.01. Upon the occurrence and continuance of any one or more of the following events, a "Completed Default" shall exist:

(a) default in the payment of the principal of, or premium, if any, on any Bond when the same shall have become due and payable, whether at Stated Maturity or be declaration, or otherwise; or

(b) default continued for 90 days in the payment of any interest upon any Bond; or

(c) default in the covenants of the Company with respect to bankruptcy, insolvency, assignment or receivership contained in Section 8.11; or

(d) default continued for 90 days after notice to the Company from the Trustee in the performance of any other covenant, agreement or condition contained herein;

and the Trustee may, and upon the written request of the Holders of 25% or more in principal amount of the Bonds then Outstanding shall, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest thereupon shall be due and payable immediately; subject to the right of the Holders of a majority in principal amount of the Bonds then Outstanding, by written notice to the Company and to the Trustee, to rescind and annul such declaration and destroy its effect at any time before any sale hereunder if, before any such sale, (1) all agreements with respect to which default shall have been made shall be fully performed and (2) the reasonable expenses and charges of the Trustee, its agents and attorneys, all arrears of interest upon all Bonds Outstanding and of all other indebtedness secured hereby (except (i) the principal of any Bonds not then due by their terms, and (ii) interest accrued on such Bonds since the last Interest Payment Date) shall have been paid, or the amount thereof shall have been paid to the Trustee for the benefit of those entitled thereto.

No rescission or annulment and no waiver of Completed Default shall extend to or affect any subsequent Completed Default or impair any right subsequently accruing with respect thereto.

SECTION 13.02. Upon the occurrence of one or more Completed Defaults, the Company, upon demand of the Trustee, forthwith shall surrender to the Trustee the actual possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all the mortgaged and pledged property (with the books, papers and accounts of the Company) and to hold, operate and manage the same, and to make all necessary repairs, and such alterations, additions and improvements as the Trustee shall deem appropriate, and to

receive the rents, income, issues and profits thereof, and out of the same to pay all proper costs and expenses of so taking, holding, operating and managing the same, including reasonable compensation to the Trustee, it agents and counsel, and any charges of the Trustee hereunder, and any taxes and assessments and other charges prior to the Lien of the Indenture, which the Trustee may deem appropriate to pay, and all expenses of all such repairs, alterations, additions and improvements, and to apply the remainder of the moneys so received by the Trustee, as follows:

(a) in case the principal of none of the Bonds shall have become due, to the payment of the interest in default, in chronological order of the Stated Maturity of the installments of such interest, with interest (to the extent permitted by law) on the overdue installments thereof at the same rate that the Bonds themselves bear; such payments to be made ratably to the Persons entitled thereto, without discrimination or preference;

(b) in case the principal of any of the Bonds shall have become due, by declaration or otherwise, first to the payment of the interest in default, in chronological order of the Stated Maturity of the installments of such interest, with interest (to the extent permitted by law) on the overdue installments of interest at the same rate that the Bonds themselves bear, and thereafter to the payment of the principal of all Bonds then due, such payments, respectively, to be made ratably to the persons or parties entitled thereto without discrimination of preference.

Whenever all that is due upon such installments of interest, and the principal of such Bonds and under any of the terms of the Indenture shall have been paid and all defaults made good, the Trustee shall surrender possession to the Company, its successors or assigns; but with the same right of entry to exist upon any subsequent default.

SECTION 13.03. Upon the occurrence of one or more Completed Defaults: (a) it shall be lawful for the Trustee, by such officer or agent as it may appoint, with or without entry (i) to see all property subject to the Lien Hereof as an entirety, or in such parcels as the Holders of a majority in principal amount of the Bonds Outstanding shall in writing request, or in the absence of such request, as the Trustee may determine, at public auction, at some convenient place in Minneapolis, Minnesota, or such other place as may be required by law, or by order of court (having first given notice of such sale by publication at least once on any day in each of not less than four successive calendar weeks immediately preceding the date fixed for any such sale in at least one daily newspaper of general circulation printed in the English language, published in Chicago, Illinois, and in at least one daily newspaper of general circulation printed in the English language, published in the City and State of New York, and any other notice which may be required by law) (ii) to adjourn such sale in its discretion by announcement at the time and place fixed for such sale without further notice, and upon such sale to make and deliver to the purchaser or purchasers a good and sufficient deed or deeds for the same, which sale shall be perpetual bar, both at law and in equity, against the Company, and all Persons lawfully claiming or who may claim by, through or under it and (b) the Trustee and its successors are irrevocably

appointed the true and lawful attorney or attorneys of the Company, in its name and stead, for the purpose of effectuating any such sale to execute and deliver all necessary deeds, bills of sale, assignments and transfers, and to substitute one or more Persons with like power, the Company hereby ratifying and confirming all that the Trustee's attorney or attorneys, or such substitute or substitutes, shall lawfully do by virtue hereof. Nevertheless, if so requested by the Trustee or by any purchaser, the Company shall ratify and confirm any such sale or transfer by executing and delivering to the Trustee or to such purchaser or purchasers all proper conveyances, assignments, instruments of transfer and releases as may be designated in any such request.

SECTION 13.04. In the event of a Completed Default, the Trustee shall have the right and power to take appropriate judicial proceedings for the enforcement of its rights and the rights of the Bondholders. In case of a Completed Default, the Trustee may after entry, or without entry, proceed by suit or suits at law or in equity to enforce payment of the Bonds then Outstanding and to foreclose the Indenture and to sell the property subject to the Lien of the Indenture under the judgment or decree of a court of competent jurisdiction; and it shall be obligatory upon the Trustee to take action, either by such proceedings or by the exercise of its powers with respect to entry or sale, upon being requested to do so by the Holders of a majority in principal amount of the Bonds then Outstanding and upon being indemnified as hereinafter provided.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Bonds or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable, as therein expressed or by declaration or otherwise, and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal, premium or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal of, premium, if any and interest owing and unpaid in respect of the Bonds Outstanding and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Bondholders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Bondholder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Bondholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 16.07.

Nothing contained herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan or reorganization, arrangement, adjustment or composition affecting the Bonds or the right of any Holder thereof, or to authorize the Trustee to vote in respect of the claim any Bondholder in any such proceeding.

No remedy by the terms of the Indenture, conferred upon or reserved for the Trustee or for the Bondholders, is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any Completed Default shall impair any such right or power or shall be construed to be a waiver of any such Completed Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as expedient.

SECTION 13.05. Anything in the Indenture to the contrary notwithstanding, the Holders of a majority in principal amount of the Bonds then Outstanding, at any time, by a written instrument, executed and delivered to the Trustee, may reasonably direct the method and place of conducting all proceedings to be taken for any sale of the property subject to the Lien of the Indenture, or for the foreclosure of the Indenture, or for the appointment of a receiver or for the taking of any action authorized hereby or refraining therefrom; provided that such direction shall not be contrary to the provisions of law or of the Indenture.

SECTION 13.06. In case of a Completed Default and upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the property subject to the Lien of the Indenture, and of the income, rents, issues and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

SECTION 13.07. Upon any sale made under the power of sale hereby given or under judgment or decree in any judicial proceedings for the foreclosure or otherwise for the enforcement or the Indenture, the principal of all Bonds then Outstanding, if not previously due, shall immediately be due and payable.

SECTION 13.08. Upon any sale made under the power of sale hereby given or under judgment or decree in any judicial proceedings for foreclosure or otherwise for the enforcement of the Indenture, any Bondholder or Bondholders, or the Trustee, may bid for and purchase the property subject to the Lien of the Indenture and upon compliance with the terms of sale may hold, retain, possess and dispose of such property without further accountability. To the extent permitted by law, any purchaser at any such sale may deliver any of the Bonds Outstanding in lieu of cash in a principal amount equal to the cash payable upon distribution of the net proceeds from such sale. Said Bonds, in case the amounts so available for payment to the Holders thereof

shall be less than the amount due upon the Bonds, shall be returned to the Holders thereof after being properly stamped to show partial payment of the Bonds.

SECTION 13.09. Upon any sale made under the power of sale hereby given or under judgment or decree in any judicial proceedings for the foreclosure or otherwise for the enforcement of the Indenture, a receipt from the Trustee or the officer making such sale shall be a sufficient discharge to the purchaser for his purchase money. Such purchaser, his assigns or personal representatives, after paying such purchase money and receiving such receipt of the Trustee or of such officer therefor, shall not be obliged to see to the application of such purchase money, or in any way be answerable for any loss, misapplication or nonapplication thereof.

SECTION 13.10. Any sale made under the power of sale hereby given or under judgment or decree in any judicial proceedings for foreclosure or otherwise for the enforcement of the Indenture, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, or the Company, of, in and to the property so sold, and shall be a perpetual bar both at law and in equity against the Company, its successors and assigns and against any and all Persons claiming to who may claim the property which was sold or any part thereof, from, through or under the Company, its successors or assigns. The purchaser of the Company's interest in properties owned jointly or in common with others shall have the same rights and status as possessed by the Company prior to any such sale, but only to the extent permitted by law and subject to the provisions of any such judgment or decree.

SECTION 13.11. The proceeds from any sale made under the power of sale hereby given, or under judgment or decree in any judicial proceeding for the foreclosure of otherwise for the enforcement of the Indenture, together with any other amounts of cash which may then be held by the Trustee, as part of the mortgaged and pledged property, and which by any other provision hereof are to be added to or treated as a part of the proceeds of sale, shall be applied in the following order:

First. To the payment of all taxes, assessment or Prior Liens, except those taxes, assessments or Prior Liens subject to which such sales shall have been made, and of all the costs and expenses of such sale, including reasonable compensation to the Trustee, its agents and attorneys, and of all other sums payable to the Trustee as compensation for other services hereunder and by reason of any expenses or liabilities incurred or advances made in connection with the management or administration of the trusts hereby created;

Second. To the payment in full of the amounts then due and unpaid for principal and interest upon the Bonds then Outstanding; and in case such proceeds shall be insufficient to pay in full the amounts so due and unpaid, then to the payment thereof ratably, with interest on the overdue principal and interest (to the extent permitted by law) at the rates that the Bonds themselves bear without preference or priority of

principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest;

Third. To the Company, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same.

SECTION 13.12. In case of a Completed Default, neither the Company nor any one claiming through or under it shall or will set up, claim or seek to take advantage of any appraisement, valuation, stay, extension or redemption laws now or hereafter in force in any locality where any of the property subject to the Lien of the Indenture may be situated, in order to prevent or hinder the enforcement or foreclosure of the Indenture, the absolute sale of the mortgaged and pledged property, or any part thereof, or the possession thereof by any purchaser at any sale under this Article XIII, but the Company, for itself and all who may claim through or under it, hereby waives (to the extent it may lawfully do so) the benefit of all such laws. The Company, to the extent it may lawfully do so, for itself and all who may claim through or under it, hereby waives any and all right to have the mortgaged and pledged property marshaled upon any foreclosure hereof, and agrees that any court having jurisdiction to foreclose the Indenture may sell the mortgaged and pledged property subject to the Lien Hereof as an entirety.

SECTION 13.13. The Company covenants that if default shall be made in the payment of the principal or of interest on any of the Bonds when the same shall become payable, whether at the Stated Maturity or by declaration as authorized by the Indenture, or in case of a sale as provided in section 13.03, 13.04 or 13.07 or otherwise, then, upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the Holders of such Bonds so due and payable the whole amount due and payable on all such Bonds for principal and interest, with interest upon the overdue principal and interest (to the extent permitted by law) at the same rate borne by the Bonds which are overdue. If the Company shall fail to pay the same promptly upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled to sue for and to recover judgment for the whole amount so due and unpaid.

The Trustee shall be entitled to sue for and recover judgment as aforesaid, either before, after or during the pendency of any proceedings for the enforcement of the Lien of the Indenture, or otherwise for the enforcement of any of its rights, or the rights of the Bondholders. In case of a sale of any of the property subject to the Lien of the Indenture, and of the application of the proceeds of sale to the payment of the debt hereby secured, the Trustee in its own name and as trustee of an express trust, shall be entitled to enforce payment of and to receive all amounts then remaining due and unpaid upon any and all the Bonds then Outstanding, for the benefit of the Holders thereof, and the Trustee shall be entitled to recover judgment for any portion of the debt remaining unpaid, with interest. No recovery of any such judgment by the Trustee and no levy of any execution upon any such judgment upon any of the property subject to the Lien of the Indenture or upon any other property shall affect, in any manner or to any extent, the Lien of the Indenture upon the mortgaged and pledged property, or any rights, powers or remedies of the

Trustee, or any lien, rights, powers or remedies of the Holders of the said Bonds, but such lien, rights, powers and remedies of the Trustee and of the Bondholders shall continue unimpaired.

Any moneys collected or received by the Trustee under this Section 13.13, shall be applied by it first, to the payment of its expenses, disbursements and compensation and the expenses, disbursements and compensation of its agents and attorneys, and, second, toward payment of the amounts then due and unpaid upon such Bonds, with respect to which such moneys shall have been collected, ratably and without preference or priority of any kind, according to the amounts due and payable upon such Bonds at the date fixed by the Trustee for the distribution of such moneys, upon presentation of the several Bonds and upon notation of such payment thereon, if partly paid, and upon surrender thereof, if fully paid.

SECTION 13.14. All rights of action in favor of the Trustee, in respect of the Bonds or otherwise may be enforced by the Trustee without the possession of any of the Bonds or the production thereof at any trial or other proceedings relative thereto. Any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee and any recovery of judgment shall be for the equal benefit of the Holders of the Bonds.

SECTION 13.15. (a) No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the foreclosure of the Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless: (i) such Holder shall have previously given to the Trustee written notice of the existence of a Completed Default as herein provided; (ii) the Holders of 25% in principal amount of the Bonds then Outstanding also shall have made written request to the Trustee and shall have afforded it reasonable opportunity to proceed to exercise the powers herein granted or to institute such action, suit or proceeding in its own name; and (iii) the Trustee shall have been offered adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, provided that such liabilities do not arise as the result of the Trustee's negligence or bad faith. No Bondholder shall be entitled to institute any such suit if and to the extent that the institution or prosecution of such suit or the entry of judgment therein would result, under applicable law, in the surrender, impairment, waiver or loss of the Lien of the Indenture upon the mortgaged and pledged property, or any part thereof, as security for Bonds held by any other Bondholder.

(b) In any suit for the enforcement of any right or remedy under the Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the court may in its discretion require any litigant party in such suit to file an undertaking to pay the costs of such suit and the court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any litigant party in such suit, giving due regard to the merits and good faith of the claims or defenses made by such litigant party; provided that the provisions of this subsection (b) shall not apply to: (i) any suit instituted by the Trustee, (ii) any suit instituted by any Bondholder, or group of Bondholders, holding in the aggregate more than 10% in principal amount of the

Bonds Outstanding, or (iii) any suit instituted by any Bondholder for the enforcement of the payment of the principal of or interest on any Bond, on or after the respective due dates expressed in such Bond.

(c) Nothing contained in the Indenture shall affect or impair the absolute and unconditional obligation of the Company to pay the principal of and interest on the Bonds, in accordance with the terms thereof, to the respective Holders thereof at the Stated Maturity thereof (whether by lapse of time or call for redemption), nor affect or impair the right of action of each such Holder to enforce such payment.

SECTION 13.16. The Company may, if permitted by law, waive any period of grace provided for in this Article XIII.

SECTION 13.17. In case the Trustee shall have proceeded to enforce any right under the Indenture by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then, and in every such case, the Company and the Trustee shall be restored to their former positions and rights hereunder with respect to the property subject to the Lien of the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

SECTION 13.18. All rights, remedies and powers provided for in this Article XIII may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Article XIII are intended to be subject to all applicable mandatory provisions of law that may be controlling and to be limited to the extent necessary so that they will not render the Indenture invalid, unenforceable or not entitled to be recorded or filed under the provisions of any applicable law.

ARTICLE XIV.

Evidence of Rights on Bondholders and Ownership of Bonds.

SECTION 14.01. Whenever the holders of a specified percentage in aggregate principal amount of Bonds are entitled to take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action, the Holders of such specified percentage have joined therein may be evidenced: (a) by any instrument or any number of substantially concurrent instruments of similar tenor executed by the Holders in person or by agent or proxy, appointed in writing; (b) by the record of the Holders voting in favor thereof at any meeting of such Holders duly called and held in accordance with the provisions of Article XII; or (c) by a combination of such instrument or instruments and any such record of such a meeting of such Holders.

SECTION 14.02. Subject to the provisions of sections 16.01 and 12.05, the fact and date of the execution of any instrument by a Holder of Bonds or his agent or proxy may be proved by the certificate of any notary public or other officer authorized to take acknowledgements of deeds to be recorded within the United States of America or territories, commonwealths, or possessions thereof that the Person executing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution sworn to before any such notary or other such officer, provided that the Trustee may require such additional proof as it shall deem reasonable. Where such execution is by or on behalf of any legal entity other than an individual, such certificate or affidavit also shall constitute sufficient proof of the authority of the Person executing the same. Subject to Sections 16.01 and 12.05, the fact and date of the execution of any such instrument and the amount and numbers of Bonds of any series held by the Person so executing such instrument and the amount and numbers of any Bond for such series also may be proven in accordance with such reasonable rules and regulations as may be prescribed by the Trustee of in any other manner which the Trustee may deem sufficient.

The ownership and proof of holding of Registered Bonds shall be proved by the Bond Register or by a certificate of the Bond Registrar. The fact of the holding by any Holder of a Bond of any series, and the identifying number of such Bond and the date of his holding the same, may be proved by the production of such Bond or by a certificate executed by any trust company, bank, banker or recognized securities dealer satisfactory to the Trustee, wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory. Each such certificate shall be dated and shall state that on the date thereof a Bond of such series bearing a specified identifying number was deposited with or exhibited to such trust company, bank, banker or recognized securities dealer by the Person named in such certificate. Any such certificate may be issued in respect of one or more Bonds of one or more series specified therein. The holding by the Person named in any such certificate of any Bonds of any series specified therein shall be presumed to continue for a period of one year from the date of such certificate unless at the time of any determination of such holding (1) another certificate bearing a later date

issued in respect of the same Bonds shall be produced, or (2) the Bond of such series specified in such certificate shall be produced by some other Person, or (3) the Bond of such series specified in such certificate shall have ceased to be Outstanding. Subject to Sections 16.01 and 12.05, the fact and date of the execution of any such instrument and the amount and numbers of Bonds of any series held by the Person so executing such instrument and the amount and numbers of Bonds for such series also may be proved in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in any other manner which the Trustee may deem sufficient.

The record of a Holders' meeting shall be proved in the manner provided in Section 12.06.

SECTION 14.03. Prior to presentation for registration of transfer of any Bond, the Company, the Trustee, any Authenticating Agent, any Paying Agent or any Bond Registrar may deem and treat the Holder of any coupon and the Holder of any Bond other than a Registered Bond, and the Person in whose name any Bond shall be registered upon the Bond Register as the absolute owner of such Bond or coupon (whether or not such Bond or coupon shall be overdue) for the purpose of receiving payment of or interest on account thereof and for all other purposes. Neither the Company nor the Trustee nor any Authenticating Agent nor any Paying Agent nor the Bond Registrar shall be affected by any notice to the contrary. All such payments made to any such Person, or upon his order, shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Bond.

SECTION 14.04. At any time prior to, but not after, evidence is provided to the Trustee, pursuant to Section 14.01, of the taking of any action by the Holders of the percentage in aggregate principal amount of the Bonds specified in the Indenture in connection with any such action, any Holder of a Bond which is included in the Bonds the Holders of which have joined in such action may, by filing written notice with the Trustee at its office and upon proof of holding as provided ion Section 14.02, revoke such action so far as concerns such Bond. Except as aforesaid in this Section 14.04, any such action taken by the Holder of any Bond pursuant to this Article XIV shall be conclusive and binding upon such Holder, upon all future Holders and owners of such Bond and of any Bond issued in exchange or substitution therefor, irrespective of whether any notation in regard thereto is made upon such Bond. Any action taken by the Holders of the percentage in aggregate principal amount of the Bonds specified in the Indenture in connection with such action shall be conclusively binding upon the Company, the Trustee and the Holders of the Bonds.

ARTICLE XV.

Effect of Merger, Consolidation, Etc. on the Lien of the Indenture.

SECTION 15.01. Nothing in the Indenture shall prevent any lawful consolidation or merger of the Company with or into any other corporation, or any conveyance, transfer or lease, subject to the Lien of the Indenture, of all or substantially all the mortgaged and pledged property as an entirety, to any corporation lawfully entitled to acquire or lease and operate the same; provided (and the Company covenants and agrees), that such consolidation, merger, conveyance, transfer or lease shall be only upon terms that fully preserve and in no respect impair the efficiency or security of the Indenture or the Lien Hereof, or any of the rights or powers of the Trustee or the Bondholders; and provided that any such lease shall be made expressly subject to immediate termination by: (i) the Company or the Trustee at any time during the continuance of a Completed Default, and (ii) by the purchaser of the property so leased at any sale thereof, whether such sale be made under the power of sale hereby conferred or under judicial proceedings; and provided, further, that, upon any such consolidation, merger, conveyance, transfer, or lease, the term of which extends beyond the Stated Maturity of any of the Bonds Outstanding, the due and punctual payment of the principal of and interest on all said Bonds according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Indenture to be kept or performed by the Company, shall be assumed by the corporation formed by such consolidation or into which such merger shall have been made, or acquiring all or substantially all the mortgaged and pledged property as an entirety, as aforesaid, or by the lessee under any such lease the term of which extends beyond the Stated Maturity of any of the Bonds Outstanding.

SECTION 15.02. If the Company, pursuant to Section 15.01, shall be consolidated with or merged into any other corporation of shall convey or transfer (subject to the Lien of the Indenture) all, or substantially all, the mortgaged and pledged property, as an entirety, then the successor corporation, formed by such consolidation or into which the Company shall have been merged or which shall have received a conveyance or transfer as aforesaid (the "Successor Corporation"), upon executing an indenture with the Trustee, satisfactory to the Trustee, and causing the same to be recorded, whereby such Successor Corporation shall assume and agree to pay, duly and punctually, the principal of and interest on the Bonds, and agree to perform and fulfill all the covenants and conditions of the Indenture binding upon the Company, shall: (a) succeed to and be substituted for the Company, with the same effect as if it had been named herein, and in the Bonds as the mortgagor or obligor company; (b) have and may exercise under the Indenture and the Bonds the same powers and rights as the Company, and (without in any way limiting or impairing by the enumeration of the same the scope and intent of the foregoing general powers and rights) such Successor Corporation thereupon may cause to be executed, issued and delivered, either in its own name or in the name of the Company, any or all of such Bonds which shall not theretofore have been executed by the Company and authenticated by the Trustee, and upon the order of such Successor Corporation in lieu of the Company, and subject

to the terms, conditions, and restrictions prescribed in the Indenture, concerning the authentication and delivery of Bonds, the Trustee shall authenticate and deliver any such Bonds which shall have been previously signed and delivered by the officers of the Company to the Trustee for authentication, and any such Bonds which such Successor Corporation shall thereafter, in accordance with the provisions of the Indenture, cause to be executed and delivered to the Trustee for authentication. All the Bonds so issued shall in all respects have the same legal right and security as the Bonds theretofore issued in accordance with the terms of the Indenture as though all of said Bonds had been authenticated and delivered at the date of the execution hereof; provided, that as a condition precedent to the execution by a Successor Corporation and the authentication and delivery by the Trustee of any such additional Bonds in respect of the construction or acquisition by the Successor Corporation of Permanent Additions, the indenture with the Trustee to be executed and caused to be recorded by the Successor Corporation, as provided in this Section 15.02, shall contain a conveyance or transfer and mortgage in terms sufficient to include such Permanent Additions; and provided further that the Lien of the Indenture or of the indenture so created and to be executed by such Successor Corporation shall have similar force, effect and standing as the Lien of the Indenture would have if the Company had not been consolidated with or merged into such other corporation or had not conveyed or transferred, subject to the Indenture, all the mortgaged and pledged property as an entirety, as aforesaid, to such Successor Corporation, and had itself acquired or constructed such Permanent Additions, and requested the authentication and delivery of Bonds under the provisions of the Indenture.

Until a Completed Default shall occur and be continuing and subject to the provisions of Section 16.01 hereof, the Trustee may receive an Opinion of Counsel as conclusive evidence that any such indenture complies with the foregoing conditions and provisions of this Section 15.02.

SECTION 15.03. If the Company, pursuant to Section 15.01, shall be consolidated with or merged into any other corporation, or shall convey or transfer, subject to the Indenture, all or substantially all of the mortgaged and pledged property as an entirety as aforesaid, neither the Indenture nor the indenture with the Trustee to be executed and caused to be recorded by Successor Corporation as provided in Section 15.02, shall, unless such latter indenture shall otherwise provide (anything in the Indenture contained to the contrary notwithstanding), become or be a lien upon any of the properties or franchises of the Successor Corporation except those acquired by it from the Company, and extensions and additions appurtenant to the property acquired from the Company, and such franchises, repairs and additional property as may be acquired by the Successor Corporation in pursuance of the covenants herein contained to maintain, renew and preserve the franchises covered by the Indenture and to keep and maintain the mortgaged and pledged property obtained from the Company in adequate repair, working order and condition.

SECTION 15.04. At any time prior to the exercise of any power reserved by this Article XV for the Company or a purchasing or Successor Corporation, the Company may surrender any

such power by delivery to the Trustee of a written instrument executed by its President or a Vice President under its corporate seal attested by its Secretary and an Assistant Secretary, accompanied by the affidavit of its Secretary or an Assistant Secretary, that the execution of such instrument was duly authorized by its Board of Directors. Upon such delivery, the power so surrendered shall cease.

ARTICLE XVI.

The Trustee.

SECTION 16.01. (a) Except during the continuance of a Completed Default:

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee which conform to the requirements of the Indenture; but in the case of any such certificate or opinion which by any provision hereof is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements of the Indenture.

(b) If a Completed Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by the Indenture and use the same degree of care and skill in their exercise as a prudent man would exercise or use, under the circumstances, in the conduct of his own affairs.

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

(1) this subsection (c) shall not be construed to limit the effect of subsection (a) of this Section 16.01;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or for exercising any trust or power conferred upon the Trustee; and

(4) no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) the Trustee shall use reasonable care in the selection or approval of any Engineer, appraiser or other expert, counsel or Accountant required to be selected or approved by the Trustee.

(e) every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 16.01.

SECTION 16.02. Within 90 days after the occurrence of any Default, the Trustee shall transmit notice of such Default, unless such Default shall have been cured or waived, to the Bondholders in the manner and to the extent provided in subsection (c) of Section 16.18; provided that (except in the case of a Default in the payment of the principal of, premium, if any, or interest on any Bond or in the payment of any sinking fund installment), the Trustee shall be protected in withholding such notice if and so long as its board of directors, in executive committee or a trust committee of its board of directors or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Bondholders, and provided that in the case of any Default of the character specified in subsection (d) of Section 13.01, no such notice to Bondholders shall be given until at least 90 days after the occurrence thereof.

SECTION 16.03. Except as otherwise provided in Section 16.01:

(a) the Trustee may rely, and shall be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document believed by it to be genuine and to have been signed or presented by the proper party;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Resolution;

(c) whenever in the administration of the Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, permitting or omitting any action, the Trustee (unless other evidence be specifically prescribed herein) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, permitted or omitted by the Trustee in good faith and in reliance thereon;

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

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit. If the Trustee shall make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(h) the trustee shall not be personally liable, in case of entry by it upon the mortgaged and pledged property, for debts contracted or liabilities or damages incurred in the management or operation of the mortgaged and pledged property.

SECTION 16.04. The recitals contained herein and in the Bonds, except the certificate of authentication on the Bonds, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value or condition of the mortgaged and pledged property or any part thereof, or as to the title of the Company thereto or as to the security afforded thereby or hereby, or as to the validity or genuineness of any securities at any time pledged and deposited with the Trustee hereunder, or as to the validity or sufficiency of the Indenture or of the Bonds. The Trustee shall not be accountable for the use or application by the Company of Bonds or the proceeds thereof or of any money paid to the Company upon Company Order.

SECTION 16.05. The Trustee, any Paying Agent, Bond Registrar, Authenticating Agent or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Bonds and, subject to Sections 16.08 and 16.13, if operative, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Bond Registrar, Authenticating Agent or such other agent.

SECTION 16.06. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent provided herein or requested by the Company or required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as provided elsewhere herein and except as otherwise agreed with the Company.

SECTION 16.07. The Company agrees:

(a) to pay to the Trustee reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with the Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel) except any such expense, disbursement or advance as may be attributable to the Trustee's negligence or bad faith;

(c) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder; and.

(d) that all such payments and reimbursements shall be made with interest at the rate of six percent per annum, accruing from the date such payments and reimbursements are bill by the Trustee, unless paid by the Company on or before a subsequent due date established by such billing.

As security for the performance of the obligations of the Company under this Section 16.07, the Trustee shall be secured under the Indenture by a lien prior to the Bonds, and for the payment of such compensation, expenses, reimbursements and indemnity the Trustee shall have the right to use and apply any moneys held by it under the Indenture as part of the mortgaged and pledged property.

SECTION 16.08. Certain terms used in this Section 16.08 are defined in subsections (d) and (e).

(a) If the Trustee has or shall acquire any conflicting interest, as defined in this Section 16.08, it shall, within 90 days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign in the manner and with the effect specified in this Article XVI.

(b) If the Trustee shall fail to comply with the provisions of subsection (a) of this Section 16.08 the Trustee shall, within 10 days after the expiration of such 90-day period, transmit notice of such failure to the Bondholders in the manner and to the extent provided in subsection (c) of Section 16.18.

(c) For the purposes of this Section 16.08, the Trustee shall be deemed to have a conflicting interest if:

(1) the Trustee is trustee under another indenture under which (A) any other securities of the Company, or (B) certificates of interest or participation in any other securities of

the Company, are Outstanding (unless such other indenture is a collateral trust indenture under which the only collateral consists of Bonds issued under the Indenture). There shall be excluded from the operation of this paragraph any indenture or indentures under which (A) other securities of the Company, or (B) certificates of interest or participation in other securities of the Company, are Outstanding, if the Company shall have sustained the burden of proving, on application to the Commission and after opportunity for hearing thereon, that trusteeship under the Indenture and such other indenture or indentures is not so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under one such indentures; or

(2) the Trustee or any of its Directors or Executive Officers is an obligor upon the Bonds or an Underwriter for the Company; or

(3) the Trustee directly or indirectly controls or is directly or indirectly controlled by or is under direct or indirect common control with the Company or an Underwriter for the Company; or

(4) the Trustee or any of its Directors or Executive Officers is a Director, officer, partner, employee, appointee or representative of the Company or of an Underwriter for the Company (other than the Trustee itself) who is currently engaged in the business of underwriting, except that: (A) one individual may be a Director or an Executive Officer, or both, of the Trustee and a Director or an Executive Officer, or both, of the Company but may not be at the same time an Executive Officer of both the Trustee and the Company; (B) if and so long as the number of Directors of the Trustee in office is more than nine, one additional individual may be a Director or an Executive Officer, or both, of the Trustee and a Director of the Company; and (C) the Trustee may be designated by the Company or by any Underwriter for the Company to act in the capacity of transfer agent, registrar, custodian, paying agent, fiscal agent, escrow agent, or depositary, or in any other similar capacity, or, subject to the provisions of paragraph (1) of this subsection (c), to act as trustee, whether under an indenture of otherwise; or

(5) 10% or more of the Voting Securities of the Trustee is beneficially owned either by the Company or by any Director, partner, or Executive Officer thereof, or 20% or more of such Voting Securities is beneficially owned, collectively, by any two or more of such Persons; or 10% or more of the Voting Securities of the Trustee is beneficially owned either by an Underwriter for the Company or by any Director, partner or Executive Officer thereof, or is beneficially owned, collectively, by any two or more such Persons; or

(6) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default in payment of principal for 30 days or more and such default shall not have been cured, (A) 5% or more of the Voting Securities or 10% or more of any other class of Security of the Company (not including the Bonds and Securities issued under any other

indenture under which the Trustee is also trustee) or (B) 10% or more of any class of Security of an Underwriter for the Company; or

(7) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default in payment of principal for 30 days or more and such default shall not have been cured, 5% or more of the Voting Securities of any Person who, to the knowledge of the Trustee, owns 10% or more of the Voting Securities of, or controls directly or indirectly or is under direct or indirect common control with, the Company; or

(8) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default in payment of principal for 30 days or more and such default shall not have been cured, 10% or more of any class of Security or any Person who, to the knowledge of the Trustee, owns 50% or more of the Voting Securities of the Company; or

(9) the Trustee owns, on May 15 in any calendar year, in the capacity of executor, administrator, testamentary or inter vivos trustee, guardian, committee or conservator, or in any other similar capacity, an aggregate of 25% or more of the Voting securities, or of any class of Security, of any Person, the beneficial ownership of a specified percentage of which would have constituted a conflicting interest under paragraph (6), (7) or (8) of this subsection (c). As to any such Securities of which the Trustee acquired ownership through becoming executor, administrator, or testamentary trustee of an estate which included them, the provisions of the preceding sentence shall not apply, for a period of two years from the date of such acquisition, to the extent that such Securities included in such estate do not exceed 25% of such Voting Securities or 25% of any such class of Securities. Promptly after May 15 in each calendar year, the Trustee shall make a check of its holding of such Securities in any of the above-mentioned capacities as of such May 15. If the Company fails to make payment in full of the principal of, the premium, if any, or interest on, any of the Bonds when as the same become due and payable, and such failure continues for 30 days thereafter, the Trustee shall make a prompt check of its holdings of such securities in any of the above-mentioned capacities as of the date of the expiration of such 30-day period, and after such date, notwithstanding the foregoing provisions of this paragraph (9), all such Securities so held by the Trustee, with sole or joint control over such Securities vested in it, shall, but only so long as such failure shall continue, be considered as though beneficially owned by the Trustee for the purposes of paragraphs (6), (7) and (8) of this subsection (c).

The specification of percentages in paragraphs (5) through (9) of this subsection (c), shall not be constructed to indicate that ownership of such percentages of the Securities of a Person is or is not necessary or sufficient to constitute direct or indirect control for the purposes of paragraph (3) or (7) of this subsection (c).

For the purposes of paragraphs (6), (7), (8) and (9) of this subsection (c) only, "Security" and "Securities," shall include only such securities as are generally known as corporate

securities, but shall not include any note or other evidence of indebtedness issued to evidence an obligation to repay moneys lent to a Person by one or more banks, trust companies or banking firms, or any certificate of interest or participation in any such note or evidence if indebtedness. The Trustee shall be deemed not to be the owner or holder of (i) any Security which it holds as collateral security, as trustee or otherwise, for an obligation which is not in default in the payment of principal for 30 days or more, or (ii) any Security which it holds as collateral security under this Indenture, irrespective of any Default hereunder, or (iii) any Security which it holds as agent for collection, or as custodian, escrow agent, or depositary, or in any similar representative capacity.

(d) For the purposes of this Section 16.08 only;

(1) "Company" means any obligor upon the Bonds.

(2) "Director" means any director of a corporation, or any individual performing similar functions with respect to any organization whether incorporated or unincorporated.

(3) "Executive Officer" means the president, every vice president, every trust officer, the cashier, the secretary, or the treasurer of a corporation, and any individual customarily performing similar functions with respect to any organization whether incorporated or unincorporated, but shall not include the chairman of the board of directors if not also one of the foregoing officers.

(4) "Person" means an individual, a corporation, a partnership, an association, a joint-stock company, a trust, an unincorporated organization, or a government or political subdivision thereof. As used in this paragraph, the term "trust" shall include only a trust where the interest or interests of the beneficiary or beneficiaries are evidenced by a security.

(5) "Trustee" includes any separate or co-trustee appointed under Section 16.14.

(6) "Underwriter," when used with reference to the Company, means every Person who, within three years prior to the time as of which the determination is made, has purchased from the Company with a view to, or has offered or sold for the Company in connecting with, the distribution of any security of the Company outstanding at such time, or has participated or has had a direct or indirect participation in any such undertaking, or has participated or has had a participation in the direct or indirect underwriting of any such undertaking. Such term shall not include a Person whose interest was limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors' or sellers' commission.

(7) "Voting Security" means any security presently entitling the owner or holder thereof to vote in the direction or management of the affairs of a Person, or any security issued under or pursuant to any trust, agreement or arrangement whereby a trustee or trustees or agent

or agents for the owner or holder of such security are presently entitled to vote in the direction or management of the affairs of a Person.

(e) The percentages of Voting Securities and other securities specified in this Section 16.08 shall be calculated in accordance with the following provisions:

(1) A specified percentage of the Voting Securities of any Person referred to in this Section 16.08 (including the Trustee and the Company) means such amount of the Outstanding Voting Securities of such Person as entitles the holder thereof to cast such specified percentage of the aggregate votes which the holders of all the Outstanding Voting Securities of such Person are entitled to cast in the direction or management of the affairs of such Person.

(2) A specified percentage of a class of securities of a Person means such percentage of the aggregate amount of securities of the class Outstanding.

(3) "Amount," when used in regard to securities, means the principal amount if relating to evidences of indebtedness, the number of share if relating to capital shares, and the number of units if relating to any other kind of security.

(4) "Outstanding," means issued and not held by or for the account of the issuer. The following securities shall be deemed not Outstanding within the meaning of this definition:

(A) securities of an issuer held in a sinking fund for securities of the issuer of the same class;

(B) securities of an issuer held in a sinking fund for another class of securities of the issuer, if the obligation evidenced by such other class of securities is not in default as to principal or interest of otherwise;

(C) securities pledged by the issuer thereof as security for an obligation of the issuer not in default as to principal or interest or otherwise; and

(D) securities held in escrow if placed in escrow by the issuer thereof;

provided that any Voting Securities of an issuer shall be deemed Outstanding if any Person other than the issuer is entitled to exercise the voting rights thereof.

(5) A security shall be deemed to be of the same class as another security if both securities confer upon the holder thereof substantially the same rights and privileges; provided that, in the case of secured evidences of indebtedness, all of which are issued under a single indenture, differences only in the interest rates or maturity dates of various series thereof shall not be deemed sufficient to constitute such series as different classes and provided that, in the case of unsecured evidences of indebtedness, differences in the interest rates or maturity dates thereof shall not be deemed sufficient to constitute them securities of different classes, whether or not they are issued under a single indenture.

SECTION 16.09. There shall be at all times a Trustee which shall be a corporation organized and doing business under the laws of the United States of America or of any state thereof, authorized under such laws to exercise corporate powers, having a combined capital and surplus of at least $5,000,000, and subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section 16.09, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 16.09, it shall resign immediately in the manner and with the effect specified in this Article XVI.

SECTION 16.10. (a) No resignation or removal of the Trustee and no appointment of a successor Trustee shall become effective until the acceptance of appointment by the successor Trustee under Section 16.11.

(b) The Trustee may resign at any time by giving written notice to the Company. If an executed instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by the Holders of a majority in principal amount of the Outstanding Bonds.

(d) If at any time:

(1) the Trustee, after this Indenture has been qualified under the Trust Indenture Act, shall fail to comply with subsection (a) of Section 16.08 after written request therefor by the Company or by any Bondholder who has been a bona fide Holder of a Bond for at least six months; or

(2) the Trustee shall cease to be eligible pursuant to Section 16.09 and shall fail to resign after written request therefor by the Company or by any such Bondholder; or

(3) (A) the Trustee shall become incapable of acting; or (B) the Trustee shall be adjudged a bankrupt or insolvent; or (C) a receiver for the Trustee or of its property shall be appointed; or (D) any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, (i) the Company by Resolution may remove the Trustee, or (ii) subject to subsection (b) of Section 13.15, any Bondholder who has been a bona fide Holder of a Bond for at least six months may (on behalf of himself and all other similarly situation), petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by Resolution, shall promptly appoint a successor Trustee. If all or substantially all of the mortgaged and pledged property shall be in the possession of a lawfully appointed receiver or trustee, such receiver or trustee, by written instrument, may similarly appoint a successor Trustee to fill such vacancy until a new Trustee shall be so appoint by the Bondholders. If, within one year after such resignation, removal, incapability or the occurrence of such vacancy, a successor Trustee shall be appointed shall be appointed by the Holders of a majority in principal amount of the Outstanding Bonds, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Company or by such receiver or trustee. If no successor Trustee shall have been so appointed by the Company or the Bondholders and accepted appointment as hereinafter provided, then, subject to subsection (b) of Section 13.15, any Bondholder who has been a bona fide Holder of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give written notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by first-class mail, postage prepaid, to the Bondholders as their names and addresses appear in the Bond Register. Each notice shall include the name of the successor Trustee and the address of its principal corporate trust office.

SECTION 16.11. Every successor Trustee shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment and thereupon the resignation or removal of the retiring Trustee shall become effective. Such successor Trustee, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Trustee. On request of the Company or the successor Trustee, such retiring Trustee shall, upon payment by the Company to the retiring Trustee for its charges, execute and deliver an instrument conveying and transferring to such successor Trustee upon the trusts herein expressed all the estates, properties, rights, powers and trusts of the successor Trustee upon the trusts herein expressed all the estates, properties, rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held hereunder by such retiring Trustee, subject nevertheless to the Trustee's lien, if any, provided for in Section 16.07. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor trustee all such estates, properties, rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article XVI.

SECTION 16.12. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion

or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee, provided that such corporation shall be otherwise qualified and eligible under this Article XVI, without the execution or filing of any paper or any further act on this part of any of the parties hereto.

If any Bonds shall have been authenticated, but not delivered, by the Trustee then in office, any successor to such authenticating Trustee (by merger, conversion or consolidation) may adopt such authentication and deliver the Bonds so authenticated with the same effect as if such successor Trustee had authenticated such Bonds.

SECTION 16.13. Certain terms used in this Section 16.13 are defined in subsection (c) of this Section 16.13

(a) Subject to subsection (b) of this Section 16.13, if the Trustee shall be or shall become a secured or unsecured creditor of the Company (either directly or indirectly) within four months prior to a Payment Default, or subsequent to such a Payment Default, then, unless and until such Payment Default shall be cured, the Trustee shall set apart and hold in a special account for the benefit of the Trustee individually, the Bondholders and the holders of Other Indenture Securities:

(1) an amount equal to any and all reductions in the amount due and owing upon any claim of the Trustee as such creditor in respect of principal or interest, effected after the beginning of such four month period and valid against the Company and its other creditors, except any such reduction resulting from the receipt or disposition of any property described in paragraph (2) of this subsection (a), or from the exercise of any right of setoff which the Trustee could have exercised if a petition in bankruptcy had been filed by or against the Company upon the date of such Payment Default; and

(2) all property received by the Trustee in respect of any claim as such creditor, either as security therefor, or in satisfaction or composition thereof, or otherwise, after the beginning of such four month period, or an amount equal to the proceeds of any such property, if disposed of, subject, however, to the rights, if any, of the Company and its other creditors in such property or such proceeds.

Nothing contained herein shall affect the right of the Trustee:

(A) to retain for its own account (i) payments made on account of any such claim by any Person (other than the Company) who is liable thereon, (ii) the proceeds from the bona fide sale of any such claim by the Trustee to a third Person and (iii) distributions made in cash, securities or other property in respect of claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable state law; or

(B) to realize, for its own account, upon any property held by it as security for any such claim, if such property was so held prior to the beginning of such four month period; or

(C) to realize, for its own account, but only to the extent of the claim hereinafter mentioned, upon any property held by it as security for any such claim, if such claim was created after the beginning of such four month period and such property was received as security therefor simultaneously with the creation thereof, and if the Trustee shall sustain the burden of proving that at the time such property was so received the Trustee had no reasonable cause to believe that a Payment Default would occur within four months; or

(D) to receive payment on any claim referred to in the foregoing subparagraph (B) or (C), against the release of any property held as security for such claim as provided in the foregoing subparagraph (B) or (C), as the case may be, to the extent of the fair value of such property.

For the purposes of the foregoing subparagraph (B), (C) and (D), property substituted after the beginning of such four month period for property held as security at the time of such substitution shall, to the extent of the fair value of the property released, have the same status as the property released and, to the extent that any claim referred to in any of such subparagraphs is created in renewal of or in substitution for or for the purpose of repaying or refunding any pre-existing claim of the Trustee as such creditor, such claim shall have the same status as such pre-existing claim.

If the Trustee shall be required to account for the funds and property held in such special account and the proceeds thereof, they shall be apportioned between the Trustee, the Bondholders and the holder of Other Indenture Securities in such manner that the Trustee, Bondholders and holders of such Other Indenture Securities realize, as a result of payments from such special account and payments of "dividends" (as defined below) on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable state law, the same percentage of their respective claims, figured before crediting to the claim of the Trustee anything on account of the receipt by it from the Company of the funds and property in such special account and before crediting to the respective claims of the Trustee, Bondholders and holders of Other Indenture Securities dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable state law, but after crediting thereon receipts on account of the indebtedness represented by their respective claims from all sources other than from such dividends and from the funds and property to so held in such special account. As used in this paragraph, with respect to any claim, the term "dividends" shall include any distribution with respect to such claim, in bankruptcy or receivership or proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicate state law,

whether such distribution is made in cash, securities, or other property, but shall not include any such distribution with respect to the secured portion, if any, of such claim. The court in which such bankruptcy, receivership or proceeding for reorganization is pending shall have jurisdiction (A) to apportion between the Trustee, Bondholders and holders of Other Indenture Securities, in accordance with the provisions of this paragraph, the funds and property held in such special account and proceeds thereof, or (B) in lieu of such apportionment, in whole or in part, to give to the provisions of this paragraph due consideration in determining the fairness of the distributions to be made to the Trustee, Bondholders and holders of Other Indenture Securities with respect to their respective claims, in which event it shall not be necessary to liquidate or to appraise the value of any securities or other property held in such special account or as security for any such claim, or to make a specific allocation of such distributions as between the secured and unsecured portions of such claims, or otherwise to apply the provisions of this paragraph as a mathematical formula.

Any Trustee which has resigned or been removed after the beginning of such four month period shall be subject to the provisions of this subsection (a) as though such resignation or removal had not occurred. If any Trustee has resigned or been removed prior to the beginning of such four month period, it shall be subject to the provisions of this subsection (a) if and only if the following conditions exist:

(i) the receipt of property or reduction of claim which would have given rise to the obligation to account, if such Trustee had continued as Trustee, occurred after the beginning of such four month period; and

(ii) such receipt of property or reduction of claim occurred within four months after such resignation or removal.

(b) There shall be excluded from the operation of subsection (a) of this Section 16.13 a creditor relationship arising from:

(1) the ownership or acquisition of securities issued under any indenture, or any security or securities having a maturity of one year or more at the time of acquisition by the Trustee; or

(2) advances authorized by a receivership or bankruptcy court of competent jurisdiction, or by the Indenture, for the purpose of preserving any property which shall at any time be subject to the Lien Hereof, or of discharging tax liens, or other Prior Liens or encumbrances on the mortgaged and pledged property, if notice of such advance and of the circumstances surrounding the making thereof is given to the Bondholder at the time and in the manner provided in paragraph (2) of subsection (a) of Section 16.18 of paragraph (2) of subsection (b) of Section 16.18; or

(3) disbursements made in the ordinary course of business in the capacity of trustee under the Indenture or another indenture or as transfer agent, registrar, custodian, paying agent, fiscal agent, depositary or other similar capacity; or

(4) an indebtedness created as a result of services rendered or premises rented, or an indebtedness created as a result of goods or securities sold in a Cash Transaction; or

(5) the ownership of stock or of other securities of a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act, as amended, which is directly or indirectly a creditor of the Company; or

(6) the acquisition, ownership, acceptance or negotiation of any drafts, bills of exchange, acceptances or obligations which fall within the classification of Self-liquidating Paper.

(c) For purposes of this Section 16.13 only:

(1) "Cash Transaction" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand.

(2) "Company" means any obligor under the Bonds.

(3) "Other Indenture Securities" means securities, upon which the Company is an obligor, outstanding under any other indenture (A) under which the Trustee is also trustee, (B) which contains provisions substantially similar to the provisions of this Section 16.13 and (C) under which a Payment Default exists at the time of the apportionment of the funds and property held in such special account.

(4) "Payment Default" means any failure to make payment in full of the principal of or interest on any of the Bonds or upon the Other Indenture Securities when and as such principal or interest becomes due and payable.

(5) "Self-liquidating Paper" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lieu upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided that the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

(6) "Trustee" includes any separate or co-trustee appointed under Section 16.14.

SECTION 16.14. For the purpose of meeting the legal requirements of any jurisdiction in which any of the mortgaged and pledged property may at the time be located, the Company and the Trustee shall have power to appoint and, upon the written request of the Trustee or of the Holders of at least 25% in principal amount of the Bonds Outstanding, the Company shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Trustee either to act jointly with the Trustee as co-trustee of all or any part of the mortgaged and pledged property, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section 16.14. If the Company does not join in such appointment within 15 days after the receipt by it of a request so to do, or if a Completed Default has occurred and is containing, the Trustee alone shall have the power to make such appointment

Should any written instrument from the Company be required by any such co-trustee or separate trustee for more fully confirming to such co-trustee or separate trustee such property, title, right or power, then on request, it shall be executed, acknowledged and delivered by the Company.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms:

(a) The Bonds shall be authenticated and delivered, and all rights, powers, duties and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Trustee, shall be exercised solely by the Trustee.

(b) The rights, powers, duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Trustee or by the Trustee and such co-trustee or separate co-trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such co-trustee or separate trustee.

(c) The Trustee at any time by a written instrument executed by it, and with the concurrence of the Company evidenced by a Resolution, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section 16.14. If a Completed

Default has occurred and is continuing, the Trustee, by a written instrument executed by it, shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Company. Upon the written request of the Trustee, the Company shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effect any such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section 16.14.

(d) No co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Trustee, or any other such trustee.

(e) Any act of Bondholders delivered to the Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

SECTION 16.15. The Trustee shall, upon receipt of a Company Request, promptly appoint an Authenticating Agent with power to act on its behalf and subject to its direction in the authentication and delivery of the Bonds of each series designated for such authentication by the Company and such appointment shall contain provisions for such authentication in connection with transfers and exchanges under Sections 2.11, 2.12, 2.17, 10.02 and 15.02 or otherwise, as though the Authenticating Agent had been expressly authorized by those Sections or otherwise to authenticate and deliver Bonds of such series. For all purposes of the Indenture, the authentication and delivery of Bonds by the Authenticating Agent pursuant to this Section 16.15 shall be deemed to be the authentication and delivery of Bonds by the Trustee. Such Authenticating Agent shall at all times be a corporate bank or trust company organized and doing business under the laws of the United States or of any of its states, have a combined capital and surplus of at least $5,000,000, be authorized under such laws to exercise corporate trust powers and be subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section 16.15, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent published report of condition.

Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of the Authenticating Agent, if such successor corporation is otherwise eligible under this Section 16.15, without the execution or filing of any paper or further act on the part of the parties hereto, the Authenticating Agent or such successor corporation.

Any Authenticating Agent may any time resign by giving written notice of resignation to the Trustee and the Company. The Trustee may at any time and, upon Company Request, shall terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section 16.15, the Trustee, unless otherwise requested in writing by the Company, shall promptly appoint a successor Authenticating Agent, shall give written notice of such appointment to the Company and shall mail notice of such appointment to all Bondholders of the applicable series as the names and addresses of such Bondholders appear on the Bond Register.

The Trustee agrees to pay reasonable compensation to any Authenticating Agent for its services and the Trustee shall be entitled to be reimbursed by the Company for such payments, subject to Section 16.07. The provisions of Sections 14.03, 16.04 and 16.05 shall be applicable to any Authenticating Agent.

SECTION 16.16. Except as herein otherwise provided, any notice or demand which by any provision of the Indenture is required or permitted to be given or served by the Trustee on the Company shall be deemed to have been sufficiently given and served, by being deposited, postage prepaid, in a post office letter box, addressed (until another address is filed by the Company with the Trustee) as follows: to Northern States Power Company, 414 Nicollet Mall, Minneapolis, Minnesota 55401-1993, Attention: Secretary or to the most recent address which shall have been filed by the Company with the Trustee.

The Trustee shall promptly notify the Company in writing of any change of address of the Trustee's principal corporate trust office. Upon receipt of such notice, the Company shall give written notice of each such change of address by first-class mail, postage prepaid, to the Bondholders as their names and addresses appear in the Bond Register.

SECTION 16.17. (a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the Bondholders furnished to it as provided in Section 8.17 or received by it in the capacity of Paying Agent or Bond Registrar or filed with it by Bondholders pursuant to paragraph (2) of subsection (c) of Section 16.18, provided that the Trustee may: (1) destroy any statement furnished to it as provided in Section 8.17, upon receipt of a new statement so furnished to it in substitution therefor, (2) destroy any information received by it as Paying Agent upon delivery to itself as Trustee, not earlier than 45 days after an Interest Payment Date, of a statement containing the names and addresses of the Bondholders obtained from such information since the delivery of the next previous statement, if any, (3) destroy any statement delivered to itself as Trustee which was compiled from information received by it as Paying Agent upon the receipt of a new statement so delivered and (4) destroy any information received by it from any Bondholder pursuant to paragraph (2) of subsection (c) of Section 16.18, but not until two years after receipt by the Trustee of such information.

(b) In case three or more Bondholders (hereinafter in this Section 16.17 referred to as "Applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such Applicant has owned a Bond for at least six months preceding the date of such

application, and such application states that the Applicants desire to communicate with the other Bondholders with respect to their rights under the Indenture or under the Bonds, and each such application is accompanied by a copy of the form of proxy or other communication which such Applicants propose to transmit, then the Trustee shall, within five business days after the receipt of such application at is election, either:

(1) afford to such Applicants access to the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 16.17; or

(2) inform such Applicants with the approximate number of Bondholders whose names and addresses appear in the information preserved at the time by the Trustee, in accordance with the provisions of subsection (a) of this Section 16.17, and the approximate cost of mailing to such Bondholders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford to such Applicants access to such information, the Trustee shall, upon the written request of such Applicants, mail to each Bondholder whose name and address appears in the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 16.17, copies of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the materials to be mailed and of payment of provision for the payment of the reasonable expenses of mailing, unless within five days after such tender the Trustee shall mail to such Applicants, and file with the Commission together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the Bondholders, or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. After opportunity for hearing upon the objections specified in the written statements so filed, the Commission may, and if demanded by the Trustee or such Applicants shall, enter an order either sustaining one or more of such objections or refusing to sustain any of them. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or it, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for a hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Bondholders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligations or duty respecting such application.

(c) The Trustee shall not be held accountable by reason of the mailing of any material pursuant to any request made under subsection (b) of this Section 16.17.

SECTION 16.18. (a) Within 60 days after each May 15, the Trustee shall transmit to the Bondholders (as specified in subsection (c) of this Section 16.18) a brief report, dated not more than 60 days prior to such transmission, with respect to:

(1) the eligibility and the qualifications of the Trustee under Sections 16.08 and 16.09 or, in lieu thereof, if, to the best of its knowledge, it continues to be eligible and qualified under such Sections, a written statement to such effect;

(2) the character and amount of any advances (and, if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee in its capacity as Trustee which remain unpaid on the date of such report, and for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Bonds, on the mortgaged and pledged property (including property or funds held or collected by it as Trustee) if such remaining unpaid advances aggregate more than ½% of the principal amount of the Bonds Outstanding on the date of the report;

(3) the amount, interest rate, and maturity date of all other indebtedness owing by the Company to the Trustee in its individual capacity on the date of the report, with a brief description of any property held as collateral security therefor, but excluding any indebtedness based upon a creditor relationship arising in any manner described in paragraphs (2), (3), (4) or (6) of subsection (b) of Section 16.13;

(4) the property and funds physically in the possession of the Trustee, in its capacity as Trustee, on the date of such report;

(5) any release, or release and substitution, of property subject to the Lien of the Indenture (and the consideration therefor, if any) which the Trustee has not previously reported; except that if the aggregate value of such property released from the Lien of the Indenture as shown by the documents delivered to the Trustee in connection with the release or release and substitution does not exceed an amount equal to 1% of the principal amount of the Bonds then Outstanding, the report need indicate only the number of such releases, the total value of property released as shown by said documents, the aggregate amount of cash received and the aggregate value of property received in substitution therefor as shown by said documents;

(6) any additional issue of Bonds which the Trustee as not been reported previously; and

(7) any action taken by the Trustee in the performance of its duties under the Indenture which it has not previously reported and which in its opinion materially affects the Bonds or the mortgaged and pledged property, except for action related to a Default, notice of which has been or is to be withheld by the Trustee in accordance with the provisions of Section 16.02.

For purposes of this subsection (a), the term "Company" means any obligor under the Bonds.

(b) The Trustee shall transmit to the Bondholders as hereinafter provided, a brief report with respect to:

(1) any release, or release and substitution, of property subject to the Lien Hereof (and the consideration therefor, if any) unless the Fair Value of such property, as set forth in the Engineer's Certificate or Independent Engineer's Certificate delivered pursuant to the requirements of Section 11.03, is less than 10% of the principal amount of Bonds Outstanding as stated in said Engineer's Certificate, at the time of such release or such release and substitution; such report to be transmitted within 90 days after such release or such release and substitution, except that this paragraph (1) shall not require transmission of a separate report with respect to any transaction which shall be reported, within 90 days after its consummation, pursuant to subsection (a) of this Section 16.18; and

(2) the character and amount of any advances (and, if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee since the date of the last report transmitted pursuant to the provisions of subsection (a) of this Section 16.18 (or if no such report has yet been so transmitted, since the date of execution of the Indenture), for the reimbursement of which the Trustee claims or may claim a lien or charge, prior to that of the Bonds on the mortgaged and pledged property (including property or funds held or collected by it as Trustee), and which it has not previously reported pursuant to this paragraph (2), if such advances remaining unpaid, at any time, aggregate more than 10% of the principal amount of Bonds Outstanding at such time. Such report shall be transmitted within 90 days after such time.

(c) Reports, pursuant to this Section 16.18, shall be transmitted by mail:

(1) to all Bondholders, as their names and addresses appear in the Bond Register;

(2) to all Holders of Bonds that have, within two years preceding such transmission, filed their names and addresses with the Trustee for the purpose of receiving such reports; and

(3) except in the case of reports pursuant to subsection (b) of this Section 16.18, to each Bondholder whose name and address are preserved at the time by the Trustee, as provided in subsection (a) of Section 16.17.

(d) A copy of each report transmitted to Bondholders under the requirements of subsections (a) or (b) of this Section 16.18 shall, at the time of such transmission, be filed with each stock exchange upon which the Bonds are then listed and with the Commission.

SECTION 16.19. Upon submission of any Application by the Company for the payment of any moneys held by the Trustee, or for the execution by the Trustee of any release, or upon any other Application submitted by the Company to the Trustee, or at any reasonable time, the Trustee, or its agent or attorney shall be entitled to examine the books, records and premises of the Company.

Unless satisfied, with or without such examination, of the truth and accuracy of the matters stated in any Resolution, certificate, statement, opinion, report or order required to be delivered to the Trustee as a condition precedent to the granting of any Application, it shall be under no obligation to grant such Application.

The reasonable expense of every such examination shall be paid by the Company or, if paid by the Trustee, shall be repaid by the Company upon demand, with interest at the rate of six percent per annum, accruing from the date such expenses are billed by the Trustee unless paid by the Company on or before a subsequent due date established by such billing. Until such repayment, the Trustee shall have the benefit of the Lien Hereof in priority to the Bonds.

SECTION 16.20. The Trustee is authorized to deposit, subject to recall, in trust for payment of the principal of, premium, if any, and interest on any Bonds, with any Paying Agent appointed by the Company for that purpose in accordance with the provisions of the Indenture (provided that such Paying Agent shall be a corporation that is engaged in the business of banking or exercising corporate trust powers, shall have a capital and surplus of not less than $5,000,000, and shall be subject to supervision or examination by federal, state, or District of Columbia authorities) such part of any moneys furnished to the Trustee for the purpose as shall, in the opinion of the Trustee, be necessary or desirable to provide for the payment by any such Paying Agent of the principal of, premium, of any, or interest on any of the Bonds. The Trustee, subject to Section 16.01, shall be relieved of responsibility for the safety and application of such moneys while in the possession of the Paying Agent. In the event that part of such moneys is recalled by the Trustee, it shall thereafter be held by the Trustee in trust as in the Indenture provided. Pursuant to an agreement between the Company and the Trustee, the Trustee may credit to the Company interest upon any such funds held by or deposited with the Trustee.

SECTION 16.21. Any notice, request or other writing, by or on behalf of the Bondholders, delivered solely to the Trustee shall be deemed to have been delivered to all of the then trustees as if delivered to each of them. Every instrument appointing any trustee or trustees, other than a successor to the Trustee, shall refer to the Indenture and the conditions expressed in this Section 16.21. Upon acceptance in writing by such trustee or trustees, he, they or it shall be vested with the rights, powers, estates or property specified in such instrument, either jointly with the Trustee or separately, as may be provided therein, subject to all the trusts, conditions and provisions of the Indenture. Every such instrument shall be filed with the Trustee in the trust. Any separate trustee or trustees or any co-trustee or co-trustees may at any time by an instrument in writing appoint the Trustee, his, their or its agent, or attorney-in-fact, with full power and authority, to the extent which may be authorized by law, to do all acts and things and exercise all discretion authorized or permitted by him, them or it, for and on behalf of him, them or it, and in his, their or its name. Any co-trustee may, as to the execution of releases or as to any action hereunder, whether discretionary or otherwise, act by attorney-in-fact.

SECTION 16.22. In the case of any receivership, insolvency, bankruptcy, or other judicial proceedings affecting the Company, its creditors, its property or any other obligor on the Bonds, the Trustee shall be entitled to take the actions described in Section 13.04, without prejudice, however, to the right of any Bondholder to file a claim on his own behalf.

SECTION 16.23. Whenever it is provided in the Indenture that the Trustee shall take any action upon the happening of a specified event or upon the fulfillment of any condition or upon the request of the Company or of Bondholders, the Trustee in taking such action shall have full power to give any and all notices and to do any and all acts necessary and incidental to such action.

SECTION 16.24. The Trustee shall execute a written instrument to confirm the existence of a specific Permitted Encumbrance, upon receipt by the Trustee of: (i) a Resolution requesting such written instrument and expressing any required opinions, (ii) an Officer's Certificate stating that no Default has occurred and is continuing, specifying the particular paragraph of the definition of Permitted Encumbrances pursuant to which such written instrument is being requested and stating that the requirements of such paragraph have been satisfied; and (iii) an Opinion of Counsel stating that the subject of the Company's request constitutes a Permitted Encumbrance as described by such paragraph and that the execution by the Trustee of such written instrument is appropriate to confirm the existence of such Permitted Encumbrance.

ARTICLE XVII

Defeasance.

SECTION 17.01. Whenever the following conditions shall exist, namely:

(a) all Bonds theretofore authenticated and delivered have been cancelled by the Trustee or delivered to the Trustee for cancellation, excluding:

(1) Bonds for the payment of which money has been previously deposited in trust with the Trustee or a Paying Agent or segregated and held in trust by the Company, and thereafter such money was repaid to the Company or discharged from such trust as provided in Section 20.03,

(2) Bonds alleged to have been destroyed, lost or stolen which have been replaced as provided in Section 2.15, and

(3) Bonds, other than those referred to in the foregoing clauses (1) and (2), for whose payment or redemption (under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company) the Company has deposited or caused to be deposited with the Trustee in trust for the purpose any combination:

(i) of cash and

(ii) of Government Obligations (which shall not contain provisions permitting the redemption thereof at the option of the issuer), maturing as to principal and interest (without any regard to the reinvestment thereof) in such amounts and at such times as will assure the availability of cash

that is necessary to pay and discharge the entire indebtedness on such Bonds for principal, premium, if any, and interest to the date of maturity thereof in the case of Bonds which have become due and payable or the Stated Maturity or Redemption Date thereof, as the case may be;

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(c) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each of which shall state that all conditions precedent relating to the satisfaction and discharge of the Indenture have been complied with; then, upon Company Request authorized by a Resolution, the Indenture and the Lien Hereof, rights and interests created hereby shall cease and become null and void (except as to any surviving rights of conversion, transfer or exchange of Bonds herein or therein provided for) and the Trustee and each co-trustee and separate trustee, if any, then acting as such, and at the expense of the Company, shall execute and deliver a termination statement and such instruments of satisfaction and discharge as may be necessary

and pay, assign, transfer and deliver to the Company all cash, securities and other personal property then held by it as part of the mortgaged and pledged property.

In the absence of a Company Request authorized by a Resolution as aforesaid, the payment of all Outstanding Bonds shall not render the Indenture inoperative or prevent the Company from issuing Bonds thereafter as herein provided.

Notwithstanding the satisfaction and discharge of the Indenture, the obligation of the Company to the Trustee under Section 16.07 shall survive.

SECTION 17.02. Moneys deposited with the Trustee, pursuant to Section 17.01, shall not be a part of the mortgaged and pledged property but shall constitute a separate fund for the benefit of the Persons entitled thereto. Subject to the provisions of Section 20.03, such moneys shall be applied by the Trustee for payment (either directly or through any Paying Agent, including the Company acting as its own Paying Agent, as the Trustee may determine) to the Persons entitled thereto, of the principal, premium, if any, and interest for whose payment such moneys have been deposited with the Trustee.

ARTICLE XVIII.

Supplemental Trust Indentures; Modification of Indenture.

SECTION 18.01. Without the consent of the Holders of any Bonds, the Company, when authorized by a Resolution, and the Trustee may enter into one or more Supplemental Trust Indentures, in form satisfactory to the Trustee, for any of the following purposes:

(a) to correct or amplify the description of any property at any time subject to the Lien of the Indenture, or to better assure, convey and confirm unto the Trustee any property subject or required to be subjected to the Lien of the Indenture, or to subject to the Lien of the Indenture, additional property; or

(b) to close the Indenture against the issuance of additional Bonds or to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Bonds or of any series of Bonds, as set forth herein, or to add additional conditions, limitations and restrictions to be observed thereafter; or

(c) to create any series of Bonds and make such other provisions as provided in Sections 2.01 and 2.02; or

(d) to modify or eliminate any of the terms of the Indenture; provided that:

(1) such Supplemental Trust Indenture shall expressly provide that any such modifications or eliminations shall become effective only when there is no Bond Outstanding of any series created prior to the execution of such Supplemental Trust Indenture or when such modification or elimination are approved in accordance with Section 18.02; and

(2) the Trustee may, in its discretion, decline to enter into any such Supplemental Trust Indenture which, in its opinion, may not afford adequate protection to the Trustee when the same becomes operative; or

(e) to evidence the succession of another corporation to the Company pursuant to Article XV and the assumption by any such Successor Corporation of the Company's covenants contained herein and in the Bonds; or

(f) to add to the covenants of the Company for the benefit of the Holders of all or any series of Bonds or to surrender any right or power herein conferred upon the Company; or

(g) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein or to make any other provisions, with respect to matters or questions arising under the Indenture, which shall not be inconsistent with the provisions of the Indenture, provided that such action shall not have a material adverse impact on the security afforded by the Indenture; or

(h) to provide for alternative methods or forms for evidencing and recording the ownership of Bonds and matters related thereto; or

(i) to modify, eliminate or add to the provisions of the Indenture:

(1) to such extent as shall be necessary to effect the qualification of the Indenture under the Trust Indenture Act or under any similar federal statute hereafter enacted, or

(2) to conform with any amendments to the Trust Indenture Act enacted after the Date Hereof which would permit the provisions of the Indenture to be less restrictive or which would offer the Company greater flexibility or to add to the Indenture (A) such other provisions as may be expressly permitted by the Trust Indenture Act, excluding, however, the provisions referred to in Section 316(a)(2) of the Trust Indenture Act as in effect at the Date Hereof or (B) any corresponding provision in any similar federal statute hereafter enacted; or

(j) to provide for the issuance of coupon Bonds and to permit the exchange of Bonds from fully registered form to coupon form and vice versa; or

(k) to provide the terms and conditions of the exchange or conversion, at the option of the Holders of the Bonds of any series, of the Bonds of such series for or into Bonds of other series or stock or other securities of the Company or any other corporation; or

(l) to reflect changes in generally accepted accounting principles; or

(m) to provide for the joining of an individual trustee in order to comply with any legal requirements respecting trustees under mortgages or deeds of trust of property in any state in which the mortgaged and pledged property is or may be situated in the future.

SECTION 18.02. With the consent of the Holders of not less than 66-2/3% (80% prior to the retirement through payment or redemption of the Bonds of each series created and issued prior to May 1, 1985, including such Bonds "deemed to be paid" within the meaning of that term as used in Article XVII of the Original Indenture) in principal amount of the Bonds Outstanding which are affected by such Supplemental Trust Indenture, the Company, when authorized by a Resolution, and the Trustee may enter into a Supplemental Trust Indenture for the purpose (i) adding any provision to or changing in any manner or eliminating any of the provisions of the Indenture, (ii) modifying in any manner the rights of the Holders of the Bonds under the Indenture, or (iii) before any sale of any of the mortgaged and pledged property has been made under Article XIII or any judgment or decree for payment of money due has been obtained by the Trustee under Article XIII, waiving any Completed Default and its consequences; provided that without the consent of the Holder of each Outstanding Bond effected thereby, no such Supplemental Trust Indenture shall:

(a) change the Stated Maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount thereof or the interest thereon or any premium

payable upon the redemption thereof, or change the coin or currency in which, any Bond, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date); or

(b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose Holders is required for (1) any Supplemental Trust Indenture, or (2) any waiver provided for in the Indenture of compliance with certain provisions of the Indenture or certain Completed Defaults hereunder and their consequences; or

(c) modify any of the provisions of this Section 18.02 except to increase any percentage provided thereby or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Bond effected thereby; or

(d) modify, in the case of the Bonds of any series convertible into other securities, any of the provisions of the Indenture in such manner as to affect the conversion rights of the Holders of such Bonds; or

(e) (1) prior to the payment of redemption of the Original Indenture Bonds (including those Original Indenture Bonds "deemed to be paid" within the meaning of that term as used in Article XVII of the Original Indenture), permit the creation or existence of any Prior Lien with respect to the mortgaged and pledged property or deprive any non-assenting Bondholder of the Lien of the Indenture upon the mortgaged and pledged property for the security of his Bonds; and (2) after the payment or redemption of the Original Indenture Bonds (including those Original Indenture Bonds "deemed to be paid" within the meaning of that term as used in Article XVII of the Original Indenture), permit the creation or existence of any Prior Lien with respect to more than 50% of the sum of (i) Depreciable Property and (ii) Land after giving effect to the creation of such Prior Lien and the acquisition by the Company of the property subject to such Prior Lien, or terminate the Lien of the Indenture on more than 50% of the sum of (i) Depreciable Property and (ii) Land; or

(f) modify, in the case of Bonds of any series for which a mandatory sinking fund is provided, any of the provisions of the Indenture in such manner as to affect the rights of the Holders of such Bonds to the benefits of such sinking fund.

The Trustee may, in its discretion, determine whether or not any Bonds would be affected by any Supplemental Trust Indenture. Any such determination shall be conclusive upon the Holder of all Bonds, whether theretofore or thereafter authenticated and delivered. Subject to Section 16.01, the Trustee shall not be liable for any such determination made in good faith.

It shall not be necessary for any Bondholders under this Section 18.02 to approve the particular form of any proposed Supplemental Trust Indenture, but it shall be sufficient if they shall approve the substance thereof.

SECITON 18.03. In executing, or accepting the additional trusts created by, any Supplemental Trust Indenture permitted by this Article XVIII or the modification thereby of the

trusts created by the Indenture, the Trustee shall be entitled to receive, and, subject to Section 16.01, shall be fully protected in relying upon an Opinion of Counsel stating that the execution of such Supplemental Trust Indenture is authorized or permitted by the Indenture. The Trustee may, but except to the extent required in the case of a Supplemental Trust Indenture entered into under subsection (i) of Section 18.01, shall not be obligated to enter into any such Supplemental Trust Indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

SECTION 18.04. Upon the execution of any Supplemental Trust Indenture pursuant to this Article XVIII, the Indenture shall be modified in accordance therewith and such Supplemental Trust Indenture shall form a part of the Indenture for all purposes; and every Holder of Bonds therefore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 18.05. No Supplemental Trust Indenture pursuant to this Article XVIII shall be entered into pursuant to any authorization contain in the Indenture which shall not comply with the provisions of the Trust Indenture Act as then in effect unless no Bonds are then Outstanding and all Bonds to be issued under the Indenture as supplemented by such Supplemental Trust Indenture either shall be themselves exempt from the provision of the Trust Indenture Act or shall be issued in a transaction exempt therefrom.

SECTION 18.06. Bonds authenticated and delivered after the execution of any Supplemental Trust Indenture pursuant to this Article XVIII may, and if required by the Trustee shall, bear a notation in form approved by the Trustee as to any manner provided for in such Supplemental Trust Indenture. If the Company shall so determine, new Bonds modified to conform, in the opinion of the Trustee and the Board of Directors, to any such Supplemental Trust Indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Bonds.

ARTICLE XIX.

Immunity of Stockholders, Officers and Directors.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any Bond, or under or upon any indebtedness hereby secured, or because of the creation of any indebtedness hereby secured, shall be available against any incorporator or past, present, or future stockholder, officer or director of the Company, or of any predecessor or successor company or companies, or of any company or companies which may assume or guarantee the payment of the principal of or interest on any of the Bonds, either directly or through the Company by the enforcement of any assessment, or through any receiver, or assignee, or through any trustee in bankruptcy or by any other legal or equitable proceedings, whether for amounts unpaid on stock or subscriptions or for stock liability or any other liability or penalty, or on the ground of any representation, implication or inference, arising from or concerning the capitalization of the Company, or of any predecessor, assignee, grantee, or successor company or companies, or otherwise, and whether by virtue of any statute, constitution, contract, express or implied, rule of law, or otherwise; it being expressly agreed and understood that the Indenture and the obligations hereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by the incorporators or past, present or future stockholders, officers or directors of the Company, or of any predecessor or successor company or companies, or of any company which may assume or guarantee the payment of the principal of or interest on any of the Bonds because of the incurring of the indebtedness hereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any of the Bonds, or to be implied therefrom; and that any and all personal liability of every name and nature, and any and all rights and claims against every such incorporator and past, present or future stockholder, officer or director, whether arising at common law or in equity, or created or to be created by statute or constitution, hereby are expressly released and waived as a condition of, and as a part of the consideration for, the execution of the Indenture and the issue of the Bonds and interest obligations hereby secured.

ARTICLE XX.

Miscellaneous.

SECTION 20.01. Nothing in the Indenture, expressed or implied, is intended or shall be construed, to confer upon, or to give to, any Person, other than the parties hereto and the Holders of the Bonds Outstanding, any right, remedy, or claim under or by reason of the Indenture or any covenant, condition or stipulation hereof. All the covenants, conditions and stipulations contained in the Indenture, by and on behalf of the Company, shall be for the sole and exclusive benefit of the parties hereto, and for the Holders of the Bonds Outstanding.

SECTION 20.02. Any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Indenture, whether such power, privilege or right is in any way restricted or is unrestricted, may be waived or surrendered, in whole or in part, or subjected to any restriction (if at the time unrestricted) or to additional restriction (if already restricted) by a Resolution and a written instrument executed and acknowledged by the Company in such manner as would be necessary to entitle a conveyance of real estate to be recorded in all of the states in which any real property, at the time subject to the Lien Hereof, shall be situated. Such Resolution and instrument, executed and acknowledged as aforesaid, shall be delivered to the Trustee. Thereupon, any modification of the provisions of these presents therein set forth, authorized by this Section 20.02 shall be binding upon the parties hereto, their successors and assigns, and the Holders of the Bonds.

SECTION. 20.03. If any Bond shall not be presented for payment when the principal thereof becomes due, either at Stated Maturity or otherwise, or at the Redemption Date and the Company shall have deposited, with the Trustee, in trust for the purpose, or left with it if previously so deposited, any combination:

(i) of cash and

(ii) of Government Obligations (which shall not contain provisions permitting the redemption thereof at the option of the issuer), maturing as to principal and interest (without any regard to the reinvestment thereof) in such amounts and at such times as will assure the availability of cash.

that is necessary to pay when due the principal of, premium, if any, and interest due and to become due on such Bond on or prior to the Redemption Date or Stated Maturity thereof, as the case may be, and for the use and benefit of the Holder thereof, then, interest on said Bond, and all liability of the Company to the Holder of said Bond for the payment of the principal of, premium, if any, and interest thereon, shall forthwith cease and be completely discharged, subject to the provisions of the last paragraph of this Section 20.03. It shall be the duty of the Trustee to hold such funds in trust, for the benefit of the Holder of such Bond who, so long as such funds remain on deposit with the Trustee shall be restricted exclusively to said funds for any claim of whatsoever nature on the part of such Holder under the Indenture or on said Bond by any Holder of any such Bond.

If the Holder of any such Bond shall not claim, within six years after such Bond shall have become due and payable, such deposited funds, for the payment thereof, the Trustee, upon Company Request and if it shall so require upon being furnished indemnity satisfactory to it, shall pay to the Company such amount so deposited, if no Default has occurred and is continuing. The Trustee thereupon shall be relieved from all responsibility to the Holder thereof and the Company shall be liable to the Holder only to the extent of the funds so returned to it.

SECTION 20.04. If the principal of any of the Bonds shall not be punctually paid when due at Maturity, whether by declaration or a lapse of time, or if any installment of interest thereof shall not be punctually paid when due, then upon deposit with or receipt by the Trustee of moneys sufficient to pay such overdue principal or any such overdue installment or installments of interest thereon and, to the extent permitted by law, moneys sufficient to pay interest due and to become due thereon up to the date when interest upon such overdue principal or installment or installments of interest shall cease (as hereinafter provided), then interest on such overdue principal or installment or installments of interest thereon shall cease to accrue 15 days after the date of mailing a notice by the Company or the Trustee by first class mail postage prepaid to each Holder of such Bonds, stating that said moneys have been so deposited or received.

SECTION 20.05. Whenever the Company is required to deposit cash with the Trustee, it shall have the right, at the time of such deposit, to specify that such cash is to be held by the Trustee in trust for the particular purpose for which it is deposited.

SECTION 20.06. Any cash which has been deposited with the Trustee for the purpose of paying the principal of, premium, if any, or interest on Bonds, for the purpose of securing the authentication of Bonds, for the purpose of effecting payment or redemption of any Bonds, or which has been delivered to the Trustee by the Company for any of the purpose provided under the Indenture, upon Company Request, authorized by a Resolution, shall be invested or reinvested by the Trustee, as designated by the Company and not disapproved by the Trustee, in any bonds or other general obligations (excluding revenue bonds) of the United States of America, any state, city or county thereof, which at the time of investment are lawful investments for banks and trust companies under the laws of the state in which the Trustee has its principal corporate trust office and in other types of investments the Trustee has determined to be lawful, secure and efficient for the short-term investment of deposits held in trust under the Indenture, including commingling with deposits under other trusts administered by the Trustee. Until a Completed Default shall have occurred and be continuing, interest on such bonds, obligations and investments which may be received by the Trustee shall be paid forthwith to the Company. The Trustee shall not be required to make any such investment (a) after it has cancelled and discharged the Lien of the Indenture, (b) on or after the Stated Maturity of any Bonds, with respect to any cash held to pay such Bonds, or (c) on or after the Redemption Date of any Bonds, with respect to any cash held for such redemption. In no event, shall the Trustee make any such investment or take any of the actions pursuant to and permitted by this Section 20.06 with any cash or proceeds of any Government Obligations, which, in accordance with Sections 6.03, 10.06, 17.01 or 20.03, would cause Bonds to be deemed paid upon such cash or Governmental Obligations or combination thereof being deposited with the Trustee.

Such bonds and obligations shall be held by the Trustee subject to the same provisions and in the same manner as the cash used to purchase the same, but upon Company Request, the Trustee shall sell all or any designated part of the bonds, obligations and investments and the proceeds of such sale shall be held by the Trustee subject to the same provisions hereof as the cash used by it to purchase the bonds, obligations and investments so sold. If, at any time, by reason of decrease in the market value of such bonds, obligations or investments, or the financial condition of the issuer, the Trustee shall be of the opinion that there is danger of the fund or funds invested in and represented by such bonds, obligations or investments being impaired, the Trustee may notify the Company of its intention to sell all or certain of the bonds, or obligations or investments so held by it and unless, within five days after the date of said notice, the Company shall deliver to the Trustee cash equal to the price paid by the Trustee for such bonds, obligations or investments, the Trustee, without or despite a Company Request, may proceed to sell the bonds, obligations or investments, the Trustee, without or despite a Company Request, may proceed to sell the bonds, or obligations or investments described in said notice, at public or private sale, for the best price reasonably obtainable. The Trustee shall also be entitled, without request of or notice to the Company, to sell any bonds, or obligations or investments purchased with moneys deposited for the payment or redemption of Bonds and held by it in order that the Trustee has the necessary funds available on the day prior to the date on which said Bonds are to be paid or redeemed. If such sale shall produce a sum less than the principal amount invested in the bonds, obligations or investments so sold, the Company covenants that it will pay promptly to the Trustee such amount of cash, which combined with the net proceeds from such sale, will equal the principal amount invested in the bonds, obligations or investments so sold. If such sale shall produce a sum greater than the principal amount invested in the bonds, obligations or investments so sold, the Trustee shall pay promptly to the Company an amount of cash equal to such excess.

SECTION 20.07. The Trustee shall, on Company Request, destroy any Bonds cancelled by the Trustee and make duplicate certificates of such destruction, retaining one such certificate and delivering the other to the Company. Each such certificate shall state the method of destruction and, subject to Section 16.01, shall be conclusive evidence of the payment and cancellation of the Bonds therein mentioned for all purposes.

SECTION 20.08. Each certificate or opinion with respect to compliance with a condition or covenant provided for in the Indenture shall include: (a) a statement that the Person making such certificate or opinion has read such covenant or condition; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (c) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

SECTION 20.09. (a) Any certificate or opinion of an officer or employee of the Company or an Accountant or Engineer may be based, insofar as it relates to legal matters, upon a certificate or opinion of or upon representations by counsel, unless such officer, employee, Accountant or Engineer knows that the certificates or opinions or representations with respect to

the matters upon which his opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known were erroneous.

(b) Any certificate or Opinion of Counsel may be based, insofar as it relates to factual matters or information which is in possession of the Company, upon the certificate or opinion of or representations by an officer or employee of the Company, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known were erroneous.

(c) Prior to the Trustee taking any action under the Indenture upon the request or submission of an Application by the Company, the Company shall deliver to the Trustee, in addition to or as part of any certificates herein required, an Officer's Certificate and an Opinion of Counsel each stating that, in the opinion of the signer, all conditions precedent to such action which are required by the Indenture have been satisfied.

SECTION 20.10. Nothing in this Article XX is intended or shall be construed as relieving the Company from furnishing any certificate or other evidence required by the Indenture.

SECTION 20.11. Each Holder of a Bond of any series which shall be originally authenticated by the Trustee and originally issued by the Company on or subsequent to the Date Hereof, by the acquisition, holding or ownership of such Bond, thereby consents and agrees to, and shall be bound by, the provisions of this Restated Indenture on and after the Effective Date.

SECTION 20.12. This Restated Indenture shall be construed in connection with and as a part of the 1937 Indenture, as supplemented by Supplemental Trust Indentures dated June 1, 1942; February 1, 1944; October 1, 1945; July 1, 1948; August 1, 1949; June 1, 1952; October 1, 1954; September 1, 1956; August 1, 1957; July 1, 1958; December 1, 1960; August 1, 1961; June 1, 1962; September 1, 1963; August 1, 1966; June 1, 1967; October 1, 1967; May 1, 1968; October 1, 1969; February 1, 1971; May 1, 1971; February 1, 1972; January 1, 1973; January 1, 1974; September 1, 1974; April 1, 1975; May 1, 1975; March 1, 1976; June 1, 1981; December 1, 1981; May 1, 1983; December 1, 1983; September 1, 1984; December 1, 1984; May 1, 1985; and September 1, 1985 and as supplemented prior to the Effective Date.

SECTION 20.13. (a) If any provision of the Indenture limits, qualifies, or conflicts with another provision of the Indenture required to be included in indentures qualified under the Trust Indenture Act (as enacted prior to the Effective Date) by any of the provisions of Sections 310 to 317, inclusive, of the Trust Indenture Act, such required provisions shall control.

(b) In case any one or more of the provisions contained in the Indenture or in the Bonds should be invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein and therein shall not be affected, impaired, prejudiced, or disturbed in any way thereby.

SECTION 20.14. (a) This Restated Indenture may be executed simultaneously in several counterparts, and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

(b) The Table of Contents and the descriptive headings of the several Articles of this Restated Indenture were formulated, used, and inserted in this Restated Indenture for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

SECTION 20.15. Whenever in the Indenture either of the parties hereto is named or referred to, such reference shall be deemed to include the successors or assigns of such party, and all the covenants and agreements in the Indenture by or on behalf of the Company or by or on behalf of the Trustee shall bind and inure to the benefit of the respective successors and assigns of such parties, whether so expressed or not.

SECTION 20.16. The amount of obligations to be issued immediately under this Restated Indenture is none.

SECTION 20.17. To the extent permitted by Sections 20.08 and 20.09, any Opinion of Counsel given as to title to property may be based, in whole or in part, (a) upon a certified abstract of title or any Torrens certificate, or upon any guaranty policy or certificate or opinion issued or rendered by any reputable Person engaged in the business of examining or insuring or guaranteeing titles to property or upon the opinion of other counsel (provided that in such case such Opinion of Counsel shall state that the signer believes such other counsel giving such certificate or opinion is reputable and one upon whom he may properly rely), (b) upon an Officer's Certificate stating (1) what, if any, conditional sales contracts and chattel mortgages exist against any personal property as to which such Opinion of Counsel is to be rendered, and what, if any, levies of execution or attachment or similar proceedings exist or are pending with respect to any thereof, and describing the property, if any, subject to such contracts or mortgages or as to which such levies or proceedings exist or are pending, (2) that all personal property as to which such Opinion of Counsel is to be rendered (other than the property, if any described pursuant to clause (1) above) is owned by the Company free and clear of all liens and encumbrances prior to or on a parity with the Lien of the Indenture (other than Permitted Encumbrances) and if such property is affixed or attached to real estate, that such real estate has been acquired by the Company and that an Opinion of Counsel as to title in respect thereto has been or is concurrently being furnished to the Trustee, or that such personal property is located on a street, road or highway, or upon other public property pursuant to a franchise, license or permit, or upon private property pursuant to an easement or permit not expiring without the default or consent of the Company within ten years following the date of such certificate or is so located on property of others under contractual arrangements permitting its removal, (3) the location of any real or personal property of the Company, and (4) whether any Permitted Encumbrances of the kind referred to in paragraph (8) of the definition of Permitted Encumbrances in Section 1.03 interfere with the proper operation of the Company's business or (c) upon a duly executed and recorded deed of real estate or easement or interest therein, where such real estate, easement or interest therein is not required as an integral part of the property of the Company or indispensable to its operations, if an Officer's Certificate also states that no

other Person is in possession of such real estate, easement or interest therein and that the loss of the title thereto would not interfere with any of the necessary operations of the Company.

SECTION 20.18. Wherever the Trustee is required to accept or approve, in the exercise of reasonable care, pursuant to subsection (d) of Section 16.01 or otherwise, an Engineer, appraiser or other expert, counsel or Accountant, who is to furnish evidence of compliance with conditions precedent in the Indenture for the authentication and delivery of additional Bonds, the withdrawal of cash or the release and substitution of property secured by the Lien of the Indenture or who is to furnish an opinion for any other purpose under the Indenture, such approval or acceptance by the Trustee shall be deemed to have been given upon the taking of any action by the Trustee pursuant to and in accordance with the certificate or opinion so furnished by such Engineer, appraiser, expert, counsel or Accountant.

SECTION 20.19. Whenever notice is required to be transmitted to the Bondholders by the Trustee, or by the Company, unless otherwise herein specifically provided for, such notice shall be deemed to have been transmitted, and such requirements for the transmission of notice satisfied, upon deposit by the transmitter with or in a depository of the United States Postal Service of notice in a sealed envelope with prepaid first-class postage, and addressed to the Person required to be notified in accordance with the last known address of that Person on the records of the transmitter as required to be kept pursuant to the Indenture.

SECTION 20.20. Whenever in the Indenture provision is made for the delivery to the Trustee of any Officer's Certificate, Engineer's Certificate, Accountant's Certificate (including, when applicable, such certificate by an Independent Engineer or an Independent Accountant) or Opinion of Counsel, such provision may be satisfied by the delivery of more than one certificate or opinion certifying separately to the various matters of fact or opinion required to be included in the certificate or opinion so provided for, and different officers or Persons may certify as to different matters of fact or opinion so shown; provided that such separate certificates or opinions shall, taken together, contain all of the statements herein required and be signed by officers or Persons, by whom such certificate or opinions are required and authorized to be signed. Whenever provision is made in the Indenture for the delivery to the Trustee of more than one such certificate or opinion such provision may be satisfied by the delivery of a single certificate or opinion by such Person or Persons certifying as to all the matters required to be shown by any particular Section hereof or by separate certificates or opinions by two or more such Persons certifying separately the various matters of fact or opinion required to be shown.

SECTION 20.21. The Indenture shall be governed exclusively by the applicable laws of the State of Minnesota.

ARTICLE XXI.

Financing Statement to Comply with the Uniform Commercial Code.

SECTION 21.01. The name and address of the debtor and secured party are set forth below:

Debtor:	Northern States Power Company	414 Nicollet Mall Minneapolis, Minnesota 55401-1993
Secured Party:	Harris Trust and Savings Bank, Trustee	111 West Monroe Street P.O. Box 755 Chicago, Illinois 60690-0755

NOTE: Northern States Power Company, the debtor above named, is "a transmitting utility" under the Uniform Commercial Code as adopted in the States of Minnesota, North Dakota and South Dakota.

SECTION 21.02. Reference to the Granting Clauses hereof is made for a description of the property of the debtor covered by this Financing Statement with the same force and effect as if incorporated in this Section 21.02 at length.

SECTION 21.03. The maturity dates and respective principal amounts of obligations of the debtor secured and presently to be secured by the Indenture, reference to the terms and conditions thereof is hereby made with the same force and effect as if incorporated herein at length, are as follows:

First Mortgage Bonds	Principal Amount	
Series due July 1, 1988	$	30,000,000
Series due December 1, 1990	$	35,000,000
Series due August 1, 1991	$	20,000,000
Series due June 1, 1992	$	15,000,000
Series due September 1, 1993	$	15,000,000
Series due June 1, 1995	$	30,000,000
Series due August 1, 1996	$	45,000,000
Series due October 1, 1997	$	30,000,000
Series due May 1, 1998	$	45,000,000
Series due October 1, 1999	$	45,000,000
Series due March 1, 2001	$	50,000,000
Series due June 1, 2001	$	50,000,000
Series due March 1, 2002	$	50,000,000
Series due February 1, 2003	$	50,000,000
Series due January 1, 2004	$	75,000,000

Pollution Control Series A	$	35,000,000
Pollution Control Series B	$	25,000,000
Series due May 1, 2005	$	80,000,000
Pollution Control Series C	$	8,800,000
Series due May 1, 2013	$	73,500,000
Pollution Control Series G	$	100,000,000
Pollution Control Series H	$	32,500,000
Resource Recovery Series I	$	27,700,000
Series due June 1, 2015	$	98,000,000
Pollution Control Series J	$	5,450,000
Pollution Control Series K	$	3,400,000
Pollution Control Series L	$	4,850,000

SECTION 21.04. This Financing Statement hereby is adopted for all of the First Mortgage Bonds of the series described above which are secured by the Indenture.

SECTION 21.05. The 1937 Indenture and the prior Supplemental Trust Indentures, as set forth below, have been filed or recorded in each and every office in the States of Minnesota, North Dakota, and South Dakota designated by law for the filing or recording thereof in respect of all property of the Company subject thereto:

1937 Indenture Dated February 1, 1937	Supplemental Indenture Dated June 1, 1942
Supplemental Indenture Dated February 1, 1944	Supplemental Indenture Dated October 1, 1945
Supplemental Indenture Dated July 1, 1948	Supplemental Indenture Dated August 1 1949
Supplemental Indenture Dated June 1, 1952	Supplemental Indenture Dated October 1, 1954
Supplemental Indenture Dated September 1, 1956	Supplemental Indenture Dated August 1, 1957
Supplemental Indenture Dated July 1, 1958	Supplemental Indenture Dated December 1, 1960
Supplemental Indenture Dated August 1, 1961	Supplemental Indenture Dated June 1, 1962
Supplemental Indenture Dated September 1, 1963	Supplemental Indenture Dated August 1, 1966
Supplemental Indenture	Supplemental Indenture

Dated June 1, 1967

Dated October 1, 1967

Supplemental Indenture
Dated May 1, 1968

Supplemental Indenture
Dated October 1, 1969

Supplemental Indenture
Dated February 1, 1971

Supplemental Indenture
Dated May 1, 1971

Supplemental Indenture
Dated February 1, 1972

Supplemental Indenture
Dated January 1, 1973

Supplemental Indenture
Dated January 1, 1974

Supplemental Indenture
Dated September 1, 1974

Supplemental Indenture
Dated April 1, 1975

Supplemental Indenture
Dated May 1, 1975

Supplemental Indenture
Dated March 1, 1976

Supplemental Indenture
Dated June 1, 1981

Supplemental Indenture
Dated December 1, 1981

Supplemental Indenture
Dated May 1, 1983

Supplemental Indenture
Dated December 1, 1983

Supplemental Indenture
Dated September 1, 1984

Supplemental Indenture
Dated December 1, 1984

Supplemental Indenture
Dated May 1, 1985

Supplemental Indenture
Dated September 1, 1985

SECTION 21.06. The property covered by this Financing Statement shall also secure additional series of Bonds of the debtor which may be issued in accordance with the provisions of the Indenture.

IN WITNESS WHEREOF, NORTHERN STATES POWER COMPANY, a Minnesota corporation, party of the first part, has caused its corporate name and seal to be hereunto affixed and this Supplemental and Restated Trust Indenture to be signed by its President or a Vice President, and attested by its Secretary or an Assistant Secretary, for and on its behalf, and HARRIS TRUST AND SAVINGS BANK, an Illinois corporation, as Trustee, party of the second part, to evidence its acceptance of the trust hereby created, has caused its corporate name and seal to be hereunto affixed, and this Supplemental and Restated Trust Indenture to be signed by its President, a Vice President, or an Assistant Vice President, and attested by its Secretary or an Assistant Secretary, for and on its behalf, all done this 14th day of November, 1988.

NORTHERN STATES POWER COMPANY,

/s/ J.O. Cox

By J.O. Cox, Vice President

(CORPORATE SEAL)

Attest: /s/ Arland D. Brusven

Arland D. Brusven, Secretary.

Executed by Northern States Power Company
in the presence of:

/s/ T.E. Kramer

T.E. Kramer,

/s/ M.E. Gill

M.E. Gill, Witnesses.

HARRIS TRUST AND SAVINGS BANK,
as Trustee

/s/ R.S. Stam

By R.S. Stam, Vice President.

(CORPORATE SEAL)

Attest: /s/ C. Potter

C. Potter, Assistant Secretary.

Executed by Harris Trust and Savings Bank
in the presence of:

/s/ M Onischak

M. Onischak,

/s/ D.G. Donovan

D.G. Donovan, Witnesses.

State of Minnesota)
) SS
County of Hennepin)

On this 14th day of November, A.D. 1988, before me, Glenn E. Melling a Notary Public in and for said County in the State aforesaid, personally appeared J.O. Cox and Arland D. Brusven, to me personally known, and to me known to be the Vice President and Secretary, respectively, of Northern States Power Company, one of the corporations described in and which executed the within and foregoing instrument, and who, being by me severally duly sworn, each for himself, did say that he, the said J.O. Cox, is the Vice President, and he, the said Arland D. Brusven, is the Secretary, of said Northern States Power Company, a corporation; that the seal affixed to the within and foregoing instrument is the corporate seal of said corporation, and that said instrument was executed on behalf of said corporation by authority of its stockholders and board of directors; and said J.O. Cox and Arland D. Brusven each acknowledged said instrument to be the free act and deed of said corporation and that such corporation executed the same.

WITNESS my hand and notarial seal, this 14th day of November, A.D. 1988.

/s/ Glenn E. Melling

Glenn E. Melling
Notary Public in Hennepin County,
Minnesota.

My commission expires February 16, 1990.
(NOTARIAL SEAL)

State of Illinois)
) SS
County of Cook)

On the 14th day of November, A.D. 1988, before me, T. Muzquiz a Notary Public in and for said County in the State aforesaid, personally appeared R.S. Stam and C. Potter, to me personally known, and to me known to be the Vice President and Assistant Secretary, respectively, of Harris Trust and Savings Bank, one of the corporations described in and which executed the within and foregoing instrument, and who, being by me severally duly sworn, each, did say that he, the said R.S. Stam, is the Vice President, and she, the said C. Potter, is the Assistant Secretary, of said Harris Trust and Savings Bank, a corporation; that the seal affixed to the within and foregoing instrument is the corporate seal of said corporation, and that said instrument was executed on behalf of said corporation by authority of its board of directors; and said R.S. Stam and C. Potter each acknowledged said instrument to be the free act and deed of said corporation and that such corporation executed the same.

WITNESS my hand and notarial seal, this 14th day of November, A.D. 1988.

/s/ T. Muzquiz
T. Muzquiz
Notary Public

My commission expires July 12, 1989.
(NOTARIAL SEAL)

(NOTARIAL SEAL)

State of Minnesota)
) SS
County of Hennepin)

J.O. Cox and Arland D. Brusven, being severally duly sworn, each for himself deposes and says that he, the said J.O. Cox, is Vice President, and he, the said Arland D. Brusven, is Secretary, of Northern States Power Company, the corporation described in and which executed the within and foregoing Supplemental and Restated Trust Indenture, as mortgagor; and each for himself further says that said Supplemental and Restated Trust Indenture was executed in good faith, and not for the purpose of hindering, delaying or defrauding any creditor of said mortgagor.

/s/ J.O. Cox

J.O. Cox

/s/ Arland D. Brusven

Arland D. Brusven

Subscribed and sworn to before me this 14th day of November, A.D. 1988.

/s/ Glenn E. Melling

Glenn E. Melling

Notary Public, Hennepin County,
Minnesota.

My commission expires February 16, 1990.

(NOTARIAL SEAL)

State of Illinois)
) SS
County of Cook)

R.S. Stam and C. Potter, being severally duly sworn, each deposes and said the he, R.S. Stam, is Vice President, and she, the said C. Potter, is Assistant Secretary, of Harris Trust and Savings Bank, the corporation described in and that executed the within and foregoing Supplemental and Restated Trust Indenture, as mortgagee and trustee; and each further says that said Supplemental and Restated Trust Indenture was executed in good faith, and not for the purpose of hindering, delaying or defrauding any creditor of the mortgagor.

/s/ R.S. Stam
R.S. Stam

/s/ C. Potter
C. Potter

Subscribed and sworn to before me this 14th day of November. A.D. 1988.

/s/ T. Muzquiz
T. Muzquiz
Notary Public

My commission expires July 12, 1989.

(NOTARIAL SEAL)

SCHEDULE A.

The property referred to in the Granting Clauses of the foregoing Supplement and Restated Trust Indenture from Northern States Power Company to Harris Trust and Savings Bank, as Trustee, made as of May 1, 1988, includes the following property hereinafter more specifically described. Such description, however, is not intended to limit or impair the scope or intention of the general description continued in the Granting Clauses or elsewhere in this Restated Indenture.

I. PROPERTIES IN THE STATE OF NORTH DAKOTA

The following described real property, situate, lying and being in the County of Traill, State of North Dakota, to-wit:

(1) A tract of land located in the NW ¼ of the NW ¼ of Section 17, Township 148 North, Range 53 West; County of Traill, State of North Dakota, more particularly described as follows:

Commencing at a point 50 feet south and 66 feet east of the Northwest corner of said Section 17, thence south a distance of 60 feet along the east right-of-way boundary of North Dakota State Highway Number 18, thence 89°32' left, a distance of 60 feet to the point of beginning of the tract being conveyed herein; thence 90°28' left, a distance of 60 feet; thence 90°28' right, a distance of 60 feet; thence 89°32' right, a distance of 60 feet; thence 90°28' right, a distance of 60 feet to the point of beginning, containing 0.082 acres.

The following described real property, situate, lying and being in the County of Ward, State of North Dakota, to-wit:

(1) A portion of Lot 1, Thompson's Fifth Plat, SE ¼ of the NE ¼, Section 35, Township 155, Range 83 described as follows: Beginning at a point which is the intersection of the west boundary of Sublot A of Lot 1 and the north boundary of Lot 1, thence southerly along the west boundary of Sublot A, 35 feet; thence westerly, parallel to the north boundary of Lot 1, 50 feet; thence northerly, along a line parallel to the west boundary of Sublot A, 35 feet to a point on the north boundary of Lot 1; thence easterly along the north boundary of Lot 1 to the point of beginning. The tract is also described as Sublot B of Lot 1, Thompson's Fifth Addition.

(2) Outlot 5, Section 2, Township 156 North, Range 83 West of Fifth Principal Meridian.

MORTGAGER'S RECEIPT FOR COPY.

The undersigned, Northern States Power Company, the Mortgagor described in the foregoing Mortgage, hereby acknowledges that at the time of the execution of the Mortgage, Harris Trust and Savings Bank, Trustee, the Mortgagee described therein, surrendered to it a full, true, complete, and correct copy of said instrument, with signatures, witnesses, and acknowledgments thereon shown.

NORTHERN STATES POWER COMPANY,

/s/ J.O. Cox
By J.O. Cox, Vice President.

Attest:

/s/ Arland D Brusven
Arland D. Brusven, Secretary

{Corporate Seal}

This instrument was drafted by Northern States Power Company, 414 Nicollet Mall, Minneapolis, Minnesota 55401-1993.

Tax statements for the real property described in this instrument should be sent to Northern States Power Company, 414 Nicollet Mall, Minneapolis, Minnesota 55401-1993.

(Back To Top)

Section 3: EX-4.11 (EXHIBIT 4.11)

Exhibit 4.11

SUPPLEMENTAL TRUST INDENTURE

FROM

NORTHERN STATES POWER COMPANY

TO

HARRIS TRUST AND SAVINGS BANK
TRUSTEE

———————

DATED JUNE 1, 1995

———————

SUPPLEMENTAL TO TRUST INDENTURE
DATED FEBRUARY 1, 1937

AND

SUPPLEMENTAL AND RESTATED TRUST INDENTURE
DATED
MAY 1, 1988

Table of Contents

Supplemental Trust Indenture, made as of the 1st day of June 1995, by and between NORTHERN STATES POWER COMPANY, a corporation duly organized and existing under and by virtue of the laws of the State of Minnesota, having its principal office in the City of Minneapolis in said State (the "Company"), party of the first part, and HARRIS TRUST AND SAVINGS BANK, a corporation duly organized and existing under and by virtue of the laws of the State of Illinois, having its principal office in the City of Chicago in said State, as Trustee (the "Trustee"), party of the second part;

WITNESSETH:

WHEREAS, the Company heretofore has executed and delivered to the Trustee its Trust Indenture (the "1937 Indenture"), made as of February 1, 1937, whereby the Company granted, bargained, sold, warranted, released, conveyed, assigned, transferred, mortgaged, pledged, set over, and confirmed to the Trustee, and to its respective successors in trust, all property, real, personal, and mixed then owned or thereafter acquired or to be acquired by the Company (except as herein excepted from the lien thereof) and subject to the rights reserved by the Company in and by the provisions of the 1937 Indenture, to be held by said Trustee in trust in accordance with provisions of the 1937 Indenture for the equal pro rata, benefit and security of all and every of the bonds issued thereunder in accordance with the provisions thereof; and

WHEREAS, the Company heretofore has executed and delivered to the Trustee a Supplemental Trust Indenture, made as of June 1, 1942, whereby the Company conveyed, assigned, transferred, mortgaged, pledged, set over, and confirmed to the Trustee, and its respective successors in said trust, additional property acquired by it subsequent to the date of the 1937 Indenture; and

WHEREAS, the Company heretofore has executed and delivered to the Trustee the following additional Supplemental Trust Indentures which, in addition to conveying, assigning, transferring, mortgaging, pledging, setting over, and confirming to the Trustee, and its respective successors in said trust, additional property acquired by it subsequent to the preparation of the next preceding Supplemental Trust Indenture and adding to the covenants, conditions, and agreements of the 1937 Indenture certain additional covenants, conditions, and agreements to be observed by the Company, created the following series of First Mortgage Bonds:

Date of Supplemental Trust Indenture	Designation of Series
February 1, 1944	Series due February 1, 1974 (retired)
October 1, 1945	Series due October 1, 1975 (retired)
July 1, 1948	Series due July 1, 1978 (retired)
August 1, 1949	Series due August 1, 1979 (retired)
June 1, 1952	Series due June 1, 1982 (retired)
October 1, 1954	Series due October 1, 1984 (retired)

September 1, 1956	Series due 1986 (retired)
August 1, 1957	Series due August 1, 1987 (redeemed)
July 1, 1958	Series due July 1, 1988 (retired)
December 1, 1960	Series due December 1, 1990 (retired)
August 1, 1961	Series due August 1, 1991(retired)
June 1, 1962	Series due June 1, 1992 (retired)
September 1, 1963	Series due September 1, 1993 (retired)
August 1, 1966	Series due August 1, 1996 (retired)
June 1, 1967	Series due June 1, 1995 (redeemed)
October 1, 1967	Series due October 1, 1997 (redeemed)
May 1, 1968	Series due May 1, 1998 (redeemed)
October 1, 1969	Series due October 1, 1999 (redeemed)
February 1, 1971	Series due March 1, 2001 (redeemed)
May 1, 1971	Series due June 1, 2001 (redeemed)
February 1, 1972	Series due March 1, 2002
January 1, 1973	Series due February 1, 2003
January 1, 1974	Series due January 1, 2004 (redeemed)
September 1, 1974	Pollution Control Series A (redeemed)
April 1, 1975	Pollution Control Series B (redeemed)
May 1, 1975	Series due May 1, 2005 (redeemed)
March 1, 1976	Pollution Control Series C
June 1, 1981	Pollution Control Series D, E and F (redeemed)
December 1, 1981	Series due December 1, 2011 (redeemed)
May 1, 1983	Series due May 1, 2013 (redeemed)
December 1, 1983	Pollution Control Series G (redeemed)
September 1, 1984	Pollution Control Series H (redeemed)
December 1, 1984	Resource Recovery Series I
May 1, 1985	Series due June 1, 2015 (redeemed)
September 1, 1985	Pollution Control Series J, K and L
July 1, 1989	Series due July 1, 2019
June 1, 1990	Series due June 1, 2020
October 1, 1992	Series due October 1, 1997
April 1, 1993	Series April 1, 2003
December 1, 1993	Series Due December 1, 2000, and December 1, 2005
February 1, 1994	Series due February 1, 1999
October 1, 1994	Series due October 1, 2001
June 1, 1995	Series due July 1, 2025; and

WHEREAS, the 1937 Indenture and all of the forgoing Supplemental Trust Indentures are referred to herein collectively as the "Original Indenture;" and

WHEREAS, the Company heretofore has executed and delivered to the Trustee a Supplemental and Restated Trust Indenture dated May 1, 1988 (the "Restated Indenture"), which, in addition to conveying, assigning, transferring, mortgaging, pledging, setting over, and

confirming to the Trustee, and its respective successors in said trust, additional property acquired by it subsequent to the preparation of the next preceding Supplemental Trust Indenture, amended and restated the Original Indenture; and

WHEREAS, the Restated Indenture will not become effective and operative until all bonds of each series issued under the Original Indenture prior to May 1, 1988 shall have been retired through payment or redemption (including those bonds "deemed to be paid" within the meaning of that term as used in Article XVII of the 1937 Indenture) or until, subject to certain exceptions, the holders of the requisite principal amount of such bonds shall have consented to the amendments contained in the Restated Indenture (such date being herein called the "Effective Date"); and

WHEREAS, the Original Indenture and the Restated Indenture are referred to herein collectively as the "Indenture"; and

WHEREAS, the Indenture provides that bonds may be issued thereunder in one or more series, each series to have such distinctive designation as the Board of Directors of the Company may select for such series; and

WHEREAS, the Company is desirous of providing for the creation of a new series of First Mortgage Bonds, said new series of bonds to be designated "First Mortgage Bonds, Series due July 1, 2025," the bonds of said series to be issued as registered bonds without coupons in denominations of a multiple of $1000, and the bonds of said series to be substantially in the form and of the tenor following to-wit:

(Form of Bonds of Series due July 1, 2025)

NORTHERN STATES POWER COMPANY

(Incorporated under the laws of the State of Minnesota)

First Mortgage Bond

Series due July 1, 2025

No._____ . $_____

[Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation, to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of The Depository Trust Company), ANY TRANSFER, PLEDGE OR OTHER

USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.][1]

NORTHERN STATES POWER COMPANY, a corporation organized and existing under the laws of the State of Minnesota (the "Company"), for value received, hereby promises to pay to _____ or registered assigns, at the office of the Trustee, in Chicago, Illinois, or, at the option of the registered owner, at the agency of the Company in the Borough of Manhattan, City and State of New York, the sum of _____ Dollars in lawful money of the United States of America, on the first day of July, 2025, and to pay interest hereon from the date hereof at the rate of seven and one-eighths percent per annum, in like money, until the Company's obligation with respect to the payment of such principal sum shall be discharged; said interest being payable at the option of the person entitled to such interest either at the office of the Trustee, in Chicago, Illinois, or at the agency of the Company in the Borough of Manhattan, City and State of New York , on the first day of January and on the first day of July in each year provided that as long as there is no existing default in the payment of interest and except for the payment of defaulted interest, the interest payable on any January 1 or July 1 will be paid to the person in whose name this bond was registered at the close of business on the record date (the December 21 prior to such January 1 or the June 20 prior to such July 1 unless any such date is not a business day, in which event it will be the next preceding business day).

["EXCEPT UNDER THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, THESE GLOBAL BONDS MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY, ANOTHER NOMINEE OF THE DEPOSITORY, A SUCCESSOR OF THE DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR."][2]

This bond is one of a duly authorized issue of bonds of the Company, of the series and designation indicated on the face hereof, which issue of bonds consists, or may consist, of several series of varying denominations, dates, and tenor, all issued and to be issued under and equally secured (except insofar as a sinking fund, or similar fund, established in accordance with the provisions of the Indenture may afford additional security for the bonds of any specific series) by a Trust Indenture dated February 1, 1937 (the "1937 Indenture"), as supplemented by 43 supplemental trust indentures (collectively, the 'Supplemental Indentures"), a Supplemental and Restated Trust Indenture dated May 1, 1988 (the "Restated Indenture"), and a new

[1]This legend is to be included if the bonds are issued as a Global bond in book-entry form.
[2]This legend is to be included if the bonds are issued as a Global bond in book-entry form.

supplemental trust indenture for the bonds of this series (the "New Supplemental Indenture"), executed by the Company to Harris Trust and Savings Bank, as Trustee (the "Trustee"). The 1937 Indenture, as supplemented by the Supplemental Indentures, the Restated Indenture and the New Supplemental Indenture herein are referred to collectively as the "Indenture". Reference hereby is made to the Indenture for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the bonds as to such security, and the terms and conditions upon which the bonds may be issued under the Indenture and are secured. The principal hereof may be declared or may become due on the conditions, in the manner and at the time set forth in the Indenture, upon the happening of a default as in the Indenture provided.

With the consent of the Company and to the extent permitted by and as provided in the Indenture, the rights and obligations of the Company and of the holders of the bonds, and the terms and provisions of the Indenture and of any instruments supplemental thereto may be modified or altered by affirmative vote of the holders of at least 80% in principal amount of the bonds then outstanding under the Indenture and any instruments supplemental thereto (excluding bonds challenged and disqualified from voting by reason of the Company's interest therein as provided in the Indenture); provided that without the consent of all holders of all bonds affected no such modification or altercation shall permit the extension of the maturity of the principal of any bond or the reduction in the rate of interest thereon or any other modification in the terms of such principal or interest. The foregoing 80% requirement will be reduced to 66 1/3% when all bonds of each series issued under the Indenture prior to May 1, 1985, shall have been retired or all the holders thereof shall have consented to such reduction.

The Restated Indenture amends and restates the 1937 Indenture and the Supplemental Indentures. The Restated Indenture will become effective and operative (the "Effective Date") when all Bonds of each series issued under the Indenture prior to May 1, 1988 shall have been retired through payment or redemption (including those bonds "deemed to be paid" within the meaning of that term as used in Article XVII of the 1937 Indenture) or until, subject to certain exceptions, the holders of the requisite principal amount of such bonds shall have consented to the amendments contained in the Restated Indenture. Holders of the bonds of this series and of each subsequent series of bonds issued under the Indenture likewise will be bound by the amendments contained in the Restated Indenture when they become effective and operative. Reference is made to the Restated Indenture for a complete description of the amendments contained therein to the 1937 Indenture and to the Supplemental Indentures.

The Company and the Trustee may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment and for all other purposes and shall not be affected by any notice to the contrary.

Bonds of this series are not redeemable prior to maturity, for any reason, and are not subject to a sinking fund.

This bond is transferable as prescribed in the Indenture by the registered owner hereof in person, or by his duly authorized attorney, at the office of Trustee in Chicago, Illinois, or at the option of the owner at the agency of the Company in the Borough of Manhattan, City and State of New York, or elsewhere if authorized by the Company, upon surrender and cancellation of this bond, and thereupon a new bond or bonds of the same series and of a like aggregate principal amount will be issued to the transferee in exchange therefor as provided in the Indenture, upon payment of taxes or other governmental charges, if any, that may be imposed in relation thereto.

Bonds of this series are interchangeable as to denominations in the manner and upon the conditions prescribed in the Indenture.

No charge shall be made by the Company for any exchange or transfer of bonds of the Series due July 1, 2025, other than for taxes or other government charges, if any, that may be imposed in relation thereto.

No recourse shall be had for the payment of the principal of or the interest on this bond, or any part thereof, or of any claim based hereon or in respect hereof or of said Indenture, against any incorporator, or any past, present, or future shareholder, officer or director of the Company or of any predecessor or successor corporation, either directly or through the Company, or through any such predecessor or successor corporation, or through any receiver or a trustee in bankruptcy, whether by virtue of any constitution, statute, or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released, as more fully provided in the Indenture.

This bond shall not be valid or become obligatory for any purpose unless and until the certificate of authentication hereon shall have been signed by or on behalf of Harris Trust and Savings Bank, as Trustee under the Indenture, or its successor thereunder.

IN WITNESS WHEREOF, NORTHERN STATES POWER COMPANY has caused this bond to be executed in its name by its President or a Vice President and its corporate seal, or a facsimile thereof, to be hereto affixed and attested by its Secretary or an Assistant Secretary.

Dated: _____ NORTHERN STATES POWER COMPANY

Attest: _____ By_____

_____Secretary _____ President

(Form of Trustee's Certificate)

This bond is one of the bonds of the Series designated thereon, described in the within-mentioned Indenture.

HARRIS TRUST AND SAVINGS BANK,

As Trustee,

By_____

Authorized Officer

WHEREAS, the Company is desirous of conveying, assigning, transferring, mortgaging, pledging, setting over, and confirming to the Trustee and to its respective successors in trust, additional property acquired by it subsequent to the date of the preparation of the Supplemental Trust Indenture dated October 1, 1994; and

WHEREAS, the Indenture provides in substance that the Company and the Trustee may enter into indentures supplemental thereto for the purposes, among others, of creating and setting forth the particulars of any new series of bonds and of providing the terms and conditions of the issue of the bonds of any series not expressly provided for in the Indenture and of conveying, assigning, transferring, mortgaging, pledging, setting over, and confirming to the Trustee additional property of the Company, and for any other purpose not inconsistent with the terms of the Indenture; and

WHEREAS, the execution and delivery of this Supplemental Trust Indenture has been duly authorized by a resolution adopted by the Board of Directors of the Company; and

WHEREAS, the Trustee has duly determined to execute this Supplemental Trust Indenture and to be bound, insofar as it may lawfully do so, by the provisions hereof;

NOW THEREFORE, Northern States Power Company, in consideration of the premises and of one dollar duly paid to it by the Trustee at or before the ensealing and delivery of these presents, the receipt of which is hereby acknowledged, and other good and valuable considerations, does hereby covenant and agree to and with Harris Trust and Savings Bank, as Trustee, and its successors in the trust under the Indenture for the benefit of those who hold or shall hold the bonds, or any other of them, issued or to be issued thereunder as follows:

ARTICLE I.

SPECIFIC SUBJECTION OF ADDITIONAL PROPERTY TO
THE LIEN OF THE ORIGINAL INDENTURE

SECTION 1.01. The Company in order to better secure the payment, of both the principal and interest, of all bonds of the Company at any time outstanding under the Indenture according to their tenor and effect and the performance of and compliance with the covenants and conditions contained in the Indenture, has granted, bargained, sold, warranted, released,

conveyed, assigned, transferred, mortgaged, pledged, set over, and confirmed and by these presents does grant, bargain, sell, warrant, release, convey, assign, transfer, mortgage, pledge, set over, and confirm to the Trustee and to its respective successors in said trust forever, subject to the rights reserved by the Company in and by the provisions of the Indenture, all of the property described and mentioned or enumerated in a schedule annexed hereto and marked Schedule A, reference to said schedule being made hereby with the same force and effect as if the same were incorporated herein at length; together with all and singular the tenements, hereditaments, and appurtenances belonging and in any way appertaining to the aforesaid property or any part thereof with the reversion and reversions, remainder and remainders, tolls, rents and revenues, issues, income, products, and profits thereof;

Also, in order to subject the personal property and chattels of the Company to the lien of the Indenture and to conform with the provisions of the Uniform Commercial Code, all fossil, nuclear, hydro, and other electric generating plants, including buildings and other structures, turbines, generators, exciters, boilers, reactors, nuclear fuel, other boiler plant equipment, condensing equipment and all other generating equipment; substations: electric transmission, and distribution systems, including structures, poles, towers, fixtures, conduits, insulators, wires, cables, transformers, services and meters; steam heating mains and equipment; gas transmission and distribution systems, including structures, storage facilities, mains, compressor stations, purifier stations, pressure holders, governors, services, and meters, telephone plant and related distribution systems; trucks and trailers; office, shop, and other buildings and structures, furniture and equipment, apparatus and equipment of all other kinds and descriptions; materials and supplies; all municipal and other franchises, leaseholds, licenses, permits, privileges, patents and patent rights; all shares of stock, bonds, evidences of indebtedness, contracts, claims, accounts receivable, choses in action and other intangibles, all books of account and other corporate records;

Excluding, however, all merchandise and appliances heretofore or hereafter acquired for the purpose of sale to customers and others;

All the estate, right, title, interest, and claim, whatsoever, at law as well as in equity, which the Company now has or hereafter may acquire in and to the aforesaid property and every part and parcel thereof subject, however, to the right of the Company, until the happening of a completed default as defined in Section 1 of Article XIII of the Original Indenture prior to the Effective Date and upon the occurrence and continuation of a Completed Default as defined in the Indenture on and after the Effective Date, to retain in its possession all shares of stock, notes, evidences of indebtedness, other securities and cash not expressly required by the provisions hereof to be deposited with the Trustee, to retain in its possession all contracts, bills and accounts receivable, motor cars, any stock of goods, wares and merchandise, equipment or supplies acquired for the purpose of consumption in the operation, construction, or repair of any of the properties of the Company, and to sell, exchange, pledge, hypothecate, or otherwise dispose of any or all of such property so retained in its possession free from the lien of the Indenture,

without permission or hindrance on the part of the Trustee, or any of the bondholders. No person in any dealings with the Company in respect of any such property shall be charged with any notice or knowledge of any such completed default (prior to the Effective Date) or Completed Default (after the Effective Date) under the Indenture while the Company is in possession of such property. Nothing contained herein or in the Indenture shall be deemed or construed to require the deposit with, or delivery to, the Trustee of any of such property, except such as is specifically required to be deposited with the Trustee by some express provision of the Indenture.

To have and to hold all said property, real, personal, and mixed, granted, bargained, sold, warranted, released, conveyed, assigned, transferred, mortgaged, pledged, set over, or confirmed by the Company as aforesaid, or intended so to be, to the Trustee and its successors and assigns forever, subject, however, to permitted liens as defined in Section 5 of Article I of the 1937 Indenture prior to the Effective Date and to Permitted Encumbrances on and after the Effective Date and to the further reservations, covenants, conditions, uses, and trusts set forth in the Indenture; in trust nevertheless for the same purposes and upon the same conditions as are set forth in the Indenture;

ARTICLE II.

FORM AND EXECUTION OF BONDS OF SERIES DUE JULY 1, 2025

SECTION 2.01. There hereby is created, for issuance under the Indenture, a series of bonds designated Series due July 1, 2025, each of which shall bear the descriptive title "First Mortgage Bond, Series due July 1, 2025", and the form thereof shall contain suitable provisions with respect to the matters hereafter specified in this Section. The bonds of said series shall be substantially of the tenor and and purport hereinbefore recited. The bonds of said series shall mature July 1, 2025, and shall be issued as registered bonds without coupons in denominations of a multiple of $1,000. The bonds of said series shall bear interest at the rate of 7 1/8% per annum payable semi-annually on January 1 and July 1 of each year, and the principal shall be payable at the office of the Trustee in Chicago, Illinois, or at the option of the registered owner at the agency of the Company in the Borough of Manhattan, City and State of New York, in lawful money of the United States of America, and the interest shall be payable in like money at the option of the person entitled to such interest either at said office of the Trustee in Chicago, Illinois, or at the agency of The Company in the Borough of Manhattan City and State of New York. Bonds of the Series due July 1, 2025, shall be dated as of the interest payment date next preceding the authentication thereof by the Trustee except that (i) if any bond shall be authenticated before January 1, 1996, it shall be dated as of July 1, 1995, unless (iii) below is applicable, (ii) if the Company shall at the time of the authentication of a bond of the Series due July 1, 2025, be in default in the payment of interest upon the bonds of the Series due July 1, 2025, such bond shall be dated as of the date of the beginning of the period for which such

interest is so in default and (iii) as long as there is no existing default in the payment of interest on the bonds of the Series due July 1, 2025, if any bond of the series due July 1, 2025, shall be authenticated after the close of business on any Record Date but on or prior of the interest payment date relating to such Record Date, it shall be dated as of such interest payment date.

As long as there is no existing default in the payment of interest on the bonds of the Series due July 1, 2025, the person in whose name any bond of the Series due July 1, 2025, is registered at the close of business on any Record Date with respect to any interest payment date shall be entitled to receive the interest payable on such interest payment date notwithstanding any transfer or exchange of such bond of the Series due July 1, 2025, subsequent to the Record Date and on or prior to such interest payment date, except as and to the extent the Company shall default in the payment of the interest due on such interest payment date, except as and to the extent the Company shall default in the payment of the interest due on such interest payment date, in which case such defaulted interest shall be paid to the person in whose name such bond of the Series due July 1, 2025, is registered on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice thereof shall be given to the registered holder of any bond of the Series due July 1, 2025, not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the bonds of the Series due July 1, 2025, may be listed, and upon such notice as may be required by such exchange.

The term "Record Date" as used herein with respect to any interest payment date (January 1 or July 1) shall mean the December 21 prior to such January 1 or June 20 prior to such July 1 unless such December 21 or June 20 shall not be a business day, in which event "Record Date" shall mean the next preceding business day. The term "business day" as used herein shall mean any day other than a Saturday or a Sunday or a day on which the offices of the Trustee in the City of Chicago, Illinois, are closed pursuant to authorization of law.

As used in this Section 2.01, the term "default in the payment of interest" means failure to pay interest on the applicable interest payment date disregarding any period of grace permitted by the Indenture.

The "Special Record Date" as used herein shall be fixed in the following manner: The Company shall notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each bond of the Series due July 1, 2025, and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such defaulted interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such defaulted interest as provided in this Section 2.01. Thereupon the Trustee shall fix a Special Record Date for the payment of such defaulted interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the

Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such defaulted interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each holder of the bonds of the Series due July 1, 2025, at his address as it appears in the bond register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such defaulted interest and the Special Record Date therefor having been mailed as aforesaid, such defaulted interest shall be paid to the persons in whose names the bonds of the Series due July 1, 2025, are registered on such Special Record Date and shall not be payable pursuant to the paragraph immediately following in this Section 2.01.

The Company may make payment of any defaulted interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the bonds of the Series due July 1, 2025, may be listed, and upon such notice as may be required by such exchange, if, after notice is given by the Company to the Trustee of the proposed payment pursuant to this Section 2.01, such payment shall be deemed practicable by the Trustee.

SECTION 2.02. The bonds of the Series due July 1, 2025 are not redeemable prior to maturity for any reason and are not subject to a sinking fund.

SECTION 2.03. The registered owner of any bond or bonds of the Series due July 1, 2025, at his option may surrender the same with other bonds of said series of the office of the Trustee in Chicago, Illinois, or at the agency of the Company in the Borough of Manhattan, City and State of New York, or elsewhere if authorized by the Company, for cancellation, in exchange for other bonds of the said series of higher or lower authorized denominations, but of the same aggregate principal amount, bearing interest from its date, and upon receipt of any payment required under the provisions of Section 2.04 hereof. Thereupon the Company shall execute and deliver to the Trustee and the Trustee shall authenticate and deliver such other registered bonds to such registered owner at its office or any other place specified as aforesaid.

SECTION 2.04. No charge shall be made by the Company for any exchange or transfer of bonds of the Series due July 1, 2025, other than for taxes or other governmental charges, if any, that may be imposed in relation hereto.

SECTION 2.05. The bonds of the Series due July 1, 2025, shall be executed on behalf of the Company by the manual signature of its President or one of its Vice Presidents or with the facsimile signature of its President, and its corporate seal shall be thereunto affixed, or printed, lithographed, or engraved thereon, in facsimile, and attested by the manual signature of its Secretary or one of its Assistant Secretaries or with the facsimile signature or its Secretary. In case any of the officers who shall have signed any bonds or attested the seal thereon or whose facsimile signature shall be borne by the bonds shall cease to be such officers of the Company before the bonds so signed and sealed actually shall have been authenticated by the Trustee or delivered by the Company,

such bonds nevertheless may be issued, authenticated, and delivered with the same force and effect as though the person or persons who signed such bonds and attested the seal thereon or whose facsimile signature is borne by the bonds had not ceased to be such officer or officers of the Company. Any bond issuable hereunder may be signed or attested by manual or facsimile signature on behalf of the Company by such person as at the actual date of the execution of such bond shall be the proper officer of the Company, although at the date of such bond such person shall not have been an officer of the Company.

SECTION 2.06. (a) Except as provided in subsection (c) and (g) below, the registered holder of all of the bonds of the Series due July 1, 2025 shall be The Depository Trust Company ("DTC") and the bonds of the Series due July 1, 2025, shall be registered in the name of Cede & Co., as nominee for DTC. Payment of principal of and interest on any bonds of the Series due July 1, 2025 registered in the name of Cede & Co. shall be made by transfer of New York Federal or equivalent immediately available funds with respect to the bonds of the Series due July 1, 2025 to the account of Cede & Co. on each such payment date for the bonds of the Series due July 1, 2025 at the address indicated for Cede & Co. in the bond register kept by the Trustee.

(b) The bonds of the Series due July 1, 2025 shall be initially issued in the form of two separate single authenticated fully registered certificates in the aggregate principal amount of the bonds of the Series due July 1, 2025. Upon initial issuance, the ownership of such bonds of the Series due July 1, 2025 shall be registered in the bond register kept by the Trustee in the name of Cede & Co., as nominee of DTC. The Trustee and the Company may treat DTC (or its nominee) as the sole and exclusive registered holder of the bonds of the Series due July 1, 2025 registered in its name for the purposes of payment of the principal of and interest on the bonds of the Series due July 1, 2025, and of giving any notice permitted, or required to be given to holders under the Indenture, except as provided in Section 2.06(g) below; and neither the Trustee nor the Company shall be affected by any notice to the contrary. Neither the Trustee nor the Company shall have any responsibility or obligation to any of DTC's participants (each a "Participant"), any person claiming a beneficial ownership in the bonds of the Series due July 1, 2025, under or through DTC or any Participant (each a "Beneficial Owner"), or any other person which is not shown on the bond register maintained by the Trustee as being a registered holder, with respect to the accuracy of any records maintained by DTC or any Participant; the payment of DTC or any Participant of any amount in respect of the principal of or interest on the bonds of the Series due July 1, 2025; any notice which is permitted or required to be given to registered holders under the Indenture of bonds of the Series due July 1, 2025; or any consent given or other action taken by DTC as bondholder. The Trustee shall pay all principal of and interest on the bonds of the Series due July 1, 2025 registered in the name of Cede & Co. only to or "upon the order of" DTC (as that term is used in the Uniform Commercial Code as adopted in Minnesota and New York), and all such payments shall be valid and effective to fully satisfy and discharge the Company's

obligations with respect to the principal of and interest on such bonds of the Series due July 1, 2025 to the extent of the sum or sums so paid. Except as otherwise provided in Sections 2.06(c) and (g) below, no person other than DTC shall receive authenticated bond certificates evidencing the obligation of the Company to make payments of principal of and interest on the bonds of the Series due July 1, 2025. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of the Indenture with respect to transfers of bonds, the word "Cede & Co." in this Supplemental Trust Indenture shall refer to such new nominee of DTC.

(c) If the Company in its discretion determines that it is in the best interest of the Beneficial Owners that they be able to obtain bond certificates, the Company may notify DTC and the Trustee, whereupon DTC will notify the Participants of the availability through DTC of bond certificates. In such event, the Trustee shall issue, transfer and exchange bond certificate as requested by DTC in appropriate amounts pursuant to Article II of the 1937 Indenture prior to the Effective Date, Article II of the Restated Indenture on and after the Effective Date and Section 2.03 of this Supplemental Trust Indenture. The Company shall pay all costs in connection with the production of bond certificates if the Company makes such a determination under this Section 2.06(c). DTC may determine to discontinue providing its services with respect to the bonds of the Series July 1, 2025 at any time by giving written notice to the Company and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor book-entry depository), the Company and the Trustee shall be obligated (at the sole cost and expense of the Company) to deliver bond certificates as described in this Supplemental Trust Indenture. If bond certificates are issued, the provisions of the Indenture shall apply to, among other things, the transfer and exchange of such certificates and the method of payment and principal of and interest on such certificates. Whenever DTC requests the Company and the Trustee to do so, the Company will direct the Trustee (at the sole cost and expense of the Company) to cooperate with DTC in taking appropriate action after reasonable notice (1) to make available one or more separate certificates evidencing the bonds of the Series due July 1, 2025 to any Participant or (2) to arrange for another book-entry depository to maintain custody of certificates evidencing the bonds of the Series due July 1, 2025 registered in the name of Cede & Co. Any successor book-entry depository must be a clearing agency registered with the Securities and Exchange Commission pursuant to Section 17A of the Securities Exchange Act of 1934 and must enter into an agreement with the Company and the Trustee agreeing to act as the depository and clearing agency for the bonds of the Series due July 1, 2025 (except as provided in Section 2.06(g) below). After such agreement has become effective, DTC shall present the bonds of the Series due July 1, 2025 for registration of transfer in accordance with Section 12 of Article II of the 1937 Indenture prior to the Effective Date and Section 2.12 of the Restated Indenture on and after the Effective Date, and the Trustee shall register them in the name of the successor book-entry depository or its nominee. If a successor book-entry depository has not accepted such position before the effective date of DTC's

termination of its services, the book-entry system shall automatically terminate and may not be reinstated without the consent of all registered holders of the bonds of the Series due July 1, 2025.

(d) Notwithstanding any other provision of this Supplemental Trust Indenture to the contrary, so long as any bonds of the Series due July 1, 2025 are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and interest on such Bonds of the Series due July 1, 2025 and all notices with respect to such bonds of the Series due July 1, 2025 shall be made and given, respectively, to DTC as provided in the representation letter dated as of the date of delivery of the bonds of the Series due July 1, 2025 among DTC, the Company and the Trustee. The Trustee is hereby authorized and directed to comply with all terms of the representation letter.

(e) In connection with any notice or other communication to be provided pursuant to the Indenture for the bonds of the Series due July 1, 2025 by the Company or the Trustee with respect to any consent or other action to be taken by the registered holders of the bonds of the Series due July 1, 2025, the Company or the Trustee, as the case may be, shall seek to establish a record date to the extent permitted by the Indenture for such consent or other action and give DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible. Such notice to DTC shall be given only when DTC is the sole registered holder.

(f) NEITHER THE COMPANY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS OF THE SERIES DUE JULY 1, 2025; (3) THE DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO REGISTERED HOLDERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS A REGISTERED HOLDER.

SO LONG AS CEDE & CO IS THE REGISTERED HOLDER OF THE BONDS OF THE SERIES DUE JULY 1, 2025 AS NOMINEE OF DTC, REFERENCES HEREIN TO REGISTERED HOLDER OF THE BONDS OF THE SERIES DUE JULY 1, 2025 SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS OF THE SERIES DUE JULY 1, 2025 NOR DTC PARTICIPANTS.

(g) The Company, in its sole discretion, may terminate the services DTC with respect to the bonds of the Series due July 1, 2025 if the company determines that: (i) DTC is unable to discharge its responsibilities with respect to the bonds of the Series due July 1, 2025; or (ii) a continuation of the requirement that all of the outstanding bonds of the Series due July 1, 2025

be registered with the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interest of the Beneficial Owners of the bonds of the Series due July 1, 2025. After such event and if no substitute book-entry depository is appointed by the Company, bond certificates will be delivered as described in the Indenture.

(h) Upon the termination of the services of DTC with respect to the bonds of the Series due July 1, 2025 pursuant to subsections (c) or (g) of this Section 2.06 after which no substitute book-entry depository is appointed, the bonds of the Series due July 1, 2025 shall be registered in whatever name or names holders transferring or exchanging bonds of the Series due July 1, 2025 shall designate in accordance with the provisions of the Indenture.

ARTICLE III.

APPOINTMENT OF AUTHENTICATING AGENT.

SECTION 3.01. The Trustee shall, if requested in writing so do by the Company, promptly appoint an agent or agents of the Trustee who shall have authority to authenticate registered bonds of the Series due July 1, 2025, in the name and on behalf of the Trustee. Such appointment by the Trustee shall be evidenced by a certificate of a vice-president of the Trustee delivered to the Company prior to the effectiveness of such appointment

SECTION 3.02 (a) Any such authenticating agent shall be acceptable to the Company and at all times shall be a corporation which is organized and doing business under the laws of the United States or of any State, is authorized under such laws to act as authenticating agent, has a combined capital and surplus of at least $10,000,000, and is subject to supervision or examination by Federal or State authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 3.02 the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) Any corporation into which any authenticating agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion, or consolidation to which any authenticating agent shall be a party, or any corporation succeeding to the corporate agency business of any authenticating agent, shall continue to be the authenticating agent without the execution or filing of any paper or any further act on the part of the Trustee or the authenticating agent.

(c) Any authenticating agent at any time may resign by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time, and upon written request of the Company to the Trustee shall terminate the agency of any authenticating agent by giving written notice of termination to such authenticating agent and to the Company. Upon receiving such a notice of resignation or upon such termination, or in case at any time any

authenticating agent shall cease to be eligible in accordance with the provisions of this Section 3.02, the Trustee, unless otherwise requested in writing by the Company, promptly shall appoint a successor authenticating agent, which shall be acceptable to the Company. Any successor authenticating agent upon acceptance of its appointment hereunder shall become vested with all rights, powers, duties, and responsibilities of its predecessor hereunder, with like effect as if originally named. No successor authenticating agent shall be appointed unless eligible under the provisions of the Section 3.02.

(d) The Trustee agrees to pay to any authenticating agent, appointed in accordance with the provisions of this Section 3.02, reasonable compensation for its services, and the Trustee shall be entitled to be reimbursed for such payments.

SECTION 3.03. If any appointment is made pursuant to this Article III, the registered bonds of the Series due July 1, 2025, shall have endorsed thereon, in addition to the Trustee's Certificate, an alternate Trustee's Certificate in the following form:

This bond is one of the bonds of the Series designated thereon, described in the within-mentioned Indenture.

HARRIS TRUST AND SAVINGS BANK

as Trustee,

By_____

Authenticating Agent,

By_____

Authorized Officer.

SECTION 3.04. No provision of this Article III shall require the Trustee to have at any time more than one such authenticating agent for any one State or to appoint any such authenticating agent in the State in which the Trustee has its principal place of business.

ARTICLE IV.

FINANCING STATEMENT TO COMPLY WITH THE UNIFORM COMMERCIAL CODE.

SECTION 4.01. The name and address of the debtor and secured party are set forth below:

Debtor: Northern States Power Company
414 Nicollet Mall
Minneapolis, MN 55401

Secured Party: Harris Trust and Savings Bank, Trustee
111 West Monroe Street
Chicago, Illinois 60603

NOTE: Northern States Power Company, the debtor above named, is "a transmitting utility" under the Uniform Commercial Code as adopted in Minnesota, North Dakota and South Dakota.

SECTION 4.02. Reference to Article I hereof is made for a description of the property of the debtor covered this Financing Statement with the same force and effect as if incorporated in this Section at length.

SECTION 4.03. The maturity dates and respective principal amounts of obligations of the debtor secured presently to be secured by the Indenture, reference to all of which for the terms and conditions thereof is hereby made with the same force and effect as if incorporated herein at length, are as follows.

First Mortgage Bonds Principal Amount

Series due October 1, 1997……...$100,000,000
Series due February 1, 1999……..$200,000,000
Series due October 1, 2001……...$150,000,000
Series due December 1, 2000……....$100,000,000
Series due March 1, 2002……..$ 50,000,000
Series due February 1, 2003……..$ 50,000,000
Series due April 1, 2003……....$ 80,000,000
Series due December 1, 2005……....$ 70,000,000
Pollution Control Series C……....$ 8,800,000
Resource Recovery Series I……..$ 22,300,000
Pollution Control Series J……$ 5,450,000
Pollution Control Series K……....$ 3,400,000
Pollution Control Series L……....$ 4,850,000
Series due July 1, 2019……$ 98,000,000
Series due June 1, 2020……$ 70,000,000
Series July 1, 2025……..$250,000,000

SECTION 4.04. This financing Statement is hereby adopted for all the First Mortgage Bonds of the series mentioned above secured by said Indenture.

SECTION 4.05. The 1937 Indenture and the prior Supplemental Indentures, as set forth below, have been filed or recorded in each and every office in the State of Minnesota, North Dakota, and South Dakota designated by law for the filing or recording thereof in respect of all property of the Company subject thereto:

Original Indenture
Dated February 1, 1937

Supplemental Indenture
Dated June 1, 1942

Supplemental Indenture
Dated February 1, 1944

Supplemental Indenture
Dated June 1, 1952

Supplemental Indenture
Dated October 1, 1954

Supplemental Indenture
Dated September 1, 1956

Supplemental Indenture
Dated August 1, 1957

Supplemental Indenture
Dated July 1, 1958

Supplemental Indenture
Dated December 1, 1960

Supplemental Indenture
Dated August 1, 1961

Supplemental Indenture
Dated June 1, 1962

Supplemental Indenture
Dated September 1, 1963

Supplemental Indenture
Dated August 1, 1966

Supplemental Indenture
Dated June 1, 1967

Supplemental Indenture
Dated October 1, 1967

Supplemental Indenture
Dated October 1, 1945

Supplemental Indenture
Dated July 1, 1948

Supplemental Indenture
Dated August 1, 1949

Supplemental Indenture
Dated April 1, 1975

Supplemental Indenture
Dated May 1, 1975

Supplemental Indenture
Dated March 1, 1976

Supplemental Indenture
Dated June 1, 1981

Supplemental Indenture
Dated December 1, 1981

Supplemental Indenture
Dated May 1, 1983

Supplemental Indenture
Dated December 1, 1983

Supplemental Indenture
Dated September 1, 1984

Supplemental Indenture
Dated December 1, 1984

Supplemental Indenture
Dated May 1, 1985

Supplemental Indenture
Dated September 1, 1985

Supplemental and Restated Indenture
Dated May 1, 1988

Supplemental Indenture
Dated May 1, 1968

Supplemental Indenture
Dated October 1, 1969

Supplemental Indenture
Dated February 1, 1971

Supplemental Indenture
Dated May 1, 1971

Supplemental Indenture
Dated February 1, 1972

Supplemental Indenture
Dated January 1, 1973

Supplemental Indenture
Dated January 1, 1974

Supplemental Indenture
Dated September 1, 1974

Supplemental Indenture
Dated July 1, 1989

Supplemental Indenture
Dated June 1, 1990

Supplemental Indenture
Dated October 1, 1992

Supplemental Indenture
Dated April 1, 1993

Supplemental Indenture
Dated December 1, 1993

Supplemental Indenture
Dated February 1, 1994

Supplemental Indenture
Dated October 1, 1994

Supplemental Indenture
Dated June 1, 2025

SECTION 4.06 The property covered by this Financing Statement also shall secure additional series of First Mortgage Bonds of the debtor which may be issued from time to time in the future in accordance with provisions of the Indenture.

ARTICLE V.

AMENDMENTS TO INDENTURE.

SECTION 5.01 Each holder or registered owner of a bond of any series originally authenticated by the Trustee and originally issued by the Company subsequent to May 1, 1985 and of any coupon pertaining to any such bond, by the acquisition, holding or ownership of such bond and coupon, thereby consents and agrees to, and shall be bound by, the provisions of Article VI of the Supplemental Indenture dated May 1, 1985. Each holder or registered owner of a bond or any series (including bonds of the Series due July 1, 2025) originally authenticated by the Trustee and originally issued by the Company subsequent to May 1, 1988 and of any coupon pertaining to such bond, by the acquisition, holding or ownership of such bond and coupon, thereby consents and agrees to, and shall be bound by, the provisions of the Supplemental and Restated Trust Indenture dated May 1, 1988 upon the Effective Date.

ARTICLE VI.

MISCELLANEOUS.

SECTION 6.01. The recitals of fact herein, except the recital that the Trustee has duly determined to execute this Supplemental Trust Indenture and be bound, insofar as it may lawfully so do, by the provisions hereof and in the bonds shall be taken as statements of the Company and shall not be construed as made by the Trustee. The Trustee makes no representations as to value of any of the property subjected to the lien of the Indenture, or any part thereof, or as to the title of the Company thereto, or as to the security afforded thereby and hereby, or as to the validity of this Supplemental Trust Indenture or of the bonds issued under the Indenture by virtue hereof (except the Trustee's certificate), and the Trustee shall incur no responsibility in respect of such matters.

SECTION 6.02. This Supplemental Trust Indenture shall be construed in connection with and as a part of the 1937 Indenture, as supplemented by the Supplemental Trust Indentures dated June 1, 1942, February 1, 1944, October 1, 1945, July 1, 1948, August 1, 1949, June 1, 1952, October 1, 1954, September 1, 1956, August 1, 1957, July 1, 1958, December 1, 1960, August 1, 1961, June 1, 1962, September 1, 1963, August 1, 1966, June 1, 1967, October 1, 1967, May 1, 1968, October 1, 1969, February 1, 1971, May 1, 1971, February 1, 1972, January 1, 1973, January 1, 1974, September 1, 1974, April 1, 1975, May 1, 1975, March 1, 1976, June 1, 1981, December 1, 1981, May 1, 1983, December 1, 1983, September 1, 1984, December 1, 1984, May 1, 1985, September 1, 1985, the Supplemental and Restated Trust Indenture dated May 1, 1988 and the Supplemental Trustee Indentures dated July 1, 1989, June 1, 1990, October 1, 1992, April 1, 1993, December 1, 1993, February 1, 1994, October 1, 1994 and June 1, 1995.

SECTION 6.03. (a) If any provision of this Supplemental Trust Indenture limits, qualifies, or conflicts with another provision of the Indenture required to be included in indentures qualified under the Trust Indenture Act of 1939 (as enacted prior to the date of this Supplemental Trust Indenture) by any of the provisions of Sections 310 to 317, inclusive of the said Act, such required provisions shall control.

(b) In case any one or more of the provisions contained in this Supplemental Trust Indenture or in the bonds issued hereunder should be invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein and therein shall not any way be affected, impaired, prejudiced, or disturbed thereby.

SECTION 6.04. Whenever in this Supplemental Trust Indenture the word "Indenture" is used without the prefix, "1937," "Original" or "Supplemental", such word was used intentionally to include in its meaning both the 1937 Indenture and all indentures supplemental thereto.

SECTION 6.05. Whenever in this Supplemental Trust Indenture either of the parties hereto is named or referred to, this shall be deemed to include the successors or assigns of such

party, and all the covenants and agreements in this Supplemental Trust Indenture contained by or on behalf of the Company or by or on behalf of the Trustee shall bind and inure to the benefit of the respective successors and assigns of such parties, whether so expressed or not.

SECTION 6.06. (a) This Supplemental Trust Indenture may be executed simultaneously in several counterparts, and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

(b) The Table of Contents and the descriptive headings of the several Articles of this Supplemental Trust Indenture were formulated, used, and inserted in this Supplemental Trust Indenture for convenience only and shall be not be deemed to affect the meaning or construction of any of the provisions hereof.

The amount of obligations to be issued forthwith under the Indenture is $250,000,000.

IN WITNESS WHEREOF, on this 29th day of June, A.D. 1995, NORTHERN STATES POWER COMPANY, a Minnesota corporation, party of the first part, has caused its corporate name and seal to be hereunto affixed, and this Supplemental Trust Indenture dated June 1, 1995, to be signed by its President or a Vice President, and attested by its Secretary or an Assistant Secretary, for and in its behalf, and HARRIS TRUST AND SAVINGS BANK, an Illinois corporation, as Trustee, party of the second part, to evidence its acceptance of the trust hereby created, has caused its corporate name and seal to be hereunto affixed, and this Supplemental Trust Indenture dated June 1, 1995, to be signed by its President, a Vice President, or an Assistant Vice President, and attested by its Secretary or an Assistant Secretary, for and in its behalf.

NORTHERN STATES POWER COMPANY,

/s/ Arland D. Brusven

By ARLAND D. BRUSVEN, *Vice President*

Attest:

/s/ Gary R. Johnson
GARY R. JOHNSON, *Secretary*
Executed by Northern States
Power Company in presence of:

/s/ Michele L. Bishop (CORPORATE SEAL)
MICHELE L. BISHOP
/s/ Bradley C. Freeman
BRADLEY C. FREEMAN, *Witnesses.*

HARRIS TRUST AND SAVINGS BANK,
As Trustee.

_____

By J. BARTOLINI, *Vice President*

Attest:

C. POTTER, *Assistant Secretary.*

Executed by Harris Trust and Savings:

Bank in presence of: (CORPORATE SEAL)

R. JOHNSON

M. CODY, *Witnesses.*

STATE OF MINNESOTA)
) ss:
COUNTY OF HENNEPIN)

On this 29th day of June A.D. 1995, before me, KENNETH A. HUTCHINS, a Notary Public in and of said County in the State aforesaid, personally appeared ARLAND D. BRUSVEN and GARY R. JOHNSON, to me personally known, and to me known to be Vice President and Secretary, respectively, of Northern States Power Company, one of the corporation described in and which executed the within and foregoing instrument, and who, being by me severally duly sworn, each did say that he, the said ARLAND D. BRUSVEN is Vice President, and he, the said GARY R. JOHNSON, is Secretary, of said Northern States Power Company, a corporation; that the seal affixed to the within and foregoing instrument is the corporate seal of said corporation, and that said instrument was executed in behalf of said corporation by authority of its board of directors; and said ARLAND D. BRUSVEN and GARY R. JOHNSON each acknowledged said instrument to be free act and deed of said corporation and that such corporation executed the same.

WITNESS my hand and notarial seal this 29th day of June, A.D. 1995.

/s/ Kenneth A. Hutchins
Notary Public, Anoka County, Minn.
My commission expires, June 31, 2000

STATE OF MINNESOTA)
) ss:
COUNTY OF HENNEPIN)

ARLAND D. BRUSVEN and GARY R. JOHNSON, being severally duly sworn, each deposes and says that he, the said ARLAND D. BRUSVEN, is Vice Present, and he, the said GARY R. JOHNSON, is Secretary, of Northern States Power Company, the corporation described in and which executed the within and foregoing Supplemental Trust Indenture, as mortgagor; and each for himself further says that said Supplemental Trust Indenture was executed in good faith, and not for the purpose of hindering, delaying, or defrauding any creditor of the said mortgagor.

/s/ Arland D. Brusven
ARLAND D. BRUSVEN
/s/ Gary R. Johnson
GARY E. JOHNSON

Subscribed and sworn to before me this 29th day of June, A.D. 1995

/s/ Kenneth A. Hutchinson
Notary Public, Anoka County, Minn.
My commission expires June 31, 2000

STATE OF ILLINOIS)
) ss:
COUNTY OF COOK)

On this 29th day of June, A.D. 1995, before me, KIMBERLY LANGE, a Notary Public in and for said county in the State aforesaid, personally appeared J. BARTOLINI and C. POTTER, to me personally known, to me known to be Vice President and Assistant Secretary respectively, of Harris Trust and Savings Bank, one of the corporations described in and which executed the within and foregoing instrument, and who, being by me severally duly sworn, each did say that she, the said J. BARTOLINI, is Vice President, and she, the said C. POTTER, is Assistant Secretary of said Harris Trust and Savings Bank, a corporation; that the seal affixed to the within and foregoing instrument is the corporate seal of said corporation, and that said instrument was executed in behalf of said corporation by authority of its board of directors, and said J. BARTOLINI, and C. POTTER each acknowledged said instrument to be the free act and deed of said corporation and that such corporation executed the same.

WITNESS my hand and notarial seal this 29th day of June, A.D. 1995.

/s/ Kimberly Lange
Notary Public, Cook County, Ill.
My commission expires December 14, 1997

STATE OF ILLINOIS)
) ss:
COUNTY OF COOK)

J. BARTOLINI and C. POTTER, being severally duly sworn, each for himself deposes and says that she, the said J. BARTOLINI, is Vice President, and she, the said C. POTTER, is Assistant Secretary, of Harris Trust and Savings Bank, the corporation described in and which executed the within and foregoing Supplemental Trust Indenture, as mortgagor, and each for himself further says that said Supplemental Trust Indenture was executed in good faith, and not for the purpose of hindering, delaying, or defrauding any creditor of the mortgagor.

Subscribed and sworn to before me this 29th day of June, A.D. 1995

/s/ Kimberly Lange
Notary Public, Cook County, Ill.
My commission expires December 14, 1997

SCHEDULE A

The property referred to in Article I of the foregoing Supplemental Trust Indenture from Northern States Power Company to Harris Trust and Savings Bank, Trustee, made as of June 1, 1995, includes the following property hereinafter more specifically described. Such description, however, is not intended to limit or impair the scope or intention of the general description contained in the granting clauses or elsewhere in the Original Indenture.

I. PROPERTY IN THE STATE OF MINNESOTA

The following described real property, situate, lying and being in the County of Blue Earth, State of Minnesota, to-wit:

Lot 1, Block 1, Summit Industrial Park, City of Mankato according to the plat thereof

The following described real property, situate, lying and being in the County of Hennepin, State of Minnesota to-wit:

Lots 8 and 9, Block 2, North Washington Industrial Center 2nd Addition

PROPERTY IN THE STATE OF SOUTH DAKOTA

The following described real property, situate, lying and being in the County of Lincoln, State of South Dakota, to-wit:

NSP Tract 2 in the NW ¼ of Section 21, Township 100 North, Range 50 West

NSP Tract 1 in the SW ¼ of Section 21, Township 100 North, Range 50 West

II. GAS DISTRIBUTION LINES OF THE COMPANY IN THE STATE OF MINNESOTA

Approximately 74,000 feet of 12" diameter, 61,000 feet of 8" diameter and 76,000 feet of 6" diameter of high pressure gas main constructed in 1994 in Crow Wing County known as the Brainerd Line serving the communities of Baxter, Breezy Point, Center, Crosslake, East Gull Lake (Cass County), Fifty Lakes, Ideal, Jenkins Township, Lakeshore (Cass County), Manhattan Beach, Nisswa, Oaklawn, Pelican, Pequot Lakes and Sibley in Minnesota.

IN THE STATE OF SOUTH DAKOTA

(1) Approximately 37,000 feet of 16" diameter and 33,500 feet of 12" diameter transmission line known as the "Pathfinder Line" in Lincoln County and Minnehaha County which *only* serves the Pathfinder Generating Plant in South Dakota.

MORTGAGOR'S RECEIPT FOR COPY.

The undersigned Northern States Power Company, the Mortgagor described in the foregoing Mortgage, hereby acknowledges that at the time of the execution of the Mortgage, Harris Trust and Savings Bank, Trustee, the Mortgagee described therein, surrendered to it a full, true, complete, and correct copy of said instrument, with signatures, witnesses, and acknowledgments thereon shown.

NORTHERN STATES POWER COMPANY.

/s/ Arland D. Brusven
By ARLAND D. BRUSVEN, *Vice President*

Attest:

/s/ Gary R. Johnson
GARY R. JOHNSON, *Secretary*

This instrument was drafted by Northern States Power Company, 414 Nicollet Mall, Minneapolis, MN 55401.

Tax statements for the real property described in the instrument should be sent to Northern States Power Company, 414 Nicollet Mall, Minneapolis, MN 55401.

(Back To Top)

Section 4: EX-4.12 (EXHIBIT 4.12)

Exhibit 4.12

SUPPLEMENTAL TRUST INDENTURE

FROM

NORTHERN STATES POWER COMPANY

TO

HARRIS TRUST AND SAVINGS BANK
TRUSTEE

DATED MARCH 1, 1998

SUPPLEMENTAL TO TRUST INDENTURE
DATED FEBRUARY 1, 1937

AND

SUPPLEMENTAL AND RESTATED
TRUST INDENTURE DATED
MAY 1, 1988

Table of Contents

SUPPLEMENTAL TRUST INDENTURE, made as of the 1st day of March, 1998, by and between NORTHERN STATES POWER COMPANY, a corporation duly organized and existing under and by virtue of the laws of the State of Minnesota, having its principal office in the City of Minneapolis in said State (the "Company"), party of the first part, and HARRIS TRUST AND SAVINGS BANK, a corporation duly organized and existing under and by virtue of the laws of the State of Illinois, having its principal office in the City of Chicago in said State, as Trustee (the "Trustee"), party of the second part;

WITNESSETH:

WHEREAS, the Company heretofore has executed and delivered to the Trustee its Trust Indenture (the "1937 Indenture"), made as of February 1, 1937, whereby the Company granted, bargained, sold, warranted, released, conveyed, assigned, transferred, mortgaged, pledged, set over, and confirmed to the Trustee, and to its respective successors in trust, all property, real, personal, and mixed then owned or thereafter acquired or to be acquired by the Company (except as therein excepted from the lien thereof) and subject to the rights reserved by the Company in and by the provisions of the 1937 Indenture, to be held by said Trustee in trust in accordance with provisions of the 1937 Indenture for the equal pro rata benefit and security of all and every of the bonds issued thereunder in accordance with the provisions thereof; and

WHEREAS, the Company heretofore has executed and delivered to the Trustee a Supplemental Trust Indenture, made as of June 1, 1942, whereby the Company conveyed, assigned, transferred, mortgaged, pledged, set over, and confirmed to the Trustee, and its respective successors in said trust, additional property acquired by it subsequent to the date of the 1937 Indenture; and

WHEREAS, the Company heretofore has executed and delivered to the Trustee the following additional Supplemental Trust Indentures which, in addition to conveying, assigning, transferring, mortgaging, pledging, setting over, and confirming to the Trustee, and its respective successors in said trust, additional property acquired by it subsequent to the preparation of the next preceding Supplemental Trust Indenture and adding to the covenants, conditions, and agreements of the 1937 Indenture certain additional covenants, conditions, and agreements to be observed by the Company, created the following series of First Mortgage Bonds:

Date of Supplemental Trust Indenture	Designation of Series
February 1, 1944	Series due February 1, 1974 (retired)
October 1, 1945	Series due October 1, 1975 (retired)
July 1, 1948	Series due July 1, 1978 (retired)
August 1, 1949	Series due August 1, 1979 (retired)
June 1, 1952	Series due June 1, 1982 (retired)
October 1, 1954	Series dues October 1, 1984 (retired)
September 1, 1956	Series due 1986 (retired)
August 1, 1957	Series due August 1, 1987 (redeemed)
July 1, 1958	Series due July 1, 1988 (retired)
December 1, 1960	Series due December 1, 1990 (retired)

Date of Supplemental Trust Indenture	Designation of Series
August 1, 1961	Series due August 1, 1991 (retired)
June 1, 1962	Series due June 1, 1992 (retired)
September 1, 1963	Series due September 1, 1993 (retired)
August 1, 1966	Series due August 1, 1996 (redeemed)
June 1, 1967	Series due June 1, 1995 (redeemed)
October 1, 1967	Series due October 1, 1997 (redeemed)
May 1, 1968	Series due May 1, 1998 (redeemed)
October 1, 1969	Series due October 1, 1999 (redeemed)
February 1, 1971	Series due March 1, 2001 (redeemed)
May 1, 1971	Series due June 1, 2001 (redeemed)
February 1, 1972	Series due March 1, 2002
January 1, 1973	Series due February 1, 2003
January 1, 1974	Series due January 1, 2004 (redeemed)
September 1, 1974	Pollution Control Series A (redeemed)
April 1, 1975	Pollution Control Series B (redeemed)
May 1, 1975	Series due May 1, 2005 (redeemed)
March 1, 1976	Pollution Control Series C (retired)
June 1, 1981	Pollution Control Series D, E, and F (redeemed)
December 1, 1981	Series Due December 1, 2011 (redeemed)
May 1, 1983	Series due May 1, 2013 (redeemed)
December 1, 1983	Pollution Control Series G (redeemed)
September 1, 1984	Pollution Control Series H (redeemed)
December 1, 1984	Resource Recovery Series I
May 1, 1985	Series due June 1, 2015 (redeemed)
September 1, 1985	Pollution Control Series J, K, and L
July 1, 1989	Series due July 1, 2019 (redeemed)
June 1, 1990	Series due June 1, 2020 (redeemed)
October 1, 1992	Series due October 1, 1997 (retired)
April 1, 1993	Series due April 1, 2003
December 1, 1993	Series due December 1, 2000, and December 1, 2005
February 1, 1994	Series due February 1, 1999
October 1, 1994	Series due October 1, 2001
June 1, 1995	Series due July 1, 2025
April 1, 1997	Pollution Control Series M, N, O and P; and

WHEREAS, the1937 Indenture and all of the foregoing Supplemental Trust Indentures are referred to herein collectively as the "Original Indenture;" and

WHEREAS, the Company heretofore has executed and delivered to the Trustee a Supplemental and Restated Trust Indenture, dated May 1, 1988 (the "Restated Indenture"), which, in addition to conveying, assigning, transferring, mortgaging, pledging, setting over, and confirming to the Trustee, and its respective successors in said trust, additional property acquired by it subsequent to the preparation of the next preceding Supplemental Trust Indenture, amended and restated the Original Indenture; and

WHEREAS, the Restated Indenture will not become effective and operative until all bonds of each series issued under the Original Indenture prior to May 1, 1988 shall have been retired through payment or redemption (including those bonds "deemed to be paid" within the meaning of that term as used in Article XVII of the 1937 Indenture) or until, subject to certain exceptions, the holders of the requisite principal amount of such bonds shall have consented to the amendments contained in the Restated Indenture (such date being herein called the "Effective Date"); and

WHEREAS, the Original Indenture and the Restated Indenture are referred to herein collectively as the "Indenture"; and

WHEREAS, the Indenture provides that bonds may be issued thereunder in one or more series, each series to have such distinctive designation as the Board of Directors of the Company may select for such series, and

WHEREAS, the Company is desirous of providing for the creation of (a) a new series of First Mortgage Bonds to be designated "First Mortgage Bonds, Series due March 1, 2028" (the "Series 2028 Bonds") and (b) a new series of First Mortgage Bonds to be designated "First Mortgage Bonds, Series due March 1, 2003" (the "Series 2003 Bonds", and collectively with the Series 2028 Bonds, the "Bonds"), the Bonds of each series to be issued as registered bonds without coupons in denominations of a multiple of $1000, and the bonds of said series to be substantially in the form and of the tenor following, to-wit;

(Form of Series 2028 Bonds and Series 2003 Bonds)

NORTHERN STATES POWER COMPANY

(Incorporated under the laws of the State of Minnesota)

First Mortgage Bond

Series due March 1,

No._____ $_____

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation, to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of The Depository Trust Company), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

NORTHERN STATES POWER COMPANY, a corporation organized and existing under the laws of the State of Minnesota (the "Company"), for value received, hereby promises to pay to or registered assigns, at the office of the Trustee, in Chicago, Illinois, or, at the option of the registered owner, at the agency of the Company in the Borough of Manhattan, City and State of New York, the sum of Dollars in lawful money of the United States of America, on the first day of March, [2028] [2003], and to pay interest hereon from the date hereof at the rate of [six and one-half][five and seven-eighths] percent per annum, in like money, until the Company's obligation with respect to the payment of such principal sum shall be discharged; said interest being payable at the option of the person entitled to such interest either at the office of the Trustee, in Chicago Illinois, or at the agency of the Company in the Borough of Manhattan, City and State of New York, on the first day of March and on the first day of September in each year provided that as long as there is no existing default in the payment of interest and except for the payment of defaulted interest, the interest payable on any March 1 or September 1 will be paid to the person in whose name this bond was registered at the close of business on the record date (the February 18 prior to such March 1 or the August 21 prior to such September 1 unless any such date is not a business day, in which event will be the next preceding business day).

"EXCEPT UNDER THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, THESE GLOBAL BONDS MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY, ANOTHER NOMINEE OF THE DEPOSITORY, A SUCCESSOR OF THE DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR."

This Bond is one of a duly authorized issue of bonds of the Company, of the series and designation indicated on the face hereof, which issue of bonds consists, or may consist, of several series of varying denominations, dates, and tenor, all issued and to be issued under and equally secured (except insofar as a sinking fund, or similar fund, established in accordance with the provisions of the Indenture may afford additional security for the bonds of any specific series) by a Trust Indenture dated February 1, 1937 (the "1937 Indenture"), as supplemented by 45 supplemental trust indentures (collectively, the "Supplemental Indentures"), a Supplemental and Restated Trust Indenture dated May 1, 1988 (the "Restated Indenture"), and a new supplemental trust indenture for the bonds of this series (the "New Supplemental Indenture"), executed by the Company to Harris Trust and Savings Bank, as Trustee (the "Trustee"). The 1937 Indenture, as supplemented by the Supplemental Indentures, the Restated Indenture and the New Supplemental Indenture herein are referred to collectively as the "Indenture". Reference hereby is made to the Indenture for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the bonds as to such security, and the terms and conditions upon which the bonds may be issued under the Indenture and are secured. The principal hereof may be declared or may become due on the conditions, in the manner and at the time set forth in the Indenture, upon the happening of a default as in the Indenture provided.

With the consent of the Company and to the extent permitted by and as provided in the Indenture, the rights and obligations of the Company and the holders of the bonds, and the terms and provisions of the Indenture and of any instruments supplemental thereto may be modified or altered

by affirmative vote of the holders of at least 80% in principal amount of the bonds then outstanding under the Indenture and any instruments supplemental thereto (excluding bonds challenged and disqualified from voting by reason of the Company's interest therein as provided in the Indenture); provided that without the consent of all holders of all bonds affected no such modification or alteration shall permit the extension of the maturity of the principal of any bond or the reduction in the rate of interest thereon or any other modification in the terms of payment of such principal or interest. The foregoing 80% requirement will be reduced to 66 2/3% when all bonds of each series issued under the Indenture prior to May 1, 1985, shall have been retired or all the holders thereof shall have consented to such reduction.

The Restated Indenture amends and restates the 1937 Indenture and the Supplemental Indentures. The Restated Indenture will become effective and operative (the "Effective Date") when all Bonds of each series issued under the Indenture prior to May 1, 1988 shall have been retired through payment or redemption (including those bonds "deemed to be paid" within the meaning of that term as used in Article XVII of the 1937 Indenture) or until, subject to certain exceptions, the holders of the requisite principal amount of such bonds shall have consented to the amendments contained in the Restated Indenture. Holders of the bonds of this series and of each subsequent series of bonds issued under the Indenture likewise will be bound by the amendments contained in the Restated Indenture when they become effective and operative. Reference is made to the Restated Indenture for a complete description of the amendments contained therein to the 1937 Indenture and to the Supplemental Indentures.

The Company and the Trustee may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment and for all other purposes and shall not be affected by any notice to the contrary.

Bonds of this series are not redeemable prior to maturity, for any reason, and are not subject to a sinking fund.

This bond is transferable as prescribed in the Indenture by the registered owner hereof in person, or by his duly authorized attorney, at the office of the Trustee in Chicago, Illinois, or at the option of the owner at the agency of the Company in the Borough of Manhattan, City and State of New York, or elsewhere if authorized by the Company, upon surrender and cancellation of this bond, and thereupon a new bond or bonds of the same series and of a like aggregate principal amount will be issued to the transferee in exchange therefor as provided in the Indenture, upon payment of taxes or other governmental charges, if any, that may be imposed in relation thereto.

Bonds of this series are interchangeable as to denominations in the manner and upon the conditions prescribed in the Indenture.

No charge shall be made by the Company for any exchange or transfer of bonds of the Series due March 1, [2028] [2003], other than for taxes or other governmental charges, if any, that may be imposed in relation thereto.

No recourse shall be had for the payment of the principal of or the interest on this bond, or any part thereof, or of any claim based hereon or in respect hereof or of said Indenture, against any incorporator, or any past, present, or future shareholder, officer or director of the Company or of any predecessor or successor corporation, either directly or through the Company, or through any such predecessor or successor corporation, or through any receiver or a trustee in bankruptcy, whether by virtue of any constitution, statute, or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released, as more fully provided in the Indenture.

This bond shall not be valid or become obligatory for any purpose unless and until the certificate of authentication hereon shall have been signed by or on behalf of Harris Trust and Savings Bank, as Trustee under the Indenture, or its successor thereunder.

IN WITNESS WHEREOF, NORTHERN STATES POWER COMPANY has caused this bond to be executed in its name by its President or a Vice President and its corporate seal, or a facsimile thereof, to be hereto affixed and attested by its Secretary or an Assistant Secretary.

Dated: _____ NORTHERN STATES POWER COMPANY

Attest:_____ By _____

_____ Secretary _____ President

(Form of Trustee's Certificate)

This bond is one of the bonds of the Series designated thereon, described in the within-mentioned Indenture.

HARRIS TRUST AND SAVINGS BANK, As Trustee,

By _____
Authorized Officer

and

WHEREAS, the Company is desirous of conveying, assigning, transferring, mortgaging, pledging, setting over, and confirming to the Trustee and to its respective successors in trust, additional property acquired by it subsequent to the date of the preparation of the Supplemental Trust Indenture dated April, 1997; and

WHEREAS, the Indenture provides in substance that the Company and the Trustee may enter into indentures supplemental thereto for the purposes, among others, of creating and setting forth the particulars of any new series of bonds and of providing the terms and conditions of the issue of the bonds of any series not expressly provided for in the Indenture and of conveying, assigning, transferring, mortgaging, pledging, setting over, and confirming to the Trustee additional property of the Company, and for any other purpose not inconsistent with the terms of the Indenture; and

WHEREAS, the execution and delivery of this Supplemental Trust Indenture has been duly authorized by a resolution adopted by the Board of Directors of the Company; and

WHEREAS, the Trustee has duly determined to execute this Supplemental Trust Indenture and to be bound, insofar as it may lawfully do so, by the provisions hereof;

NOW THEREFORE, Northern States Power Company, in consideration of the premises and of one dollar duly paid to it by the Trustee at or before the ensealing and delivery of these presents, the receipt of which is hereby acknowledged, and other good and valuable considerations, does hereby covenant and agree to and with Harris Trust and Savings Bank, as Trustee, and its successors in the trust under the Indenture for the benefit of those who hold or shall hold the bonds, or any of them, issued or to be issued thereunder as follows:

ARTICLE I.

SPECIFIC SUBJECTION OF ADDITIONAL PROPERTY TO THE LIEN OF THE ORIGINAL INDENTURE.

SECTION 1.01. The Company in order to better secure the payment, of both the principal and interest, of all bonds of the Company at any time outstanding under the Indenture according to their tenor and effect and the performance of and compliance with the covenants and conditions contained in the Indenture, has granted, bargained, sold, warranted, released, conveyed, assigned, transferred, mortgaged, pledged, set over, and confirmed and by these presents does grant, bargain, sell, warrant, release, convey, assign, transfer, mortgage, pledge, set over, and confirm to the Trustee and to its respective successors in said trust forever, subject to the rights reserved by the Company in and by the provisions of the Indenture, all of the property described and mentioned or enumerated in a schedule annexed hereto and marked Schedule A, reference to said schedule being made hereby with the same force and effect as if the same were incorporated herein at length; together with all and singular the tenements, hereditaments, and appurtenances belonging and in any way appertaining to the aforesaid property or any part thereof with the reversion and reversions, remainder and remainders, tolls, rents and revenues, issues, income, products, and profits thereof;

Also, in order to subject the personal property and chattels of the Company to the lien of the Indenture and to conform with the provisions of the Uniform Commercial Code, all fossil, nuclear, hydro, and other electric generating plants, including buildings and other structures, turbines, generators, exciters, boilers, reactors, nuclear fuel, other boiler plant equipment, condensing equipment and all other generating equipment; substations; electric transmission and

distribution systems, including structures, poles, towers, fixtures, conduits, insulators, wires, cables, transformers, services and meters; steam heating mains and equipment; gas transmission and distribution systems, including structures, storage facilities, mains, compressor stations, purifier stations, pressure holders, governors, services, and meters; telephone plant and related distribution systems; trucks and trailers; office, shop and other buildings and structures, furniture and equipment; apparatus and equipment of all other kinds and descriptions; materials and supplies; all municipal and other franchises, leaseholds, licenses, permits, privileges, patents and patent rights, all shares of stock, bonds, evidences of indebtedness, contracts, claims, accounts receivable; choses in action and other intangibles, all books of account and other corporate records;

Excluding, however, all merchandise and appliances heretofore or hereafter acquired for the purpose of sale to customers and others;

All the estate, right, title interest, and claim, whatsoever, at law as well as in equity, which the Company now has or hereafter may acquire in and to the aforesaid property and every part and parcel thereof subject, however, to the right of the Company, until the happening of a completed default as defined in Section 1 of Article XIII of the Original Indenture prior to the Effective Date and upon the occurrence and continuation of a Completed Default as defined in the Indenture on and after the Effective Date, to retain in its possession all shares of stock, notes, evidences of indebtedness, other securities and cash not expressly required by the provisions hereof to be deposited with the Trustee, to retain in its possession all contracts, bills and accounts receivable, motor cars, any stock of goods, wares and merchandise, equipment or supplies acquired for the purpose of consumption in the operation, construction, or repair of any of the properties of the Company, and to sell, exchange, pledge, hypothecate, or otherwise dispose of any or all of such property so retained in its possession free from the lien of the Indenture, without permission or hindrance on the part of the Trustee, or any of the bondholders. No person in any dealings with the Company in respect of any such property shall be charged with any notice or knowledge of any such completed default (prior to the Effective Date) or Completed Default (after the Effective Date) under the Indenture while the Company is in possession of such property. Nothing contained herein or in the Indenture shall be deemed or construed to require the deposit with, or delivery to, the Trustee of any of such property, except such as is specifically required to be deposited with the Trustee by some express provision of the Indenture;

To have and to hold all said property, real, personal, and mixed, granted, bargained, sold, warranted, released, conveyed, assigned, transferred, mortgaged, pledged, set over, or confirmed by the Company as aforesaid, or intended so to be, to the Trustee and its successors and assigns forever, subject, however, to permitted liens as defined in Section 5 of Article I of the 1937 Indenture prior to the Effective Date and to Permitted Encumbrances on and after the Effective Date and to the further reservations, covenants, conditions, uses, and trusts set forth in the Indenture; in trust nevertheless for the same purposes and upon the same conditions as are set forth in the Indenture.

ARTICLE II.
FORM AND EXECUTION OF SERIES 2028 BONDS AND SERIES 2003 BONDS

SECTION 2.01. There hereby is created, for issuance under the Indenture, a series of bonds designated Series due March 1, 2028, each of which shall bear the descriptive title "First Mortgage Bond, Series due March 1, 2028" (the "Series 2028 Bonds") and the form thereof shall contain suitable provisions with respect to the matters hereafter specified in this Section. Series 2028 Bonds shall be substantially of the tenor and purport hereinbefore recited. Series 2028 Bonds shall mature March 1, 2028, and shall be issued as registered bonds without coupons in denominations of a multiple of $1,000. The Series 2028 Bonds shall bear interest at the rate of 6½% per annum payable semi-annually on March 1 and September 1 of each year, and the principal shall be payable at the office of the Trustee in Chicago, Illinois, or at the option of the registered owner at the agency of the Company in the Borough of Manhattan, City and State of New York, in lawful money of the United States of America, and the interest shall be payable in like money at the option of the person entitled to such interest either at said office of the Trustee in Chicago, Illinois, or at the agency of the Company in the Borough of Manhattan, City and State of New York. Series 2028 Bonds, shall be dated as of the interest payment date next preceding the authentication thereof by the Trustee except that (i) if any bond shall be authenticated before September 1, 1998, it shall be dated as of March 1, 1998, unless (iii) below is applicable, (ii) if the Company shall at the time of the authentication of a Series 2028 Bond, be in default in the payment of interest upon the Series 2028 Bonds, such Series 2028 Bond shall be dated as of the date of the beginning of the period for which such interest is so in default, and (iii) as long as there is no existing default in the payment of interest on the Series 2028 Bonds, if any Series 2028 Bond, shall be authenticated after the close of business on any Record Date but on or prior to the interest payment date relating to such Record Date, it shall be dated as of such interest payment date.

As long as there is no existing default in the payment of interest on the Series 2028 Bonds, the person in whose name any Series 2028 Bond, is registered at the close of business on any Record Date with respect to any interest payment date shall be entitled to receive the interest payable on such interest payment date notwithstanding any transfer or exchange of such Series 2028 Bond, subsequent to the Record Date and on or prior to such interest payment date, except as and to the extent the Company shall default in the payment of the interest due on such interest payment date, in which case such defaulted interest shall be paid to the person in whose name such Series 2028 Bond, is registered on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice thereof shall be given to the registered holder of any Series 2028 Bond, not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Series 2028 Bonds may be listed, and upon such notice as may be required by such exchange.

The term "Record Date" as used herein with respect to any interest payment date (March 1 or September 1) shall mean the February 18 prior to such March 1 or August 21 prior to such September 1 unless such February 18 or August 21 shall not be a business day, in which event "Record Date" shall mean the next preceding business day. The term "business day" as used herein shall mean any day other than a Saturday or a Sunday or a day on which the offices of the Trustee in the City of Chicago, Illinois, are closed pursuant to authorization of law.

As used in this Section 2.01, the term "default in the payment of interest" means failure to pay interest on the applicable interest payment date disregarding any period of grace permitted by the Indenture.

The "Special Record Date" as used herein shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Series 2028 Bond, and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such defaulted interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such defaulted interest as provided in this Section 2.01. Thereupon the Trustee shall fix a Special Record Date for the payment of such defaulted interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such defaulted interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each holder of the Series 2028 Bonds, at his address as it appears in the bond register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such defaulted interest and the Special Record Date therefor having been mailed as aforesaid, such defaulted interest shall be paid to the persons in whose names the Series 2028 Bonds, are registered on such Special Record Date and shall not be payable pursuant to the paragraph immediately following in this Section 2.01.

The Company may make payment of any defaulted interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Series 2028 Bonds, may be listed, and upon such notice as may be required by such exchange, if, after notice is given by the Company to the Trustee of the proposed payment pursuant to this Section 2.01, such payment shall be deemed practicable by the Trustee.

SECTION 2.02. There hereby is created, for issuance under the Indenture, a series of bonds designated Series due March 1, 2003, each of which shall bear the descriptive title "First Mortgage Bond, Series due March 1, 2003" (the "Series 2003 Bonds"), and the form thereof shall contain suitable provisions with respect to the matters hereafter specified in this Section. The Series 2003 Bonds shall be substantially of the tenor and purport hereinbefore recited. The Series 2003 Bonds shall mature March 1, 2003, and shall be issued as registered bonds without coupons in denominations of a multiple of $1,000. The Series 2003 Bonds shall bear interest at the rate of 5 7/8% per annum payable semi-annually on March 1 and September 1 of each year, and the principal shall be payable at the office of the Trustee in Chicago, Illinois, or at the option of the registered owner at the agency of the Company in the Borough of Manhattan, City and State of New York, in lawful money of the United States of America, and the interest shall be payable in like money at the option of the person entitled to such interest either at said office of the Trustee in Chicago, Illinois, or at the agency of the Company in the Borough of Manhattan, City and State of New York. Series 2003 Bonds, shall be dated as of the interest payment date next preceding the authentication thereof by the Trustee except that (i) if any bond shall be authenticated before September 1, 1998, it shall be dated as of March 1, 1998, unless (iii) below is applicable, (ii) if the Company shall at

the time of the authentication of a Series 2003 Bond, be in default in the payment of interest upon the Series 2003 Bonds, such Series 2003 Bond shall be dated as of the beginning of the period for which such interest is so in default, and (iii) as long as there is no existing default in the payment of interest on the Series 2003 Bonds, if any Series 2003 Bond, shall be authenticated after the close of business on any Record Date but on or prior to the interest payment date relating to such Record Date, it shall be dated as of such interest payment date.

As long as there is no existing default in the payment of interest on the Series 2003 Bonds, the person in whose name any Series 2003 Bond, is registered at the close of business on any Record Date with respect to any interest payment date shall be entitled to receive the interest payable on such interest payment date notwithstanding any transfer or exchange of such Series 2003 Bond, subsequent to the Record Date and on or prior to such interest payment date, except as and to the extent the Company shall default in the payment of the interest due on such interest payment date, in which case such defaulted interest shall be paid to the person in whose name such Series 2003 Bond, is registered on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice thereof shall be given to the registered holder of any Series 2003 Bond, not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Series 2003 Bonds may be listed, and upon such notice as may be required by such exchange.

The term "Record Date" as used herein with respect to any interest payment date (March 1 or September 1) shall mean the February 18 prior to such March 1 or August 21 prior to such September 1 unless such February 18 or August 21 shall not be a business day, in which event "Record Date" shall mean the next preceding business day. The term "business day" as used herein shall mean any day other than a Saturday or a Sunday or a day on which the offices of the Trustee in the City of Chicago, Illinois, are closed pursuant to authorization of law.

As used in this Section 2.02, the term "default in the payment of interest" means failure to pay interest on the applicable interest payment date disregarding any period of grace permitted by the Indenture.

The "Special Record Date" as used herein shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Series 2003 Bond, and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such defaulted interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such defaulted interest as provided in this Section 2.02. Thereupon the Trustee shall fix a Special Record Date for the payment of such defaulted interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such defaulted interest and the Special Record Date therefor to be mailed,

first class postage prepaid, to each holder of the Series 2003 Bonds, at his address as it appears in the bond register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such defaulted interest and the Special Record Date therefor having been mailed as aforesaid, such defaulted interest shall be paid to the persons in whose names the Series 2003 Bonds, are registered on such Special Record Date and shall not be payable pursuant to the paragraph immediately following in this Section 2.02.

The Company may make payment of any defaulted interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Series 2003 Bonds, may be listed, and upon such notice as may be required by such exchange, if, after notice is given by the Company to the Trustee of the proposed payment pursuant to this Section 2.02, such payment shall be deemed practicable by the Trustee.

SECTION 2.03. The Series 2028 Bonds and the Series 2003 Bonds are not redeemable prior to maturity for any reason and are not subject to a sinking fund.

SECTION 2.04. The registered owner of any Bond or Bonds, at his option may surrender the same with other Bonds of such series at the office of the Trustee in Chicago, Illinois, or at the agency of the Company in the Borough of Manhattan, City and State of New York, or elsewhere if authorized by the Company, for cancellation, in exchange for other Bonds of such series of higher or lower authorized denominations, but of the same aggregate principal amount, bearing interest from its date, and upon receipt of any payment required under the provisions of Section 2.05 hereof. Thereupon the Company shall execute and deliver to the Trustee and the Trustee shall authenticate and deliver such other registered bonds to such registered owner at its office or at any other place specified as aforesaid.

SECTION 2.05. No charge shall be made by the Company for any exchange or transfer of Bonds, other than for taxes or other governmental charges, if any, that may be imposed in relation thereto.

SECTION 2.06. The Bonds, shall be executed on behalf of the Company by the manual signature of its President or one of its Vice Presidents or with the facsimile signature of its President, and its corporate seal shall be thereunto affixed, or printed, lithographed, or engraved thereon, in facsimile, and attested by the manual signature of its Secretary or one of its Assistant Secretaries or with the facsimile signature of its Secretary. In case any of the officers who shall have signed any Bonds or attested the seal thereon or whose facsimile signature shall be borne by the Bonds shall cease to be such officers of the Company before the Bonds so signed and sealed actually shall have been authenticated by the Trustee or delivered by the Company, such Bonds nevertheless may be issued, authenticated, and delivered with the same force and effect as though the person or persons who signed such Bonds and attested the seal thereon or whose facsimile signature is borne by the Bonds had not ceased to be such officer or officers of the Company. Any Bond issuable hereunder may be signed or attested by manual or facsimile signature in behalf of the Company by such person as at the actual date of the execution of such Bond shall be the proper officer of the Company, although at the date of such Bond such person shall not have been an officer of the Company.

SECTION 2.07. (a) Except as provided in subsections (c) and (g) below, the registered holder of all of the Series 2028 Bonds and the Series 2003 Bonds shall be The Depository Trust Company ("DTC") and such Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of principal of and interest on any Bonds registered in the name of Cede & Co. shall be made by transfer of New York Federal or equivalent immediately available funds with respect to the Bonds to the account of Cede & Co. on each such payment date for the respective series of Bonds at the address indicated for Cede & Co. in the bond register kept by the Trustee for the respective series of Bonds.

(b) The Series 2028 Bonds and the Series 2003 Bonds shall each be initially issued in the form of a separate single authenticated fully registered certificate in the aggregate principal amount of the Series 2028 Bonds and the Series 2003 Bonds, respectively. Upon initial issuance, the ownership of such Bonds shall be registered in the bond register kept by the Trustee in the name of Cede & Co., as nominee of DTC. The Trustee and the Company may treat DTC (or its nominee) as the sole and exclusive registered holder of the Series 2028 Bonds and the Series 2003 Bonds, respectively, registered in its name for the purposes of payment of the principal of and interest on the Series 2028 Bonds and Series 2003 Bonds, respectively, and of giving any notice permitted or required to be given to holders under the Indenture, except as provided in Section 2.07(g) below; and neither the Trustee nor the Company shall be affected by any notice to the contrary. Neither the Trustee nor the Company shall have any responsibility or obligation to any of DTC's participants (each a "Participant"), any person claiming a beneficial ownership in the Bonds, under or through DTC or any Participant (each a "Beneficial Owner"), or any other person which is not shown on the bond register maintained by the Trustee as being a registered holder, with respect to the accuracy of any records maintained by DTC or any Participant; the payment of DTC or any Participant of any amount in respect of the principal of or interest on the Series 2028 Bonds or the Series 2003 Bonds, as the case may be; any notice which is permitted or required to be given to registered holders under the Indenture of Series 2028 Bonds or the Series 2003 Bonds, as the case may be; or any consent given or other action taken by DTC as bondholder. The Trustee shall pay all principal of and interest on the Bonds registered in the name of Cede & Co. only to or "upon the Order of" DTC (as that term is used in the Uniform Commercial Code as adopted in Minnesota and New York), and all such payments shall be valid and effective to fully satisfy and discharge the Company's obligations with respect to the principal of and interest on such Series 2028 Bonds or the Series 2003 Bonds, as the case may be, to the extent of the sum or sums so paid. Except as otherwise provided in Sections 2.07(c) and (g) below, no person other than DTC shall receive authenticated bond certificates evidencing the obligation of the Company to make payments of principal of and interest on the Series 2028 Bonds or the Series 2003 Bonds, as the case may be. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of the Indenture with respect to the transfers of bonds, the word "Cede & Co." in this Supplemental Trust Indenture shall refer to such new nominee of DTC.

(c) If the Company in its discretion determines that it is in the best interest of the Beneficial Owners that they be able to obtain bond certificates, the Company may notify DTC and the Trustee, whereupon DTC will notify the Participants of the availability through DTC of bond certificates. In such event, the Trustee shall issue, transfer and exchange bond certificate

as requested by DTC in appropriate amounts pursuant to Article II of the 1937 Indenture prior to the Effective Date, Article II of the Restated Indenture on and after the Effective Date and Section 2.04 of this Supplemental Trust Indenture. The Company shall pay all costs in connection with the production of bond certificates if the Company makes such a determination under this Section 2.07(c). DTC may determine to discontinue providing its services with respect to the Series 2028 Bonds or the Series 2003 Bonds at any time by giving written notice to the Company and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor book-entry depository), the Company and the Trustee shall be obligated (at the sole cost and expense of the Company) to deliver bond certificates for such Series 2028 Bonds or Series 2003 Bonds, as the case may be, as described in this Supplemental Trust Indenture. If bond certificates are issued, the provisions of the Indenture shall apply to, among other things, the transfer and exchange of such certificates and the method of payment and principal of and interest on such certificates. Whenever DTC requests the Company and the Trustee to do so, the Company will direct the Trustee (at the sole cost and expense of the Company) to cooperate with DTC in taking appropriate action after reasonable notice (1) to make available one or more separate certificates evidencing the Series 2028 Bonds or the Series 2003 Bonds, as the case may be, to any Participant or (2) to arrange for another book-entry depository to maintain custody of certificates evidencing the Series 2028 Bonds or the Series 2003 Bonds, as the case may be, registered in the name of Cede & Co. Any successor book-entry depository must be a clearing agency registered with the Securities and Exchange Commission pursuant to Section 17A of the Securities Exchange Act of 1934 and must enter into an agreement with the Company and the Trustee agreeing to act as the depository and clearing agency for the Series 2028 Bonds or the Series 2003 Bonds, as the case may be, (except as provided in Section 2.07(g) below). After such agreement has become effective, DTC shall present the Series 2028 Bonds or the Series 2003 Bonds, as the case may be, for registration of transfer in accordance with Section 12 of Article II of the 1937 Indenture prior to the Effective Date and Section 2.12 of the Restated Indenture on and after the Effective Date, and the Trustee shall register them in the name of the successor book-entry depository or its nominee. If a successor book-entry depository has not accepted such position before the effective date of DTC's termination of its services, the book-entry system shall automatically terminate and may not be reinstated without the consent of all registered holders of the Series 2028 Bonds or the Series 2003 Bonds, as the case may be.

(d) Notwithstanding any other provision of this Supplemental Trust Indenture to the contrary, so long as any Series 2028 Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and interest on such Series 2028 Bonds and all notices with respect to such Series 2028 Bonds shall be made and given, respectively, to DTC as provided in the representation letter dated as of the date of delivery of the Series 2028 Bonds among DTC, the Company and the Trustee. The Trustee is hereby authorized and directed to comply with all terms of the representation letter.

Notwithstanding any other provision of this Supplemental Trust Indenture to the contrary, so long as any Series 2003 Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and interest on such Series 2003 Bonds and all notices with respect to such Series 2003 Bonds shall be made and given, respectively, to DTC as provided in the representation letter dated as of the date of delivery of the Series 2003

Bonds among DTC, the Company and the Trustee. The Trustee is hereby authorized and directed to comply with all terms of the representation letter.

(e) In connection with any notice or other communication to be provided pursuant to the Indenture for the Series 2028 Bonds or the Series 2003 Bonds by the Company or the Trustee with respect to any consent or other action to be taken by the registered holders of the Series 2028 Bonds or the Series 2003 Bonds, the Company or the Trustee, as the case may be, shall seek to establish a record date to the extent permitted by the Indenture for such consent or other action and give DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible. Such notice to DTC shall be given only when DTC is the sole registered holder.

(f) NEITHER THE COMPANY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO REGISTED HOLDERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS A REGISTERED HOLDER.

SO LONG AS CEDE & CO. IS THE REGISTERED HOLDER OF THE SERIES 2028 BONDS AS NOMINEE OF DTC, REFERENCES HEREIN TO REGISTERED HOLDERS OF SERIES 2028 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2028 BONDS NOR DTC PARTICIPANTS.

SO LONG AS CEDE & CO. IS THE REGISTERED HOLDER OF THE SERIES 2003 BONDS AS NOMINEE OF DTC, REFERENCES HEREIN TO REGISTERED HOLDERS OF SERIES 2003 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2003 BONDS NOR DTC PARTICIPANTS.

(g) The Company, in its sole discretion, may terminate the services of DTC with respect to the Series 2028 Bonds and/or Series 2003 Bonds if the Company determines that: (i) DTC is unable to discharge its responsibilities with respect to the such bonds; or (ii) a continuation of the requirement that all of the outstanding Series 2028 Bonds or Series 2003 Bonds, as the case may be, must be registered with the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interest of the Beneficial Owners of the Series 2028 Bonds or Series 2003 Bonds, as the case may be. After such event and if no substitute book-entry depository is appointed by the Company, bond certificates will be delivered as described in the Indenture.

(h) Upon the termination of the services of DTC with respect to the Series 2028 Bonds and/or the Series 2003 Bonds pursuant to subsections (c) or (g) of this Section 2.07 after which no substitute book-entry depository is appointed, the Series 2028 Bonds or Series 2003 Bonds,

as the case may be, shall be registered in whatever name or names holders transferring or exchanging Series 2028 Bonds or Series 2003 Bonds, as the case may be, shall designate in accordance with the provisions of the Indenture.

ARTICLE III

APPOINTMENT OF AUTHENTICATING ACENT

SECTION 3.01. The Trustee shall, if requested in writing so to do by the Company, promptly appoint an agent or agents of the Trustee who shall have authority to authenticate registered Bonds, in the name and on behalf of the Trustee. Such appointment by the Trustee shall be evidenced by a certificate of a vice-president of the Trustee delivered to the Company prior to the effectiveness of such appointment.

SECTION 3.02. (a) Any such authenticating agent shall be acceptable to the Company and at all times shall be a corporation which is organized and doing business under the laws of the United States or of any State, is authorized under such laws to act as authenticating agent, has a combined capital and surplus of at least $10,000,000, and is subject to supervision or examination by Federal or State authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 3.02 the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) Any corporation into which any authenticating agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion, or consolidation to which any authenticating agent shall be a party, or any corporation succeeding to the corporate agency business of any authenticating agent, shall continue to be the authenticating agent without the execution or filing of any paper or any further act on the part of the Trustee or the authenticating agent.

(c) Any authenticating agent at any time may resign by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time, and upon written request of the Company to the Trustee shall, terminate the agency of any authenticating agent by giving written notice of termination to such authenticating agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any authenticating agent shall cease to be eligible in accordance with the provisions of this Section 3.02, the Trustee, unless otherwise requested in writing by the Company, promptly shall appoint a successor authenticating agent, which shall be acceptable to the Company. Any successor authenticating agent upon acceptance of its appointment hereunder, shall become vested with all the rights, powers, duties, and responsibilities of its predecessor hereunder, with like effect as if originally named. No successor authenticating agent shall be appointed unless eligible under the provisions of this Section 3.02.

(d) The Trustee agrees to pay to any authenticating agent, appointed in accordance with the provisions of this Section 3.02, reasonable compensation for its services, and the Trustee shall be entitled to be reimbursed for such payments.

SECTION 3.03. If an appointment is made pursuant to this Article III, the registered Bonds, shall have endorsed thereon, in addition to the Trustee's Certificate, an alternate Trustee's Certificate in the following form:

This bond is one of the bonds of the Series designated thereon, described in the within-mentioned Indenture.

HARRIS TRUST AND SAVINGS BANK,
as Trustee,

By

Authenticating Agent,

By

Authorized Officer.

SECTION 3.04. No Provision of this Article III shall require the Trustee to have at any time more than one such authenticating for any one State or to appoint any such authenticating agent in the State in which the Trustee has its principal place of business.

ARTICLE IV.

FINANCING STATEMENT TO COMPLY WITH THE UNIFORM COMMERCIAL CODE.

SECTION 4.01. The name and address of the debtor and secured party are set forth below:

Debtor: Northern States Power Company
414 Nicollet Mall
Minneapolis, MN 55401

Secured Party: Harris Trust and Savings Bank, Trustee
111 West Monroe Street Chicago, Illinois 60603

NOTE: Northern States Power Company, the debtor above named, is "a transmitting utility" under the Uniform Commercial Code as adopted in Minnesota, North Dakota and South Dakota.

SECTION 4.02. Reference to Article I hereof is made for a description of the property of the debtor covered by this Financing Statement with the same force and effect as if incorporated in this Section at length.

SECTION 4.03. The maturity dates and respective principal amounts of obligations of the debtor secured and presently to be secured by the Indenture, reference to all of which for the terms and conditions thereof is hereby made with the same force and effect as if incorporated herein at length, are as follows.

First Mortgage Bonds	Principal Amount
Series due February 1, 1999……..	$200,000,000
Series due October 1, 2001……	$150,000,000
Series due December 1, 2000……	$100,000,000
Series due March 1, 2002……..	$50,000,000
Series due February 1, 2003……..	$50,000,000
Series due April 1, 2003……	$80,000,000
Series due December 1, 2005……	$70,000,000
Resource Recovery Series I……....	$18,400,000
Pollution Control Series J……..	$5,450,000
Pollution Control Series K……..	$3,400,000
Pollution Control Series L……..	$4,850,000
Series due July 1, 2025……..	$250,000,000
Pollution Control Series M……	$60,000,000
Pollution Control Series N……..	$27,900,000
Pollution Control Series O……..	$50,000,000
Pollution Control Series P……..	$50,000,000
Series due March 1, 2028……..	$150,000,000
Series due March 1, 2003……..	$100,000,000

SECTION 4.04. This financing Statement is hereby adopted for all of the First Mortgage Bonds of the series mentioned above secured by said Indenture.

SECTION 4.05. The 1937 Indenture and the prior Supplemental Trust Indentures, as set forth below, have been filed or recorded in each and every office in the State of Minnesota, North Dakota, and South Dakota designated by law for the filing or recording thereof in respect of all property of the Company subject thereto:

Original Indenture
Dated February 1, 1937
Supplemental Indenture
Dated June 1, 1942
Supplemental Indenture
Dated February 1, 1944
Supplemental Indenture
Dated October 1, 1945
Supplemental Indenture
Dated July 1, 1948
Supplemental Indenture
Dated August 1, 1949
Supplemental Indenture
Dated October 1, 1967
Supplemental Indenture
Dated May 1, 1968
Supplemental Indenture
Dated October 1, 1969
Supplemental Indenture
Dated February 1, 1971
Supplemental Indenture
Dated May 1, 1971
Supplemental Indenture
Dated February 1, 1972

Supplemental Indenture
Dated June 1, 1952
Supplemental Indenture
Dated October 1, 1954
Supplemental Indenture
Dated September 1, 1956
Supplemental Indenture
Dated August 1, 1957
Supplemental Indenture
Dated July 1, 1958
Supplemental Indenture
Dated December 1, 1960
Supplemental Indenture
Dated August 1, 1961
Supplemental Indenture
Dated June 1, 1962
Supplemental Indenture
Dated September 1, 1963
Supplemental Indenture
Dated August 1, 1966
Supplemental Indenture
Dated June 1, 1967
Supplemental Indenture
Dated December 1, 1984
Supplemental Indenture
Dated May 1, 1985
Supplemental Indenture
Dated September 1, 1985
Supplemental and Restated Indenture
Dated May 1, 1988
Supplemental Indenture
Dated July 1, 1989
Supplemental Indenture
Dated June 1, 1990
Supplemental Indenture
Dated October 1, 1992
Supplemental Indenture
Dated January 1, 1973
Supplemental Indenture
Dated January 1, 1974
Supplemental Indenture
Dated September 1, 1974
Supplemental Indenture
Dated April 1, 1975
Supplemental Indenture
Dated May 1, 1975
Supplemental Indenture
Dated March 1, 1976
Supplemental Indenture
Dated June 1, 1981
Supplemental Indenture
Dated December 1, 1981
Supplemental Indenture
Dated May 1, 1983
Supplemental Indenture
Dated December 1, 1983
Supplemental Indenture
Dated September 1, 1984
Supplemental Indenture
Dated April 1, 1993
Supplemental Indenture
Dated December 1, 1993
Supplemental Indenture
Dated February 1, 1994
Supplemental Indenture
Dated October 1, 1994
Supplemental Indenture
Dated June 1, 1995
Supplemental Indenture
Dated April 1, 1997

SECTION 4.06. The property covered by this Financing Statement also shall secure additional series of First Mortgage Bonds of the debtor which may be issued from time to time in the future in accordance with the provisions of the Indenture.

ARTICLE V.

AMENDMENTS TO INDENTURE.

SECTION 5.01. Each holder or registered owner of a bond of any series originally authenticated by the Trustee and originally issued by the Company subsequent to May 1, 1985 and of any coupon pertaining to any such bond, by the acquisition, holding or ownership of such bond and coupon, thereby consents and agrees to, and shall be bound by the provisions of Article VI of the Supplemental Indenture dated May 1, 1985. Each holder or registered owner of a bond of any series (including the Series 2028 Bonds and the Series 2003 Bonds) originally authenticated by the Trustee and originally issued by the Company subsequent to May 1, 1988 and of any coupon pertaining to such bond, by the acquisition, holding or ownership of such bond and coupon, thereby consents and agrees to, and shall be bound by, the provisions of the Supplemental and Restated Trust Indenture dated May 1, 1988 upon the Effective Date.

ARTICLE VI.

MISCELLANEOUS.

SECTION 6.01. The recitals of fact herein, except the recital that the Trustee has duly determined to execute this Supplemental Trust Indenture and be bound, insofar as it may lawfully so do, by the provisions hereof and in the bonds shall be taken as statements of the Company and shall not be construed as made by the Trustee. The Trustee makes no representations as to value of any of the property subjected to the lien of the Indenture, or any part thereof, or as to the title of the Company thereto, or as to the security afforded thereby and hereby, or as to the validity of this Supplemental Trust Indenture or of the bonds issued under the Indenture by virtue hereof (except the Trustee's certificate), and the Trustee shall incur no responsibility in respect of such matters.

SECTION 6.02. This Supplemental Trust Indenture shall be construed in connection with and as part of the 1937 Indenture, as supplemented by the Supplemental Trust Indentures dated June 1, 1942, February 1, 1944, October 1, 1945, July 1, 1948, August 1, 1949, June 1, 1952, October 1, 1954, September 1, 1956, August 1, 1957, July 1, 1958, December 1,1960, August 1, 1961, June 1, 1962, September 1, 1963, August 1, 1966, June 1, 1967, October 1, 1967, May 1, 1968, October 1, 1969, February 1, 1971, May 1, 1971, February 1, 1972, January 1, 1973, January 1, 1974, September 1, 1974, April 1, 1975, May 1, 1975, March 1, 1976, June 1, 1981, December 1, 1981, May 1, 1983, December 1, 1983, September 1, 1984, December 1, 1984, May 1, 1985, September 1, 1985, the Supplemental and Restated Trust Indenture dated May 1, 1988 and the Supplemental Trust Indentures dated July 1, 1989, June 1, 1990, October 1, 1992, April 1, 1993, December 1, 1993, February 1, 1994, October 1, 1994, June 1, 1995, April 1, 1997 and March 1, 1997.

SECTION 6.03. (a) If any provision of this Supplemental Trust Indenture limits, qualifies, or conflicts with another provision of the Indenture required to be included in indentures qualified under the Trust Indenture Act of 1939 (as enacted prior to the date of this Supplemental Trust Indenture) by any of the provisions of Sections 310 to 317, inclusive, of the said Act, such required provisions shall control.

(b) In case any one or more of the provisions contained in this Supplemental Trust Indenture or in the bonds issued hereunder should be invalid, illegal, or unenforceable in any

respect, the validity, legality, and enforceability of the remaining provisions contained herein and therein shall not in any way be affected, impaired, prejudiced, or disturbed thereby.

SECTION 6.04. Wherever in this Supplemental Trust Indenture the word "Indenture" is used without the prefix, "1937," "Original" or "Supplemental", such word was used intentionally to include in its meaning both the 1937 Indenture and all indentures supplemental thereto.

SECTION 6.05. Wherever in this Supplemental Trust Indenture either of the parties hereto is named or referred to, this shall be deemed to include the successors or assigns of such party, and all the covenants and agreements in this Supplemental Trust Indenture contained by or on behalf of the Company or by or on behalf of the Trustee shall bind and inure to the benefit of the respective successors and assigns of such parties, whether so expressed or not.

SECTION 6.06. (a) This Supplemental Trust Indenture may be executed simultaneously in several counterparts, and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

(b) The Table of Contents and the descriptive headings of the several Articles of this Supplemental Trust Indenture were formulated, used, and inserted in this Supplemental Trust Indenture for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

The amount of obligations to be issued forthwith under the Indenture is $250,000,000.

IN WITNESS WHEREOF, on this 10th day of March, A.D. 1998, NORTHERN STATES POWER COMPANY, a Minnesota corporation, party of the first part, has caused its corporate name and seal to be hereunto affixed, and this Supplemental Trust Indenture dated March 1, 1998, to be signed by its President or a Vice President, and attested by its Secretary or an Assistant Secretary, for and in its behalf, and HARRIS TRUST AND SAVINGS BANK, an Illinois corporation, as Trustee, party of the second part, to evidence its acceptance of the trust hereby created, has caused its corporate name and seal to be hereunto affixed, and this Supplemental Trust Indenture dated March 1, 1998, to be signed by its President, a Vice President, or an Assistant Vice President, and attested by its Secretary or an Assistant Secretary, for and in its behalf.

NORTHERN STATES POWER COMPANY,

/s/ Edward McIntyre
By EDWARD J. MCINTYRE, *Vice President*

Attest:
/s/ Sutton A. Plombon
SUTTON A. PLOMBON, *Assistant Secretary*

Executed by Northern States Power Company in presence of:

(CORPORATE SEAL)

/s/ Mary Schell
MARY SCHELL, *Witness*

/s/ Ken Bodel
KEN BODEL, *Witness*

HARRIS TRUST AND SAVINGS BANK,
as Trustee

By K. HEALEY, *Vice President*

Attest:

D.G. DONOVAN, *Assistant Secretary*.

Executed by Harris Trust and Savings
Bank in presence of:

(CORPORATE SEAL)

J. KINNEY, *Witness*

R. JOHNSON, *Witness*

IN WITNESS WHEREOF, on this 10th day of March, A.D. 1998, NORTHERN STATES POWERS COMPANY, a Minnesota Corporation, party of the first part, has caused its corporate name and seal to be hereunto affixed, and this Supplemental Trust Indenture dated March 1, 1998, to be signed by its President or a Vice President, and attested by its Secretary or an Assistant Secretary, for and in its behalf, and HARRIS TRUST AND SAVINGS BANK, an Illinois corporation, as Trustee, party of the second part, to evidence its acceptance of the trust hereby created, has caused its corporate name and seal to be hereunto affixed, and this Supplemental Trust Indenture dated March 1, 1998, to be signed by its President, a Vice President, or an Assistant Vice President, and attested by its Secretary or an Assistant Secretary, for and in its behalf.

NORTHERN STATES POWER COMPANY,

By EDWARD J. MCINTYRE, *Vice President*

Attest:

SUTTON A. PLOMBON, *Assistant Secretary,*

Executed by Northern States
Power Company in presence of: (CORPORATE SEAL)

MARY SCHELL, *Witness*

KEN BODELL, *Witness* HARRIS TRUST AND SAVINGS BANK,

as Trustee

/s/ K. Healey
By K. HEALEY, *Vice President*

Attest:
/s/ D.G. Donovan,
D.G. DONOVAN, *Assistant Secretary*

Executed by Harris Trust and Savings
Bank in presence of:

/s/J. Kinney (CORPORATE SEAL)

/s/R. Johnson

J. KINNEY, *Witness*
R. JOHNSON, *Witness*

STATE OF MINNESOTA)
) ss.:
COUNTY OF HENNEPIN)

On this 10th day of March, A.D. 1998, before me, FAYE WAHLSTRAND, a Notary Public in and for said County in the State aforesaid, personally appeared EDWARD J. MCINTYRE and SUTTON A. PLOMBON, to me personally known, and to me known to be Vice President and Assistant Secretary, respectively, of Northern States Power Company, one of the corporations described in and which executed the within and foregoing instrument, and who, being by me severally duly sworn, each did say that he, the said EDWARD J. MCINTRYE is Vice President, and she, the said SUTTON A. PLOMBON, is Assistant Secretary, of said Northern States Power Company, a corporation; that the seal affixed to the within and foregoing instrument is the corporate seal of said corporation, and that said instrument was executed in behalf of said corporation by authority of its board of directors; and said EDWARD J. MCINTYRE and SUTTON A. PLOMBON each acknowledged said instrument to be the free act and deed of said corporation and that such corporation executed the same.

WITNESS my hand and notarial seal this 10th day of March, A.D. 1998.

/s/ Faye Wahlstrand
FAYE WAHLSTRAND
Notary Public, Hennepin County, Minn.
My commission expires January 31, 2000

(NOTARIAL SEAL)

STATE OF MINNESOTA)
) ss.:
COUNTY OF HENNEPIN)

EDWARD J. MCINTYRE and SUTTON A. PLOMBON, being severally duly sworn, each deposes and says that he, said EDWARD J. MCINTYRE, is Vice President, and she, the said SUTTON A. PLOMBON, is Assistant Secretary, of Northern States Power Company, the corporation described bin nd which executed the within and foregoing Supplemental Trust Indenture, as mortgagor; and each for himself further says that said Supplemental Trust Indenture was executed in good faith, and not for the purpose of hindering, delaying or defrauding any creditor of the said mortgagor.

Subscribed and sworn to before me this 10th day of March, A.D. 1998.

FAYE WAHLSTRAND
Notary Public, Hennepin County, Minn.
My commission expires January 31, 2000

(NOTARIAL SEAL)

STATE OF ILLINOIS)
) ss.:
COUNTY OF COOK)

On this 10th day of March, A.D. 1998, before me, M. TINERELLA, a Notary Public in and for said County in the State aforesaid, personally appeared K. HEALEY and D.G. DONOVAN, to me personally known, and to me known to be Vice President and Assistant Secretary, respectively, of Harris Trust and Savings Bank, one of the corporations described in and which executed the within and foregoing instrument, and who, being by me severally duly sworn, each, did say that he, the said K. HEALEY, is Vice President, and he the said D.G. DONOVAN, is Assistant Secretary, of said Harris Trust and Savings Bank, a corporation; that the seal affixed to the within and foregoing instruments is the corporate seal of said corporation, and that said instrument was executed in behalf of said corporation by authority of its board of directors; and said K. HEALEY and D.G. Donovan each acknowledged said instrument to be the free act and deed of said corporation and that such corporation executed the same.

WITNESS my hand and Notarial seal this 10th day of March, A.D. 1998.

/s/ M. Tinerella
M. TINERELLA
Notary Public, Cook County, Illinois.
My Commission expires May 21, 2001

(NOTARIAL SEAL)

STATE OF ILLINOIS)
) ss.:
COUNTY OF COOK)

K. HEALEY and D.G. DONOVAN, being severally duly sworn, each for himself deposes and says that he, the said K. HEALEY, is Vice President, and he, the said D.G. Donovan, is Assistant Secretary, of Harris Trust and Savings Bank, the corporation described in and which executed the within and foregoing Supplemental Trust Indenture, as mortgagor; and each for himself further says that said Supplemental Trust Indenture was executed in good faith, and not for the purpose of hindering, delaying or defrauding any creditor of the mortgagor.

Subscribed and sworn to before me this 10th day of March, A.D. 1998.
/s/ K. Kealey

K. Healey

/s/ D.G. Donovan
D.G. Donovan

/s/ M. Tinerella
M. TINERELLA
Notary Public, Cook County, Illinois.
My Commission expires May 21, 2001
(NOTARIAL SEAL)

SCHEDULE A

The property referred to in Article I of the foregoing Supplemental Trust Indenture from Northern States Power Company to Harris Trust and Savings Bank, Trustee, made as of March 1, 1998, includes the following property hereinafter more specifically described. Such description, however, is not intended to limit or impair the scope or intention of the general description contained in the granting clauses or elsewhere in the Original Indenture.

I. PROPERTIES IN THE STATE OF MINNESOTA

The following described real property, situate, lying and being in the County of Chisago, to-wit:

1. That part of the Northwest Quarter of the Northwest Quarter of Section 29, Township 33 North, Range 21 West, described as follows: Beginning at the Northwest corner of Section 29; thence East (assumed bearing) along the North line of said Section 29 a distance of 279.40 feet; thence South 26 degrees 56 minutes East, a distance of 518.27 feet; thence North 63 degrees 11 minutes East a distance of 35.00 feet; thence South 26 degrees 56 minutes East a distance of 14.00 feet; thence South 63 degrees 11 minutes West a distance of 611.07 feet to the West line of said Section 29; thence North 00 degrees 29 minutes 50 seconds West along the said West line a distance of 734.45 feet to the point of beginning.

The following described real property, situate, lying and being in the County of Hennepin, to-wit:

1. Lot 32 and the Easterly 17.4 feet of Lot 33 Koehler's Addition to Mound.

The Following described real property, situate, lying and being in the County of Washington, to-wit:

1. Lots Five (5), Six (6), Seven (7), Eight (8), Nine (9), Ten (10), Eleven (11) and Twelve (12), Block Eleven (11), of OAK PARK.

2. Lots One (1), Two (2), Three (3), Four (4), Thirteen (13), Fourteen (14), Fifteen (15) and Sixteen (16), Block Eleven (11), OAK PARK.

3. Lots Five (5), Six (6), Seven (7), and Eight (8), Block Twelve (12), OAK PARK.

II. GAS DISTRIBUTION LINES OF THE COMPANY

IN THE STATE OF MINNESOTA

1. Approximately 2,000 feet of 6" diameter, and approximately 7,000 feet of 4" diameter high pressure gas main, constructed in 1997 in Ramsey County, known as the 'Highway 10 Line', serving a portion of the community of Blaine in Anoka County, Minnesota.

Exhibit 4.12

A-2

MORTGAGOR'S RECEIPT FOR COPY.

The undersigned Northern States Power Company, the Mortgagor described in the foregoing Mortgage, hereby acknowledges that at the time of the execution of the Mortgage, Harris Trust and Savings Bank, Trustee, the Mortgagee described therein, surrendered to it a full, true, complete, and correct copy of said instrument, with signatures, witnesses, and acknowledgements thereon shown.

NORTHERN STATES POWER COMPANY,

By EDWARD J. MCINTYRE, Vice President

Attest:

SUTTON A. PLOMBON, Assistant Secretary

This instrument was drafted by Northern States Power Company, 414 Nicollet Mall, Minneapolis, Minnesota 55401.

Tax statements for the real property described in this instrument should be sent to Northern States Power Company, 414 Nicollet Mall, Minneapolis, Minnesota 55401.

(Back To Top)

Section 5: EX-4.14 (EXHIBIT 4.14)

Exhibit 4.14

EXECUTION COPY

NORTHERN STATES POWER COMPANY
(a Minnesota corporation)

AND

NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION

TRUSTEE

INDENTURE

DATED AS OF JULY 1, 1999

Providing for issuance of Debt Securities

CROSS REFERENCE SHEET SHOWING THE LOCATION
IN THE INDENTURE OF THE PROVISIONS INSERTED
PURSUANT TO SECTIONS 310 THROUGH 318(a) INCLUSIVE OF
THE TRUST INDENTURE ACT OF 1939

SECTION OF TRUST INDENTUJRE ACT	SECTION OF INDENTURE	PAGE
310(a)(l)	8.9	43
310(a)(2)	8.9	43
310(a)(3)	NOT APPLICABLE	
310(a)(4)	NOT APPLICABLE	
31O(a)(5)	8.9	43
310(b)	8.8	43
310(c)	NOT APPLICABLE	
311(a)	8.14	46
3ll(b)	8.14	46
3ll(c)	NOT APPLICABLE	
312(a)	6.l(a)	31
312(b)	6.l(b)	31
312(c)	6.l(c)	32
313(a)	6.3(a)	33
313(b)	6.3(b)	33
313(c)	6.3(d)	33
313(d)	6.3(c) and 6.3(d)	33
314(a)	6.2(a), 6.2(b) and 6.2(c)	30-32
314(b)	NOT APPLICABLE	30
314(c)(l)	Definition of Officers' Certificate, 6.5 and 14.5(a)	5;30;56
314(c)(2)	Definition of Opinion of Counsel and 14.5	5;56
314(c)(3)	NOT APPLICABLE	—
314(d)(l)	NOT APPLICABLE	4;23
314(d)(2)	NOT APPLICABLE	4;23
314(d)(3)	NOT APPLICABLE	23
314(e)	14.5(b)	56
314(f)	NOT APPLICABLE	—
315(a)	8.1 and 8.2	40-42
315(b)	7.8	39
315(c)	8.l(a)	40
315(d)	8.l(b)	40
315(e)	7.9	39
316(a)	7.7	39
	9.4	47
	12.2	53
316(b)	7.4	38
	12.2	53

SECTION OF TRUST INDENTUJRE ACT	SECTION OF INDENTURE	PAGE
316(c)	9.6	48
317(a)(l)	7.2(b)	36
317(a)(2)	7.2(c)	36
317(b)	4.2	27
	5.4	29
318(a)	14.7	57

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

THIS INDENTURE, dated as of July 1, 1999, between NORTHERN STATES POWER COMPANY, a corporation duly organized and existing under the laws of the State of Minnesota (the "*Company*"), and NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States, as trustee (the *"Trustee"*).

WITNESSETH

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured debentures, notes or other evidences of indebtedness (the *"Securities"),* to be issued as in this Indenture provided;

AND WHEREAS, all acts and things necessary to make this Indenture a valid agreement according to its terms have been done and performed, and the execution of this Indenture and the issue hereunder of the Securities have in all respects been duly authorized;

NOW THEREFORE, THIS INDENTURE WITNESSETH:

That in order to declare the terms and conditions upon which the Securities are, and are to be authenticated, issued and delivered, and in consideration of the premises, of the purchase and acceptance of the Securities by the Holders thereof and of the sum of one dollar duly paid to it by the Trustee at the execution of this Indenture, the receipt whereof is hereby acknowledged, the Company covenants and agrees with the Trustee for the equal and proportionate benefit of the respective Holders from time to time of the Securities, as follows:

ARTICLE I.
DEFINITIONS

Section 1.1. General. The terms defined in this Article I (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Article I.

Section 1.2. **Trust Indenture Act.** (a) Whenever this Indenture refers to a provision of the Trust Indenture Act of 1939, as amended (the "TIA"), such provision is incorporated by reference in and made a part of this Indenture.

(b) Unless otherwise indicated, all terms used in this Indenture that are defined by the TIA, defined by the TIA by reference to another statute or defined by a rule of the Commission under the TIA shall have the meanings assigned to them in the TIA or such statute or rule as in force on the date of execution of this Indenture.

Section 1.3. Definitions. For purposes of this Indenture, the following terms shall have the following meanings.

AUTHENTICATING AGENT:

The term *"Authenticating Agent"* shall mean any agent of the Trustee which shall be appointed and acting pursuant to Section 8.15 hereof.

AUTHORIZED AGENT:

The term *"Authorized Agent"* shall mean any agent of the Company designated as such by an Officers' Certificate delivered to the Trustee.

BOARD OF DIRECTORS:

The term *"Board of Directors"* shall mean the Board of Directors of the Company or the Financing Committee of such Board or any other duly authorized committee of such Board.

BOARD RESOLUTION:

The term *"Board Resolution"* shall mean a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

BUSINESS DAY:

The term *"Business Day"* shall mean each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions or trust companies in the Borough of Manhattan, the City and State of New York, or in the city where the corporate trust office of the Trustee is located, are obligated or authorized by law or executive order to close.

COMMISSION:

The term *"Commission"* shall mean the United States Securities and Exchange Commission, or if at any time hereafter the Commission is not existing or performing the duties now assigned to it under the TIA, then the body performing such duties.

COMPANY:

The term *"Company"* shall mean the corporation named as the "Company" in the first paragraph of this Indenture, and its successors and assigns permitted hereunder.

COMPANY ORDER:

The term *"Company Order"* shall mean a written order signed in the name of the Company by one of the Chairman, the President, any Vice President, the Treasurer or an Assistant Treasurer, and the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee.

CORPORATE TRUST OFFICE OF THE TRUSTEE:

The term *"corporate trust office of the Trustee",* or other similar term, shall mean the corporate trust office of the Trustee, at which at any particular time its corporate trust business shall be principally administered, which office is at the date of the execution of this Indenture located at Corporate Trust Services, Sixth and Marquette Avenue, Minneapolis, Minnesota 55479-0069.

DEPOSITORY:

The term *"Depository"* shall mean, unless otherwise specified in a Company Order pursuant to Section 2.5 hereof, The Depository Trust Company, New York, New York, or ·any successor thereto registered and qualified under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation.

EVENT OF DEFAULT:

The term *"Event of Default"* shall mean any event specified in Section 7.1 hereof, continued for the period of time, if any, and after the giving of the notice, if any, therein designated.

GLOBAL SECURITY:

The term *"Global Security"* shall mean a Security that pursuant to Section 2.5 hereof is issued to evidence Securities, that is delivered to the Depository ·or pursuant to the instructions of the Depository and that shall be registered in the name of the Depository or its nominee.

INDENTURE:

The term *"Indenture"* shall mean this instrument as originally executed or, if amended or supplemented as herein provided, as so amended or supplemented.

INTEREST PAYMENT DATE:

The term *"Interest Payment Date "* shall mean, unless otherwise specified in a Company Order pursuant to Section 2.5 hereof, (a) each May 1 and November 1 during the period any Security is outstanding (provided that the first Interest Payment Date for any Security, the Original Issue Date of which is after a Regular Record Date but prior to the respective Interest Payment Date, shall be the Interest Payment Date following the next succeeding Regular Record Date), (b) a date of maturity of such Security and (c) only with respect to defaulted interest on such Security,

the date established by the Trustee for the payment of such defaulted interest pursuant to Section 2.11 hereof.

MATURITY:

The term *"maturity",* when used with respect to any Security, shall mean the date on which the
principal of such Security becomes due and payable as therein or herein provided, whether at the stated maturity thereof or by declaration of acceleration, redemption or otherwise.

OFFICERS' CERTIFICATE:

The term *"Officers' Certificate"* when used with respect to the Company, shall mean a certificate signed by one of the Chairman, the President, any Vice President, the Treasurer or an Assistant Treasurer, and by the Secretary or an Assistant Secretary of the Company.

OPINION OF COUNSEL:

The term *"Opinion of Counsel"* shall mean an opinion in writing signed by legal counsel, who may be an employee of the Company, meeting the applicable requirements of Section 14.5 hereof. If the Indenture requires the delivery of an Opinion of Counsel to the Trustee, the text and substance of which has been previously delivered to the Trustee, the Company may satisfy such requirement by the delivery by the legal counsel that delivered such previous Opinion of Counsel of a letter to the Trustee to the effect that the Trustee may rely on such previous Opinion of Counsel as if such Opinion of Counsel was dated and delivered the date delivery of such Opinion of Counsel is required. Any Opinion of Counsel may contain conditions and qualifications satisfactory to the Trustee.

OPINION OF INDEPENDENT COUNSEL:

The term *"Opinion of Independent Counsel"* shall mean an opinion in writing signed by legal counsel, who shall not be an employee of the Company, meeting the applicable requirements of Section 14.5. Any Opinion of Independent Counsel may contain conditions and qualifications satisfactory to the Trustee.

ORIGINAL ISSUE DATE:

The term *"Original Issue Date"* shall mean for a Security, or portions thereof, the date upon which it, or such portion, was issued by the Company pursuant to this Indenture and authenticated by the Trustee (other than in connection with a transfer, exchange or substitution).

OUTSTANDING:

The term *"outstanding*", when used with reference to Securities, shall, subject to Section 9.4 hereof, mean, as of any particular time, all Securities authenticated and delivered by the Trustee
under this Indenture, except

(a) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Securities, or portions thereof, for the payment or redemption of which moneys in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Company), provided that if such Securities are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article III, or provisions satisfactory to the Trustee shall have been made for giving such notice;

(c) Securities, or portions thereof, that have been paid and discharged or are deemed to have been paid and discharged pursuant to the provisions of this Indenture; and

(d) Securities in lieu of or in substitution for which other Securities shall have been authenticated and delivered, or which have been paid, pursuant to Section 2.7 hereof.

PERSON:

The term *"Person"* shall mean any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization or government or any agent or political subdivision thereof.

PRINCIPAL EXECUTIVE OFFICES OF THE COMPANY:

The term *"principal executive offices of the Company"* shall mean 414 Nicollet Mall, Minneapolis, Minnesota 55401, or such other place where the main corporate offices of the Company are located as designated in writing to the Trustee by an Authorized Agent.

REGULAR RECORD DATE:

The term *"Regular Record Date"* shall mean, unless otherwise specified in a Company Order pursuant to Section 2.5, for an Interest Payment Date for a particular Security (a) the fifteenth day of the calendar month next preceding each Interest Payment Date (unless the Interest Payment Date is the date of maturity of such Security, in which event, the Regular Record Date shall be as described in clause (b) hereof) and (b) the date of maturity of such Security.

RESPONSIBLE OFFICER:

The term *"responsible officer"* or *"responsible officers"* when used with respect to the Trustee shall mean one or more of the following: the chairman of the board of directors, the vice chairman of the board of directors, the chairman of the executive committee, the president, any vice president, the secretary, the treasurer, any trust officer, any assistant trust officer, any second or assistant vice president, any assistant secretary, any assistant treasurer, or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by

the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with the particular subject.

SECURITY OR SECURITIES:

The terms *"Security"* or *"Securities"* shall mean any debt security or debt securities, as the case may be, authenticated and delivered under this Indenture, including any Global Security.

SECURITYHOLDER:

The terms *"Securityholder", "Holder of Securities"* or *"Holder"* shall mean any Person in whose name at the time a particular Security is registered on the books of the Trustee kept for that purpose in accordance with the terms hereof.

SPECIAL RECORD DATE:

The term *"Special Record Date"* shall mean, with respect to any Security, the date established by the Trustee in connection with the payment of defaulted interest on such Security pursuant to Section 2.11 hereof.

STATED MATURITY:

The term *"stated maturity"* shall mean with respect to any Security, the last date on which principal on such Security becomes due and payable as therein or herein provided, other than by declaration of acceleration or by redemption.

TRUSTEE:

The term *"Trustee"* shall mean Norwest Bank Minnesota, National Association and, subject to Article VIII, shall also include any successor Trustee.

U.S. GOVERNMENT OBLIGATIONS:

The term *"US. Government Obligations"* shall mean (i) direct non-callable obligations of, or non-callable obligations guaranteed as to timely payment of principal and interest by, the United States of America or an agency thereof for the payment of which obligations or guarantee the full faith and credit of the United States is pledged or (ii) certificates or receipts representing direct ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clause (i) above, which obligations are held by a custodian in safekeeping in a manner satisfactory to the Trustee.

ARTICLE II.

FORM, ISSUE, EXECUTION, REGISTRATION AND EXCHANGE OF SECURITIES

Section 2.1. Form Generally.

(a) If the Securities are in the form of a Global Security they shall be in substantially the form set forth in *Exhibit A* to this Indenture, and, if the Securities are not in the form of a Global Security, they shall be in substantially the form set forth in *Exhibit B* to this Indenture, or, in any case, in such other form as shall be established by a Board Resolution, or a Company Order pursuant to a Board Resolution, or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with applicable rules of any securities exchange or of the Depository or with applicable law or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of such Securities.

(b) The definitive Securities shall be typed, printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

Section 2.2. Form Of Trustee's Certificate Of Authentication. The Trustee's certificate of authentication on all Securities shall be in substantially the following form:

Trustee's Certificate of Authentication

This Security is one of the Securities of the series herein designated, described or provided for in the within-mentioned Indenture.

Norwest Bank Minnesota, National Association, as Trustee:

By: _____
Authorized Officer

Section 2.3. Amount Unlimited. The aggregate principal amount of Securities that may be authenticated and delivered under this Indenture is unlimited, subject to compliance with the provisions of this Indenture.

Section 2.4. Denominations, Dates, Interest Payment And Record Dates.

(a) The Securities shall be issuable in registered form without coupons in denominations of $1,000 and integral multiples thereof or such other amount or amounts as may be authorized by the Board of Directors or a Company Order pursuant to a Board Resolution or in one or more indentures supplemental hereto; provided that the principal amount of a Global Security shall not exceed $200,000,000 unless otherwise permitted by the Depository.

(b) Each Security shall be dated and issued as of the date of its authentication by the Trustee, and shall bear an Original Issue Date or, as provided in Section 2.13(e) hereof, two or more Original Issue Dates; each Security issued upon transfer, exchange or substitution of a Security shall bear the Original Issue Date or Dates of such transferred, exchanged or substituted Security, subject to the provisions of Section 2.13(e) hereof.

(c) Each Security shall bear interest from the later of (1) its Original Issue Date (or, if pursuant to Section 2.13 hereof, a Global Security has two or more Original Issue Dates, interest shall, beginning on each such Original Issue Date, begin to accrue for that part of the principal amount of such Global Security to which that Original Issue Date is applicable), or (2) the most recent date to which interest has been paid or duly provided for with respect to such Security until the principal of such Security is paid or made available for payment, and interest on each Security shall be payable on each Interest Payment Date after the Original Issue Date.

(d) Each Security shall mature on a stated maturity specified in the Security. The principal amount of each outstanding Security shall be payable on the maturity date or dates specified therein.

(e) Unless otherwise specified in a Company Order pursuant to Section 2.5 hereof, interest on each of the Securities shall be calculated on the basis of a 360-day year of twelve 30- day months and shall be computed at a fixed rate until the maturity of such Securities. The method of computing interest on any Securities not bearing a fixed rate of interest shall be set forth in a Company Order pursuant to Section 2.5 hereof. Unless otherwise specified in a Company Order pursuant to Section 2.5 hereof, principal, interest and premium on the Securities shall be payable in the currency of the United States.

(f) Except as provided in the following sentence, the Person in whose name any Security is registered at the close of business on any Regular Record Date or Special Record Date with respect to an Interest Payment Date for such Security shall be entitled to receive the interest payable on such Interest Payment Date notwithstanding the cancellation of such Security upon any registration of transfer, exchange or substitution of such Security subsequent to such Regular Record Date or Special Record Date and prior to such Interest Payment Date. Any interest payable at maturity shall be paid to the Person to whom the principal of such Security is payable.

(g) The Trustee (or any duly selected paying agent) shall provide to the Company during each month that precedes an Interest Payment Date a list of the principal, interest and

premium to be paid on Securities on such Interest Payment Date; provided, however, that any failure to receive such notice shall not relieve the Company of its obligation to pay the principal, interest and premium on the Securities when due. The Trustee shall assume responsibility for withholding taxes on interest paid as required by law except with respect to any Global Security.

Section 2.5. Execution, Authentication, Delivery And Dating.

(a) The Securities shall be executed on behalf of the Company by one of its Chairman, President, any Vice President, its Treasurer or an Assistant Treasurer of the Company and attested by the Secretary or an Assistant Secretary of the Company. The signature of any of these officers on the Securities may be manual or facsimile.

(b) Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

(c) At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company to the Trustee for authentication, together with or preceded by one or more Company Orders for the authentication and delivery of such Securities, and the Trustee in accordance with any such Company Order shall authenticate and deliver such Securities. The Securities shall be issued in series. Such Company Order shall specify the following with respect to each series of Securities: (i) any limitations on the aggregate principal amount of the Securities to be issued as part of such series, (ii) the Original Issue Date or Dates for such series, (iii) the stated maturity of such series, (iv) the interest rate or rates, or method of calculation of such rate or rates, for such series, (v) the terms, if any, regarding the optional or mandatory redemption of such series, including redemption date or dates of such series, if any, and the price or prices applicable to such redemption (including any premium), (vi) the period or periods within which, the price or prices at which and the terms and conditions upon which such Securities may be repaid, in whole or in part, at the option of the Holder thereof, (vii) whether or not the Securities of such series shall be issued in whole or in part in the form of a Global Security and, if so, the Depository for such Global Security, (viii) the designation of such series, (ix) if the form of the Securities of such series is not as described in *Exhibit A* or *Exhibit B* hereto, the form of the Securities of such series, (x) the maximum annual interest rate, if any, of the Securities permitted for such series, (xi) any other information necessary to complete the Securities of such series, (xii) the establishment of any office or agency pursuant to Section 5.2 hereof, and (xiii) any other terms of such series not inconsistent with this Indenture. Prior to authenticating Securities of any series, and in accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall receive from the Company the following at or before the issuance of the initial Security of such series of Securities, and (subject to Section 8.1 hereof) shall be fully protected in relying upon:

(1) A Board Resolution authorizing such Company Order or Orders and, if the form of Securities is established by a Board Resolution or a Company Order pursuant to a Board Resolution, a copy of such Board Resolution;

(2) an Opinion of Counsel stating substantially the following subject to customary qualifications and exceptions:

(A) if the form of Securities has been established by or pursuant to a Board Resolution, a Company Order pursuant to a Board Resolution, or in a supplemental indenture as permitted by Section 2.1 hereof, that such form has been established in conformity with this Indenture;

(B) that the Indenture has been duly authorized, executed and delivered by the Company and constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent that enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws of general application relating to or affecting the enforcement of creditors and the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity) and except as enforcement of provisions of the Indenture may be limited by state laws affecting the remedies for the enforcement of the security provided for in the Indenture;

(C) that the Indenture is qualified to the extent necessary under the TIA;

that such Securities have been duly authorized and executed by the Company, and when authenticated by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and binding obligations of the Company, enforceable in accordance with their terms, except to the extent that enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws of general application relating to or affecting the enforcement of creditors and the application of general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity) and except as enforcement of provisions of this Indenture may be limited by state laws affecting the remedies for the enforcement of the security provided for in this Indenture;

(D) that the issuance of the Securities will not result in any default under this Indenture, or any other contract, indenture, loan agreement or other instrument to which the Company is a party or by which it or any of its property is bound; and

(E) that all consents or approvals of the Minnesota Public Utilities Commission (or any successor agency) and of any other federal or state regulatory agency required in connection with the Company's execution and delivery of this Indenture and such series of Securities have been obtained and not withdrawn (except that no statement need be made with respect to state securities laws).

(3) an Officer's Certificate stating that (i) the Company is not, and upon the authentication by the Trustee of the series of Securities, will not be in default under any of the terms or covenants contained in the Indenture, and (ii) all conditions that must be met by the Company to issue Securities under this Indenture have been met.

(d) The Trustee shall have the right to decline to authenticate and deliver any Security:

(1) if the issuance of such Securities pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner that is not reasonably acceptable to the Trustee;

(2) if the Trustee, being advised by counsel, determines that such action may not lawfully be taken; or

(3) if the Trustee in good faith by its Board of Directors, executive officers or a trust committee of directors and/or responsible officers determines that such action would expose the Trustee to personal liability to Holders of any outstanding Securities.

(e) No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by the manual signature of an authorized officer, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture .

(f) If all Securities of a series are not to be authenticated and issued at one time, the Company shall not be required to deliver the Company Order, Board Resolutions, Officers' Certificate and Opinion of Counsel (including any such that would be otherwise required pursuant to Section 14.5 hereof) described in Section 2.5(c) hereof at or prior to the authentication of each Security of such series, if such items are delivered at or prior to the time of authentication of the first Security of such series to be authenticated and issued. If all of the Securities of a series are not authenticated and issued at one time, for each issuance of Securities after the initial issuance of Securities, the Company shall be required only to deliver to the Trustee the Security and a written request (executed by one of the Chairman, the President, any Vice President, the Treasurer, or an Assistant Treasurer, and the Secretary or an Assistant Secretary of the Company) to the Trustee to authenticate such Security and to deliver such Security in accordance with the instructions specified by such request. Any such request shall constitute a representation and warranty by the Company that the statements made in the Officers' Certificate delivered to the Trustee prior to the authentication and issuance of the first Security of such series are true and correct on the date thereof as if made on and as of the date thereof.

Section 2.6. Exchange And Registration Of Transfer Of Securities.

(a) Subject to Section 2.13 hereof, Securities may be exchanged for one or more new Securities of any authorized denominations and of a like aggregate principal amount, series and stated maturity and having the same terms and Original Issue Date or Dates. Securities to be exchanged shall be surrendered at any of the offices or agencies to be maintained pursuant to Section 5.2 hereof, and the Trustee shall deliver in exchange therefor the Security or Securities which the Securityholder making the exchange shall be entitled to receive.

(b) The Trustee shall keep, at one of said offices or agencies, a regtister or registers in which, subject to such reasonable regulations as it may prescribe, the Trustee shall register or cause to be registered Securities and shall register or cause to be registered the transfer of Securities as in this Article II provided. Such register shall be in written form or in any other form capable of being converted into written form within a reasonable time. At all reasonable times, such register shall be open for inspection by the Company. Upon due presentment for registration of transfer of any Security at any such office or agency, the Company shall execute and the Trustee shall register, authenticate and deliver in the name of the transferee or transferees one or more new Securities of any authorized denominations and of a like aggregate principal amount, series and stated maturity and having the same terms and Original Issue Date or Dates.

(c) All Securities presented for registration or for exchange, redemption or payment shall be duly endorsed by, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company and the Trustee and duly executed by the Holder or the attorney in fact of such Holder duly authorized in writing.

(d) No service charge shall be made for any exchange or registration of transfer of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

(e) The Trustee shall not be required to exchange or register a transfer of any Securities selected, called or being called for redemption (including Securities, if any, redeemable at the option of the Holder provided such Securities are then redeemable at such Holder's option) except, in the case of any Security to be redeemed in part, the portion thereof not to be so redeemed.

(f) If the principal amount, and applicable premium, of part, but not all of a Global Security is paid, then upon surrender to the Trustee of such Global Security, the Company shall execute, and the Trustee shall authenticate, deliver and register, a Global Security in an authorized denomination in aggregate principal amount equal to, and having the same terms, Original Issue Date or Dates as, the unpaid portion of such Global Security.

Section 2.7. Mutilated, Destroyed, Lost Or Stolen Securities.

(a) If any temporary or definitive Security shall become mutilated or be destroyed, lost or stolen, the Company shall execute, and upon its request the Trustee shall authenticate and deliver, a new Security of like form and principal amount and having the same terms and Original Issue Date or Dates and bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated Security, or in lieu of and in substitution for the Security so destroyed, lost or stolen. In every case the applicant for a substituted Security shall furnish to the Company, the Trustee and any paying agent or Authenticating Agent such security or indemnity

as may be required by them to save each of them harmless, and, in every case of destruction, loss or theft of a Security, the applicant shall also furnish to the Company and to the Trustee evidence to their satisfaction of the destruction, loss or theft of such Security and of the ownership thereof.

(b) The Trustee shall authenticate any such substituted Security and deliver the same upon the written request or authorization of any officer of the Company. Upon the issuance of any substituted Security, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith. If any Security which has matured, is about to mature, has been redeemed or called for redemption shall become mutilated or be destroyed, lost or stolen, the Company may, instead of issuing a substituted Security, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Security) if the applicant such payment shall furnish to the Company, the Trustee and any paying agent or Authenticating Agent such security or indemnity as may be required by them to save each of them harmless and, in case of destruction, loss or theft, evidence satisfactory to the Company and the Trustee of the destruction, loss or theft of such Security and of the ownership thereof.

(c) Every substituted Security issued pursuant to this Section 2.7 by virtue of the fact that any Security is mutilated, destroyed, lost or stolen shall constitute an additional contractual obligation to the Company, whether or not such destroyed, lost or stolen Security shall be found at any time, and shall be entitled to all benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder. All Securities shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

Section 2.8. Temporary Securities. Pending the preparation of definitive Securities, the Company may execute and the Trustee shall authenticate and deliver temporary Securities (printed, lithographed or otherwise reproduced). Temporary Securities shall be issuable in any authorized denomination and substantially in the form of the definitive Securities but with such omissions, insertions and variations as may be appropriate for temporary Securities, all as may be determined by the Company. Every such temporary Security shall be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with the same effect, as the definitive Securities. Without unreasonable delay the Company shall execute and shall deliver to the Trustee definitive Securities and thereupon any or all temporary Securities shall be surrendered in exchange therefor at the corporate trust office of the Trustee, and the Trustee shall authenticate, deliver and register in exchange for such temporary Securities an equal aggregate principal amount of definitive Securities. Such exchange shall be made by the Company at its own expense and without any charge therefor to the Securityholders. Until so exchanged, the temporary Securities shall be in the principal amount of definitive Securities. Such exchange shall be made by the Company at its own expense and without any charge therefor to the Securityholders. Until so exchanges, the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities authenticated and delivered hereunder.

Section 2.9. Cancellation Of Securities Paid, Etc. All Securities surrendered for the purpose of payment, redemption, exchange or registration of transfer shall be surrendered to the Trustee for cancellation and promptly canceled by it and no Securities shall be issued in lieu thereof except as expressly permitted by this Indenture. The Company's acquisition of any Securities shall operate as a redemption or satisfaction of the indebtedness represented by such Securities and such Securities shall be surrendered by the Company to and canceled by the Trustee.

Section 2.10. Interest Rights Preserved. Each Security delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Security shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security, and each such Security shall be so dated that neither gain nor loss of interest shall result from such transfer, exchange or substitution.

Section 2.11. Special Record Date. If and to the extent that the Company fails to make timely payment or provision for timely payment of interest on any series of Securities (other than on an Interest Payment Date that is a maturity date), that interest shall cease to be payable to the Persons who were the Securityholders of such series at the applicable Regular Record Date. In that event, when moneys become available for paymerit of the interest, the Trustee shall (a) establish a date of payment of such interest and a Special Record Date for the payment of that interest, which Special Record Date shall be not more than 15 or fewer than 10 days prior to the date of the proposed payment and (b) mail notice of the date of payment and of the Special Record Date not fewer than 10 days preceding the Special Record Date to each Securityholder of such series at the close of business on the 15th day preceding the mailing at the address of such Securityholder, as it appeared on the register for the Securities. On the day so established by the Trustee the interest shall be payable to the Holders of the applicable Securities at the close of business on the Special Record Date.

Section 2.12. Payment Of Securities. Payment of the principal, interest and premium on all Securities shall be payable as follows:

(a) On or before 11:30 a.m., New York City time, of the day on which payment of principal, interest and premium is due on any Global Security pursuant to the terms thereof, the Company shall deliver to the Trustee funds available on such date sufficient to make such payment, by wire transfer of immediately available funds or by instructing the Trustee to withdraw sufficient funds from an account maintained by the Company with the Trustee or such other method as is acceptable to the Trustee and the Depository. On or before Noon, New York City time, or such other time as sha11 be agreed upon between the Trustee and the Depository, of the day on which any payment of interest is due on any Global Security (other than at maturity) and following receipt of the necessary funds from the Company, the Trustee shall pay to the Depository such interest in same day funds. On or before Noon, New York City time or such other time as shall be agreed upon between the Trustee and the Depository, of the day on which principal, interest payable at maturity and premium, if any, is due on any Global Security and following receipt of the necessary funds from the Company, the Trustee shall deposit with the Depository the amount equal to

the principal, interest payable at maturity and premium, if any, by wire transfer into the account specified by the Depository. As a condition to the payment, at maturity or upon redemption, of any part of the principal of, interest on and applicable premium of any Global Security, the Depository shall surrender, or cause to be surrendered, such Global Security to the Trustee, whereupon a new Global Security shall be issued to the Depository pursuant to Section 2.6(f) hereof.

(b) With respect to any Security that is not a Global Security, principal, applicable premium and interest due at the maturity of the Security shall be payable in immediately available funds when due upon presentation and surrender of such Security at the corporate trust office of the Trustee or at the authorized office of any paying agent. Interest on any Security that is not a Global Security (other than interest payable at maturity) shall be paid to the Holder thereof as its name appears on the register by check payable in clearinghouse funds; provided that if the Trustee receives a written request from any Holder of Securities, ·the aggregate principal amount of which having the same Interest Payment Date equals or exceeds
$10,000,000, on or before the applicable Regular Record Date for such Interest Payment Date, interest shall be paid by wire transfer of immediately available funds to a bank within the continental United States designated by such Holder in its request or by direct deposit into the account of such Holder designated by such Holder in its request if such account is maintained with the Trustee or any paying agent.

Section 2.13. Securities Issuable In The Form Of A Global Security.

(a) If the Company shall establish pursuant to Section 2.5 hereof that the Securities of a particular series are to be issued in whole or in part in the form of one or more Global Securities, then the Company shall execute and the Trustee shall, in accordance with Section 2.5 hereof and the Company Order delivered to the Trustee thereunder, authenticate and deliver such Global Security or Securities, which (i) shall represent, shall be denominated in an amount equal to the aggregate principal amount of, and shall have the same terms as, the outstanding Securities of such series to be represented by such Global Security or Securities, (ii) shall be registered in the name of the Depository or its nominee, (iii) shall be delivered by the Trustee to the Depository or pursuant to the Depository's instruction and (iv) shall bear a legend substantially to the following effect "This Security is a Global Security registered in the name of the Depository (referred to herein) or a nominee thereof and, unless and until it is exchanged in whole or in part for the individual Securities represented hereby, this Global Security may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository. Unless this Global Security is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York), to the trustee for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and

any payment is made to Cede & Co., any transfer, pledge or other use hereof for value or otherwise by or to any person is wrongful since the registered owner hereof, Cede & Co., has an interest herein" or such other legend as may be required by the rules and regulations of the Depository.

(b) Notwithstanding any other provision of Section 2.6 hereof or of this Section 2.13, unless the terms of a Global Security expressly permit such Global Security to be exchanged in whole or in part for individual Securities, a Global Security may be transferred, in whole but not in part, only as described in the legend thereto.

(c) (i) If at any time the Depository for a Global Security notifies the Company that it is unwilling or unable to continue as Depository for such Global Security or if at any time the Depository for the Global Security shall no longer be eligible or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, the Company shall appoint a successor Depository with respect to such Global Security. If a successor Depository for such Global Security is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company's election pursuant to Section 2.5(c)(vi) hereof shall no longer be effective with respect to the series of Securities evidenced by such Global Security and the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of individual Securities of such series in exchange for such Global Security, shall authenticate and deliver, individual Securities of such series of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of the Global Security in exchange for such Global Security. The Trustee shall not be charged with knowledge or notice of the ineligibility of a Depository unless a responsible officer assigned to and working in its corporate trustee administration department shall have actual knowledge thereof.

(ii) The Company may at any time and in its sole discretion determine that all outstanding (but not less than all) Securities of a series issued or issuable in the form of one or more Global Securities shall no longer be represented by such Global Security or Securities. In such event the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of individual Securities in exchange for such Global Security, shall authenticate and deliver individual Securities of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of such Global Security or Securities in exchange for such Global Security or Securities.

(iii) In any exchange provided for in any of the preceding two paragraphs, the Company will execute and the Trustee will authenticate and deliver individual Securities in definitive registered form in authorized denominations. Upon the exchange of a Global Security for individual Securities, such Global Security shall be canceled by the Trustee. Securities issued in exchange for a Global Security pursuant to this Section shall be registered in such names and in such authorized denominations as the Depository for such Global Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Securities to the Depository for delivery to the persons in whose names such Securities are so registered, or if the Depository shall refuse or be unable to deliver such

Securities, the Trustee shall deliver such Securities to the persons in whose names such Securities are registered, unless otherwise agreed upon between the Trustee and the Company, in which event the Company shall cause the Securities to be delivered to the persons in whose names such Securities are registered.

(d) Neither the Company, the Trustee, any Authenticating Agent nor any paying agent shall have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests of a Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

(e) Pursuant to the provisions of this subsection, at the option of the Trustee and upon 30 days' written notice to the Depository but not prior to the first Interest Payment Date of the respective Global Securities, the Depository shall be required to surrender any two or more Global Securities which have identical terms, including, without limitation, identical maturities, interest rates and redemption provisions (but which may have differing Original Issue Dates) to the Trustee, and the Company shall execute and the Trustee shall authenticate and deliver to, or at the direction of, the Depository a Global Security in principal amount equal to the aggregate principal amount of, and with all terms identical to, the Global Securities surrendered thereto and that shall indicate each applicable Original Issue Date and the principal amount applicable to each such Original Issue Date. The exchange contemplated in this subsection shall be consummated at least 30 days prior to any Interest Payment Date applicable to any of the Global Securities surrendered to the Trustee. Upon any exchange of any Global Security with two or more Original Issue Dates, whether pursuant to this Section or pursuant to Section 2.6 or Section 3.3 hereof, the aggregate principal amount of the Securities with a particular Original Issue Date shall be the same before and after such exchange, after giving effect to any retirement of Securities and the Original Issue Dates applicable to such Securities occurring in connection with such exchange.

ARTICLE III. REDEMPTION OF SECURITIES

Section 3.1. Applicability Of Article. Such of the Securities as are, by their terms, redeemable prior to their stated maturity date at the option of the Company, may be redeemed by the Company at such times, in such amounts and at such prices as may be specified therein and in accordance with the provisions of this Article III.

Section 3.2. Notice Of Redemption; Selection Of Securities.

(a) The election of the Company to redeem any Securities shall be evidenced by a Board Resolution which shall be given with notice of redemption to the Trustee at least 45 days (or such shorter period acceptable to the Trustee in its sole discretion) prior to the redemption date specified in such notice.

(b) Notice of redemption to each Holder of Securities to be redeemed as a whole or in part shall be given by the Trustee, in the manner provided in Section 14.10 hereof, no less than 30 or more than 60 days prior to the date fixed for redemption. Any notice which is given in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Securityholder receives the notice. In any case, failure duly to give such notice, or any defect in such notice, to the Holder of any Security designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Security.

(c) Each such notice shall specify the date fixed for redemption, the places of redemption and the redemption price at which such Securities are to be redeemed, and shall state that payment of the redemption price of such Securities or portion thereof to be redeemed will be made upon surrender of such Securities at such places of redemption, that interest accrued to the date fixed for redemption will be paid as specified in such notice, and that from and after such date interest thereon shall cease to accrue. If less than all of a series of Securities having the same terms are to be redeemed, the notice shall specify the Securities or portions thereof to be redeemed. If any Security is to be redeemed in part only, the notice which relates to such Security shall state the portion of the principal amount thereof to be redeemed, ·and shall state that, upon surrender of such Security, a new Security or Securities having the same terms in aggregate principal amount equal to the unredeemed portion thereof will be issued.

(d) Unless otherwise provided by a supplemental indenture or Company Order under Section 2.5 hereof, if less than all of a series of Securities is to be redeemed, the Trustee shall select in such manner as it shall deem appropriate and fair in its discretion the particular Securities to be redeemed in whole or in part and shall thereafter promptly notify the Company in writing of the Securities so to be redeemed. If less than all of a series of Securities represented by a Global Security is to be redeemed, the particular Securities or portions thereof of such series to be redeemed shall be selected by the Depository for such series of Securities in such manner as the Depository shall determine. Securities shall be redeemed only in denominations of $1,000, provided that any remaining principal amount of a Security redeemed in part shall be a denomination authorized under this Indenture.

(e) If at the time of the mailing of any notice of redemption the Company shall not have irrevocably directed the Trustee to apply funds deposited with the Trustee or held by it and available to be used for the redemption of Securities to redeem· all the Securities called for redemption, such notice, at the election of the Company, may state that it is subject to the receipt of the redemption moneys by the Trustee before the date fixed for redemption and that such notice shall be of no effect unless such moneys are so received before such date.

Section 3.3. Payment Of Securities On Redemption; Deposit Of Redemption Price.

(a) If notice of redemption for any Securities shall have been given as provided in Section 3.2 hereof and such notice shall not contain the language permitted at the Company's option under Section 3.2(e) hereof, such Securities or portions of Securities called for redemption shall become due and payable on the date and at the places stated in such notice at the applicable
redemption price, together with interest accrued to the date fixed for redemption of such

Securities. Interest on the Securities or portions thereof so called for redemption shall cease to accrue and such Securities or portions thereof shall be deemed not to be entitled to any benefit under this Indenture except to receive payment of the redemption price together with interest accrued thereon to the date fixed for redemption. Upon presentation and surrender of such Securities at such a place of payment in such notice specified, such Securities or the specified portions thereof shall be paid and redeemed at the applicable redemption price, together with interest accrued thereon to the date fixed for redemption.

(b) If notice of redemption shall have been given as provided in Section 3.2 hereof and such notice shall contain the language permitted at the Company's option under Section 3.2(e) hereof, such Securities or portions of Securities called for redemption shall become due and payable on the date and at the places stated in such notice at the applicable redemption price, together with interest accrued to the date fixed for redemption of such Securities, and interest on the Securities or portions thereof so called for redemption shall cease to accrue and such Securities or portions thereof shall be deemed not to be entitled to any benefit under this Indenture except to receive payment of the redemption price together with interest accrued thereon to the date fixed for redemption; provided that, in each case, the Company shall have deposited with the Trustee or a paying agent on or prior to such redemption date an amount sufficient to pay the redemption price together with interest accrued to the date fixed for redemption. Upon the Company making such deposit and, upon presentation and surrender of such Securities at such a place of payment in such notice specified, such Securities or the specified portions thereof shall be paid and redeemed at the applicable redemption price, together with interest accrued thereon to the date fixed for redemption. If the Company shall not make such deposit on or prior to the redemption date, the notice of redemption shall be of no force and effect and the principal on such Securities or specified portions thereof shall continue to bear interest as if the notice of redemption had not been given.

(c) No notice of redemption of Securities shall be mailed during the continuance of any Event of Default, except (1) that, when notice of redemption of any Securities has been mailed, the Company shall redeem such Securities but only if funds sufficient for that purpose have prior to the occurrence of such Event of Default been deposited with the Trustee or a paying agent for such purpose, and (2) that notices of redemption of all outstanding Securities may be given during the continuance of an Event of Default.

(d) Upon surrender of any Security redeemed in part only, the Company shall execute, and the Trustee shall authenticate, deliver and register, a new Security or Securities of authorized denominations in aggregate principal amount equal to, and having the same terms, Original Issue Date or Dates and series as, the unredeemed portion of the Security so surrendered.

ARTICLE IV.

SATISFACTION AND DISCHARGE; UNCLAIMED MONEYS

Section 4.1. Satisfaction And Discharge. If at any time:

(a) the Company shall have paid or caused to be paid the principal of and premium, if any, and interest on all the outstanding Securities, as and when the same shall have become due and payable,

(b) the Company shall have delivered to the Trustee for cancellation all outstanding Securities, or

the Company shall have irrevocably deposited or caused to be irrevocably deposited with the Trustee as trust funds the entire amount in (A) cash, (B) U.S. Government Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of cash, or (C) a combination of cash and U.S. Government Obligations, in any case sufficient, without reinvestment, as certified by an independent public accounting firm of national reputation in a written certification delivered to the Trustee, to pay at maturity or the applicable redemption date (provided that notice of redemption shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of any notice of redemption) all outstanding Securities, including principal and any premium and interest due or to become due to such date of maturity, as the case may be and, unless all outstanding Securities are to be due within 90 days of such deposit by redemption or otherwise, shall also deliver to the Trustee an Opinion of Independent Counsel to the effect that the Company has received from, or there has been published by, the Internal Revenue Service a ruling or similar pronouncement by the Internal Revenue Service or that there has been a change of law, in either case to the effect that the Holders of the Securities will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance or discharge of the Indenture, and if, in any such case, the Company shall also pay or cause to be paid all other sums payable hereunder by the Company, then this Indenture shall cease to be of further effect (except as to (i) rights of registration of transfer and exchange of Securities, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Securities, (iii) rights of Securityholders to receive payments of principal thereof, and any premium and interest thereon, upon the original stated due dates therefor or upon the applicable redemption date (but not upon acceleration of maturity) from the moneys and U.S. Government Obligations held by the Trustee pursuant to Section 4.2 hereof, (iv) the rights and immunities of the Trustee hereunder, (v) the rights of the Holders of Securities as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them, (vi) the obligations and rights of the Trustee and the Company under Section 4.4 hereof, and (vii) the duties of the Trustee with respect to any of the foregoing), and the Company shall be deemed to have paid and discharged the entire indebtedness represented by, and its obligations under, the Securities, and the Trustee, on demand of the Company and at the cost and expense of the Company, shall execute proper instruments acknowledging such satisfaction of

and discharging this Indenture and the Trustee shall at the request of the Company return to the Company all property and money held by it under this Indenture and determined by it from time to time in accordance with the certification pursuant to this Section 4.1(c) to be in excess of the amount required to be held under this Section.

If the Securities are deemed to be paid and discharged pursuant to Section 4.l(c) hereof, within 15 days after those Securities are so deemed to be paid and discharged, the Trustee shall cause a written notice to be given to each Holder in the manner provided by Section 14.10 hereof. The notice shall:

(i) state that the Securities are deemed to be paid and discharged;

(ii) set forth a description of any U.S. Government Obligations and cash held by the Trustee as described above; and

(iii) if any Securities will be called for redemption, specify the date or dates on which those Securities are to be called for redemption.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 8.6 hereof, shall survive.

Section 4.2. Deposited Moneys To Be Held In Trust By Trustee. All moneys and U.S. Government Obligations deposited with the Trustee pursuant to Section 4.1 hereof, shall be held · in trust and applied by it to the payment, either directly or through any paying agent (including the Company if acting as its own paying agent), to the Holders of the particular Securities for the payment or redemption of which such moneys and U.S. Government Obligations have been deposited with the Trustee of all sums due and to become due thereon for principal and premium,
if any, and interest.

Section 4.3. Paying Agent To Repay Moneys Held. Upon the satisfaction and discharge of this Indenture all moneys then held by any paying agent for the Securities (other than the Trustee) shall, upon written demand by an Authorized Agent, be repaid to the Company or paid to the Trustee, and thereupon such paying agent shall be released from all further liability with respect to such moneys.

Section 4.4. Return Of Unclaimed Moneys. Any moneys deposited with or paid to the Trustee for payment of the principal of or any premium or interest on any Securities and not applied but remaining unclaimed by the Holders of such Securities for two years after the date upon which the principal of or any premium or interest on such Securities, as the case may be, shall have become due and payable, shall be repaid to the Company by the Trustee on written demand by an Authorized Agent, and all liability of the Trustee shall thereupon cease; and any Holder of any of such Securities shall thereafter look only to the Company for any payment which such Holder may be entitled to collect.

ARTICLE V.

PARTICULAR COVENANTS OF THE COMPANY

Section 5.1. Payment Of Principal, Premium And Interest. The Company covenants and agrees for the benefit of the Holders of the Securities that it will duly and punctually pay or cause to be paid the principal of and any premium and interest on each of the Securities at the places, at the respective times and in the manner provided in such Securities or in this Indenture.

Section 5.2. Office For Notices And Payments, Etc. So long as any of the Securities remain outstanding, the Company at its option may cause to be maintained in the Borough of Manhattan, the City and State of New York, or elsewhere, an office or agency where the Securities may be presented for registration of transfer and for exchange as in this Indenture provided, and where, at any time when the Company is obligated to make a payment of principal and premium upon Securities, the Securities may be surrendered for payment, and may maintain at any such office or agency and at its principal office an office or agency where notices and demands to or upon the Company in respect of the Securities or of this Indenture may be served. The designation of any such office or agency shall be made by Company Order pursuant to Section 2.5 hereof or at any subsequent time pursuant to this Section 5.2 hereof. The Company will give to the Trustee written notice of the location of each such office or agency and of any change of location thereof. If the Company shall fail to give such notice of the location or of any change in the location of any such office or agency, presentations may be made and notices and demands may be served at the corporate trust office of the Trustee.

Section 5.3. Appointments To Fill Vacancies In Trustee's Office. The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 8.11 hereof, a Trustee, so that there shall at all times be a Trustee hereunder.

Section 5.4. Provision As To Paying Agent. The Trustee shall be the paying agent for the Securities and, at the option of the Company, the Company may appoint additional paying agents (including without limitation itself). Whenever the Company shall appoint an additional paying agent, it shall cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to this Section 5.4:

(1) that it will hold in trust for the benefit of the Holders and the Trustee all sums held by it as such agent for the payment of the principal of and any premium or interest on the Securities (whether such sums have been paid to it by the Company or by any other obligor on such Securities) in trust for the benefit of the Holders of such Securities;

(2) that it will give to the Trustee notice of any failure by the Company (or by any other obligor on such Securities) to make any payment of the principal of and any premium or interest on such Securities when the same shall be due and payable; and

(3) that it will at any time during the continuance of any such failure, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such paying agent.

If the Company shall act as its own paying agent with respect to any Securities, it will, on or before each due date of the principal of and any premium or interest on such Securities, set aside, segregate and hold in trust for the benefit of the Holders of such Securities a sum sufficient to pay such principal and any premium or interest so becoming due and will notify the Trustee of any failure by it to take such action and of any failure by the Company (or by any other obligor on such Securities) to make any payment of the principal of and any premium or interest on such Securities when the same shall become due and payable.

Whenever the Company shall have one or more paying agents, it will, on or prior to each due date of the principal of (and premium, if any) or interest, if any, on any Securities, deposit with such paying agent a sum sufficient to pay the principal (and premium, if any) or interest, if any, so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, if any, and (unless such paying agent is the Trustee) the Company shall promptly notify the Trustee of any failure on its part to so act.

Anything in this Section 5.4 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture, or for any other reason, pay or cause to be paid to the Trustee all sums held in trust by it or any paying agent hereunder, as required by this Section 5.4, such sums to be held by the Trustee upon the trusts herein contained.

Anything in this Section 5.4 to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section 5.4 is subject to Sections 4.3 and 4.4 hereof.

Section 5.5. Certificates And Notice To Trustee. The Company shall, on or before May 1 of each year, beginning in 2000, deliver to the Trustee a certificate from its principal executive officer, principal financial officer or principal accounting officer covering the preceding calendar year and stating whether or not, to the knowledge of such party, the Company has complied with all conditions and covenants under this Indenture, and, if not, describing in reasonable detail any failure by the Company. to comply with any such conditions or covenants. For purposes of this Section, compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture.

ARTICLE VI.

SECURITYHOLDER LISTS AND REPORTS BY THE COMPANY AND THE TRUSTEE

Section 6.1. Securityholder Lists.

(a) The Company shall furnish or cause to be furnished to the Trustee semiannually, not later than 15 days after each Regular Record Date for each Interest Payment Date that is not a maturity date and at such other times as such Trustee may request in writing, within 30 days after receipt by the Company of any such request, a list in such form as the Trustee may reasonably require containing all the information in the possession or control of the Company, or any paying agents other ·than the Trustee, as to the names and addresses of the Holders of Securities, obtained since the date as of which the next previous list, if any, was furnished. Any such list may be dated as of a date not more than 15 days prior to the time such information is furnished or caused to be furnished and need not include information received after such date; provided that as long as the Trustee is the registrar for the Securities, no such list shall be required to be furnished. The Trustee shall preserve any list provided to it pursuant to this Section until such time as the Company or any paying agent, as applicable, shall provide it with a more recent list.

(b) Within five business days after the receipt by the Trustee of a written application by any three or more Holders stating that the applicants desire to communicate with other Holders with respect to their rights under the Indenture or under the Securities, and accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, and by reasonable proof that each such applicant has owned a Security for a period of at least six months preceding the date of such application, the Trustee shall, at its election, either:

(i) afford to such applicants access to all information furnished to or received by the Trustee pursuant to Section 6.l(a) hereof or, if applicable, in its capacity as registrar to the Securities; or

(ii) inform such applicants as to the approximate number of Holders according to the most recent information furnished to or received by the Trustee under Section 6.l(a) hereof or if applicable in its capacity as registrar for the Securities, and as to the approximate cost of mailing to such Holders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Holder of Securities a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of such mailing, unless within five days after such tender the Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the Holders or would be in

violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all Holders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Every Holder of a Security, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any paying agent nor any Authenticating Agent shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with this Section, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under this Section.

Section 6.2. Securities And Exchange Commission Reports.

The Company shall:

(a) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it will file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934 in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(b) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports· with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations, including, in the case of annual reports, if required by such rules and regulations, certificates or opinions of independent public accountants, conforming to the requirements of Section 14.5, as to compliance with conditions or covenants, compliance with which is subject to verification by accountants; and

(c) transmit by mail to all Holders, as their names and addresses appear in the register, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs

(a) and (b) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

Section 6.3. Reports By The Trustee.

(a) Within 60 days after July 15 of each year, beginning with the July 15 after the first issuance of Securities hereunder, the Trustee shall transmit by mail a brief report dated as of such date that complies with Section 313(a) of the TIA (to the extent required by such Section).

(b) The Trustee shall from time to time transmit by mail brief reports that comply, both in content and date of delivery, with Section 313(b) of the TIA (to the extent required by such Section).

(c) A copy of each such report filed pursuant to this section shall, at the time of such transmission to such Holders, be filed by the Trustee with each stock exchange upon which any Securities are listed and also with the Commission. The Company will notify the Trustee promptly upon the listing of such Securities on any stock exchange.

(d) Reports pursuant to this Section shall be transmitted

(1) by mail to all Holders of Securities, as their names and addresses appear in the register for the Securities;

(2) by mail to such Holders of Securities as have, within the two years preceding such transmission, filed their names and addresses with the Trustee for such purpose;

(3) by mail, except in the case of reports pursuant to Section 6.3(b) and (c) hereof, to all Holders of Securities whose names and addresses have been furnished to or received by the Trustee pursuant to Section 6.1 hereof; and

(4) at the time such report is transmitted to the Holders of the Securities, to each exchange on which Securities are listed and also with the Commission.

ARTICLE VII.

REMEDIES OF THE TRUSTEE AND SECURITYHOLDERS ON EVENTS OF DEFAULT

Section 7.1. Events Of Default.

(a) If one or more of the following Events of Default shall have occurred and be continuing:

(1) default in the payment of any installment of interest upon any of the Securities as and when the same shall become due and payable, and continuance of such default for a period of 30 days;

(2) default in the payment of the principal of or any premium on any of the Securities as and when the same shall become due and payable and continuance of such default for five days;

(3) failure on the part of the Company duly to observe or perform any other of the covenants or agreements on the part of the Company contained in the Securities or in this Indenture for a period of 90 days after the date on which written notice of such failure, requiring the same to be remedied and stating that such notice is a "Notice of Default" hereunder, shall have been given to the Company by the Trustee by registered mail, or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding;

(4) the entry of a decree or order by a court having jurisdiction over the Company for relief in respect of the Company under Title 11 of the United States Code, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official of the Company or of any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(5) the filing by the Company with respect to itself or its property of a petition or answer or consent seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by it to the institution of proceedings thereunder or to the filing of any such petition or to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Company or of any substantial part of its property, or the failure of the Company generally to pay its debts as such debts become due, or the taking of corporate action by the Company to effectuate any such action;

then and in each and every such case, unless the principal of all of the Securities shall have already become due and payable, either the Trustee or the Holders of a majority in aggregate principal amount of the Securities then outstanding, by notice in writing to the Company (and to the Trustee if given by Securityholders), may declare the principal of all the Securities to be due and payable immediately and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Securities contained to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of the Securities shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to

pay all matured installments of interest upon all of the Securities and the principal of and any premium on any and all Securities which shall have become due otherwise than by acceleration (with interest on overdue installments of interest, to the extent that payment of such interest is enforceable under applicable law, and on such principal and applicable premium at the rate borne by the Securities to the date of such payment or deposit) and all sums paid or advanced by the Trustee hereunder, the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 8.6 hereof, and any and all defaults under this Indenture, other than the non-payment of principal of and accrued interest on Securities which shall have become due solely by acceleration of maturity, shall have been cured or waived then and in every such case such payment or deposit shall cause an automatic waiver of the Event of Default and its consequences and shall cause an automatic rescission and annulment of the acceleration of the Securities; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon.

(b) If the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission or annulment or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company and the Trustee shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company and the Trustee shall continue as though no such proceeding had been taken.

Section 7.2. Payment Of Securities On Default; Suit Therefor.

(a) The Company covenants that in case of:

(1) default in the payment of any installment of interest upon any of the Securities as and when the same shall become due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal of or any premium on any· of the Securities as and when the same shall have become due and payable whether at the stated maturity thereof, upon redemption thereof (provided that such redemption is not conditioned upon the deposit of sufficient moneys for such redemption), upon declaration of acceleration or otherwise.

then, upon demand of the Trustee, the Company shall pay to the Trustee, for the benefit of the Holders of the Securities, the whole amount that then shall have so become due and payable on all such Securities for principal and any premium or interest, or both, as the case may be, with interest upon the overdue principal and any premium and (to the extent that payment of such interest is enforceable under applicable law) upon the overdue installments of interest at the rate borne by the Securities; and, in addition thereto, such further amounts as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, any expenses or liabilities incurred by the Trustee hereunder other

than through its negligence or bad faith, and any other amounts due the Trustee under Section 8.6 hereof.

(b) If the Company shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may enforce any such judgment or final decree against the Company or any other obligor on the Securities and collect in the manner provided by law out of the property of the Company or any other obligor on such series of Securities wherever situated, the moneys adjudged or decreed to be payable.

(c) If there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor on the Securities under the United States Bankruptcy Code or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Company or such other obligor, or in the case of any similar judicial proceedings relative to the Company or other obligor upon the Securities, or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to this Section 7.2, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal and any premium and interest owing and unpaid in respect of the Securities, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any amounts due to the Trustee under Section 8.6 hereof) and of the Holders of Securities allowed in such judicial proceedings relative to the Company or any other obligor on the Securities, its or their creditors; or its or their property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses.

(d) All claims and rights of action under this Indenture, or under any of the Securities, may be enforced by the Trustee without the possession of any of the Securities, or the production thereof in any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be for the ratable benefit of the Holders of the Securities in respect of which such action was taken.

(e) Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent or to accept or adopt on behalf of any Securityholder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Securityholder in any such proceeding.

Section 7.3. Application Of Moneys Collected By Trustee. Any moneys collected by the Trustee with respect to any of the Securities pursuant to this Article shall be applied in the order following, at the· date or dates fixed by the Trustee for the distribution of such moneys, upon

presentation of the several Securities, and stamping thereon the payment, if only partially paid, and upon surrender thereof if fully paid.

FIRST: To the payment of all amounts due to the Trustee pursuant to Section 8.6 hereof;

SECOND: If the principal of the outstanding Securities in respect of which such moneys have

been collected shall not have become due and be unpaid, to the payment of interest on the Securities, in the order of the maturity of the installments of such interest, with interest (to the extent allowed by law and to the extent that such interest has been collected by the Trustee) upon the overdue installments of interest at the rate borne by the Securities, such payments to be made ratably to the persons entitled thereto, and then to the payment to the Holders entitled thereto of the unpaid principal of and applicable premium on any of the Securities which shall have become due (other than Securities previously called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), whether at stated maturity or by redemption, in the order of their due dates, beginning with the earliest due date, and if the amount available is not sufficient to pay in full all Securities due on any particular date, then to the payment thereof ratably, according to the amounts of principal and applicable premium due on that date, to the Holders entitled thereto, without any discrimination or privilege;

THIRD: If the principal of the outstanding Securities in respect of which such moneys have been collected shall have become due, by declaration or otherwise, to the payment of the whole amount then owing and unpaid upon the Securities for principal and any premium and interest thereon, with interest on the overdue principal and any premium and (to the extent allowed by law and to the extent that such interest has been collected by the Trustee) upon overdue installments of interest at the rate borne by the Securities; and in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the Securities, then to the payment of such principal and any premium and interest without preference or priority of principal and any premium over interest, or of interest over principal and any premium or of any installment of interest over any other installment of interest, or of any Security over any other Security, ratably to the aggregate of such principal and any premium and accrued and unpaid interest; and

FOURTH: to the payment of the remainder, if any, to the Company or its successors or assigns, or to whomsoever may lawfully be entitled to the same, or as a court of competent jurisdiction may determine.

Section 7.4. Proceedings By Securityholders.

(a) No Holder of any Security shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of an Event of Default with respect to such Security and of the continuance thereof, as hereinabove provided, and unless also Securityholders of a majority in aggregate principal amount of the Securities then outstanding affected by such Event of Default shall have made

written request upon the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for 60 days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding.

(b) Notwithstanding any other provision in this Indenture, however, the rights of any Holder of any Security to receive payment of the principal of and any premium and interest on such Security, on or after the respective due dates expressed in such Security or on the applicable redemption date, or to institute suit for the enforcement of any such payment on or after such respective dates shall not be impaired or affected without the consent of such Holder.

Section 7.5. Proceedings By Trustee. In case of an Event of Default hereunder the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture, by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either by suit in equity or by action at law or by proceeding in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted to it under this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law. · ·

Section 7.6. Remedies Cumulative And Continuing. All powers and remedies given by this Article VII to the Trustee or to the Securityholders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any powers and remedies hereof or of any other powers and remedies available to the Trustee or the Holders of the Securities, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any Holder of any of the Securities in exercising any right or power accruing upon any default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein; and, subject to Section 7.4 hereof, every power and remedy given by this Article VII or by law to the Trustee or to the Securityholders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Securityholders.

Section 7.7. Direction Of Proceedings And Waiver Of Defaults By Majority Of Securityholders. The Holders of a majority in aggregate principal amount of the Securities at the time outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee; provided, that (subject to Section 8.1 hereof) the Trustee shall have the right to decline to follow any such direction if the Trustee being advised by counsel determines that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors or trustees, executive committee, or a trust committee of directors or trustees or responsible officers shall determine that the action or proceeding so directed would involve the Trustee in personal liability or would be unduly prejudicial to the rights of Securityholders not joining in such directions. The Holders of a majority in aggregate principal amount of the

Securities at the time outstanding may on behalf of all of the Holders of the Securities waive any past default or Event of Default hereunder and its consequences except a default in the payment of principal of or any premium or interest on the Securities. Upon any such waiver the Company, the Trustee and the Holders of the Securities shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon. Whenever any default or Event of Default hereunder shall have been waived as permitted by this Section 7.7, said default or Event of Default shall for all purposes of the Securities and this Indenture be deemed to have been cured and to be not continuing.

Section 7.8. Notice Of Default. The Trustee shall, within 90 days after the occurrence of a default, give to all Holders of the Securities, in the manner provided in Section 14.10, notice of such default, unless such default shall have been cured before the giving of such notice, the term "default" for the purpose of this ·section 7.8 being hereby defined to be any event which is or after notice or lapse of time or both would become an Event of Default; provided that, except in the case of default in the payment of the principal of or any premium or interest on any of the Securities, or in the payment of any sinking or purchase fund installments, the Trustee shall be protected in withholding such notice if and so long as its board of directors or trustees, executive committee, or a trust committee of directors or trustees or responsible officers in good faith determines that the withholding of such notice is in the interests of the Holders of the Securities. The Trustee shall not be charged with knowledge of any Event of Default unless a responsible officer of the Trustee assigned to the corporate trustee department of the Trustee shall have actual knowledge of such Event of Default.

Section 7.9. Undertaking To Pay Costs. All parties to this Indenture agree, and each Holder of any Security by acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but this Section 7.9 shall not apply to any suit instituted by the Trustee, or to any suit instituted by any Securityholder, or group of Securityholders, holding in the aggregate more than 10% in principal amount of the Securities outstanding, or to any suit instituted by any Securityholder for the enforcement of the payment of the principal of or any premium or interest on any Security on or after the due date expressed in such Security or the applicable redemption date.

ARTICLE VIII.

CONCERNING THE TRUSTEE

Section 8.1. Duties And Responsibilities Of Trustee.

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. If an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

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

(1) prior to the occurrence of any Event of Default and after the curing or waiving of all Events of Default which may have occurred

(A) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

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

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

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with Section 7.7 hereof relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee,
or exercising any trust or power conferred upon the Trustee under this Indenture .

Section 8.2. Reliance On Documents, Opinions, Etc. Except as otherwise provided in Section 8.1 hereof:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof is herein specifically prescribed); and any Board Resolution may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Company;

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

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

(e) the Trustee shall not be liable for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(f) prior to the occurrence of an Event of Default hereunder and after the curing or waiving of all Events of Default, the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, note or other paper or document, unless requested in writing to do so by the Holders of at least a majority in principal amount of the then outstanding Securities; provided that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by this Indenture, the Trustee may require reasonable indemnity against such expense or liability as a condition to so proceeding;

(g) no provision of this Indenture shall require the Trustee to extend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it; and

(h) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents or attorneys; provided that the Trustee shall not be liable for the conduct or acts of any such agent or attorney that shall have been appointed in accordance herewith with due care.

Section 8.3. No Responsibility For Recitals, Etc. The recitals contained herein and in the Securities (except in the certificate of authentication) shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of any Securities or the proceeds of any Securities authenticated and delivered by the Trustee in conformity with this Indenture. The Trustee shall not be responsible for recording or filing this Indenture, any supplemental indenture, or any financing or continuation statement in any public office at any time or times.

Section 8.4. Trustee, Authenticating Agent, Paying Agent Or Registrar May Own Securities. The Trustee and any Authenticating Agent or paying agent in its individual or other capacity, may become the owner or pledgee of Securities with the same rights it would have if it were not Trustee, Authenticating Agent or paying agent. .

Section 8.5. Moneys To Be Held In Trust. Subject to Section 4.4 hereof, all moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Trustee may allow and credit to the Company interest on any money received hereunder at such rate, if any, as may be agreed upon by the Company and the Trustee from time to time as may be permitted by law.

Section 8.6. Compensation and Expenses Of Trustee. The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation (which shall not be limited by any law in regard to the compensation of a trustee of an express trust), and the Company shall pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with this Indenture (including the reasonable compensation and the reasonable expenses and disbursements of its counsel and agents, including any Authenticating Agents, and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. The Company also covenants to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Trustee and arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability. The obligations of the Company under this Section 8.6 to compensate the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder. Such additional indebtedness shall be secured by a lien prior to that of the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the Holders of any particular Securities.

Section 8.7. Officers' Certificate As Evidence. Whenever in the administration of this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to the taking, suffering or omitting of any action hereunder, such matter (unless other evidence in respect thereof is herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee, and such Officers' Certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted by it under this Indenture in reliance thereon.

Section 8.8. Conflicting Interest Of Trustee. The Trustee shall be subject to and shall comply with the provisions of Section 310 of the TIA; provided that, to the extent permitted by law, Norwest Bank Minnesota, National Association shall not be deemed to have a conflicting interest for purposes of Section 310(b) of the TIA because of its capacity as trustee under the Company's pollution control and Resource Recovery bonds. Nothing in this Indenture shall be deemed to prohibit the Trustee or the Company from making any application permitted pursuant to such section.

Section 8.9. Existence And Eligibility Of Trustee. There shall at all times be a Trustee hereunder which Trustee shall at all times be a corporation organized and doing business under the laws of the United States or any State thereof or of the District of Columbia (or a corporation or other Person permitted to act as trustee by the Commission), subject to supervision or examination by such bodies and authorized under such laws to exercise corporate trust powers and having a combined capital and surplus of at least $150,000,000. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid authority, then for the purposes of this Section 8.9, the combined capital and surplus shall be deemed to be as set forth in its most recent report of condition so published. No obligor upon the Securities or Person directly or indirectly controlling, controlled by, or under common control with such obligor shall serve as Trustee. If at any time the Trustee shall cease to be eligible in accordance with this Section 8.9, the Trustee shall resign immediately in the manner and with the effect specified in Section 8.10 hereof.

Section 8.10. Resignation Or Removal Of Trustee.

(a) Pursuant to the provisions of this Article, the Trustee may at any time resign and be discharged of the trusts created by this Indenture by giving written notice to the Company specifying the day upon which such resignation shall take effect, and such resignation shall take effect immediately upon the later of the appointment of a successor trustee and such day.

(b) Any Trustee may be removed at any time by an instrument or concurrent instruments in writing filed with such Trustee and signed and acknowledged by the Holders of a majority in principal amount of the then outstanding Securities or by their attorneys in fact duly authorized.

(c) So long as no Event of Default has occurred and is continuing, and no event has occurred and is continuing that, with the giving of notice or the lapse of time or both, would

become an Event of Default, the Company may remove any Trustee upon written notice to the Holder of each Security outstanding and the Trustee.

(d) If at any time (1) the Trustee shall cease to be eligible in accordance with Section 8.9 hereof and shall fail to resign after written request therefor by the Company or by any Holder who has been a bona fide Holder for at least six months, (2) the Trustee shall fail to comply with Section 8.8 hereof after written request therefor by the Company or any such Holder, or (3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then the Trustee may be removed forthwith by an instrument or concurrent instruments in writing filed with the Trustee and either:

(1) signed by the President or any Vice President or the Company and attested by the Secretary or an Assistant Secretary of the Company; or

(2) signed and acknowledged by the Holders of a majority in principal amount of outstanding Securities or by their attorneys in fact duly authorized.

(e) Any resignation or removal of the Trustee shall not become effective until acceptance of appointment by the successor Trustee as provided in Section 8.11 hereof.

Section 8.11. Appointment Of Successor Trustee.

(a) If at any time the Trustee shall resign or be removed, the Company, by a Board Resolution, shall promptly appoint a successor Trustee.

The Company shall provide written notice of its appointment of a Successor Trustee to the Holder of each Security outstanding following any such appointment.

(b) If no appointment of a successor Trustee shall be made pursuant to Section 8.ll(a) hereof within 60 days after appointment shall be required, any Securityholder or the resigning Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(c) Any Trustee appointed under this Section 8.11 as a successor Trustee shall be a bank or trust company eligible under Section 8.9 hereof and qualified under Section 8.8 hereof.

Section 8.12. Acceptance By Successor Trustee.

(a) Any successor Trustee appointed as provided in Section 8.11 hereof shall execute, acknowledge and deliver to the Company and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance,

shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Trustee herein; but nevertheless, on the written request of the Company or of the successor Trustee, the Trustee ceasing to act shall, upon payment of any amounts then due it pursuant to Section 8.6 hereof, execute and deliver an instrument transferring to such successor Trustee all the rights and powers of the Trustee so ceasing to act. Upon request of any such successor Trustee, the Company shall execute any and all instruments in writing in order more fully and certainly to vest in and confirm to such successor Trustee all such rights and powers. Any Trustee ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected by such Trustee to secure any amounts then due it pursuant to Section 8.6 hereof.

(b) No successor Trustee shall accept appointment as provided in this Section 8.12 unless at the time of such acceptance such successor Trustee shall be qualified under Section 8.8 hereof and eligible under Section 8.9 hereof.

(c) Upon acceptance of appointment by a successor Trustee as provided in this Section 8.12, the successor Trustee shall mail notice of its succession hereunder to all Holders of Securities as the names and addresses of such Holders appear on the registry books.

Section 8.13. Succession By Merger, Etc.

(a) Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided such corporation shall be otherwise qualified and eligible under this Article.

(b) If at the time such successor to the Trustee shall succeed to the trusts created by this Indenture any of the Securities shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor Trustee, and deliver such Securities so authenticated; and in case at that time any of the Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Securities or in this Indenture provided that the certificates of the Trustee shall have; provided that the right to adopt the certificate of authentication of any predecessor Trustee or authenticate Securities in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

Section 8.14. Limitations On Rights Of Trustee As A Creditor.

The Trustee shall be subject to, and shall comply with, the provisions of Section 311 of the TIA.

Section 8.15. Authenticating Agent.

(a) There may be one or more Authenticating Agents appointed by the Trustee with the written consent of the Company, with power to act on its behalf and subject to the direction of the Trustee in the authentication and delivery of Securities in connection with transfers and exchanges under Sections 2.6, 2.7, 2.8, 2.13, 3.3, and 12.4 hereof, as fully to all intents and purposes as though such Authenticating Agents had been expressly authorized by those Sections to authenticate and deliver Securities. For all purposes of this Indenture, the authentication and delivery of Securities by any Authenticating Agent pursuant to this Section 8.15 shall be deemed to be the authentication and delivery of such Securities "by the Trustee." Any such Authenticating Agent shall be a bank or trust company or other Person of the character and qualifications set forth in Section 8.9 hereof.

(b) Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which any Authenticating Agent shall be a ·party, or any corporation succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, if such successor corporation is otherwise eligible under this Section 8.15, without the execution or filing of any paper or any further act on the part of the parties hereto or such Authenticating Agent or such successor corporation.

(c) Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section 8.15, the Trustee may, with the written consent of the Company, appoint a successor Authenticating Agent, and upon so doing shall give written notice of such appointment to the Company and hall mail, in the manner provided in Section 14.10, notice of such appointment to the Holders of Securities. ·

(d) The Trustee agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services, and the Trustee shall be entitled to be reimbursed for such payments, in accordance with Section 8.6 hereof.

(e) Sections 8.2, 8.3, 8.6, 8.7 and 8.9 hereof shall be applicable to any Authenticating Agent

ARTICLE IX.

CONCERNING THE SECURITYHOLDERS

Section 9.1. Action By Securityholders. Whenever in this Indenture it is provided that the Holders of a specified percentage in aggregate principal amount of the Securities may take any action, the fact that at the time of taking any such action the Holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by such Securityholders in person or by agent or proxy appointed in writing, (b) by the record of such Securityholders voting in favor thereof at any meeting of Securityholders duly called and held in accordance with Article X hereof, or (c) by a combination of such instrument or instruments and any such record of such a meeting of Securityholders.

Section 9.2. Proof Of Execution By Securityholders.

(a) Subject to Sections 8.1, 8.2 and 10.5 hereof, proof of the execution of any instruments by a Securityholder or the agent or proxy for such Securityholder shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The ownership of Securities shall be proved by the register for the Securities maintained by the Trustee.

(b) The record of any Securityholders' meeting shall be proven in the manner provided in Section 10.6 hereof.

Section 9.3. Who Deemed Absolute Owners. Subject to Sections 2.4(f) and 9.1 hereof, the Company, the Trustee, any paying agent and any Authenticating Agent shall deem the person in whose name any Security shall be registered upon the register for the Securities to be, and shall treat such person as, the absolute owner of such Security (whether or not such Security shall be overdue) for the purpose of receiving payment of or on account of the principal and premium, if any, and interest on such Security, and for all other purposes; and neither the Company nor the Trustee nor any paying agent nor any Authenticating Agent shall be affected by any notice to the contrary. All such payments shall be valid and effectual to satisfy and discharge the liability upon any such Security to the extent of the sum or sums so paid.

Section 9.4. Company-Owned Securities Disregarded. In determining whether the Holders of the requisite aggregate principal amount of outstanding Securities have concurred in any direction, consent or waiver under this Indenture, Securities which are owned by the Company or any other obligor on the Securities or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any other obligor on the Securities shall be disregarded and deemed not to be outstanding for the purpose of any such determination; provided that, for the purposes of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver, only Securities which the Trustee

knows are so owned shall be so disregarded. Securities so owned which have been pledged in good faith to third parties may be regarded as outstanding for the purposes of this Section 9.4 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to take action with respect to such Securities and that the pledgee is not a person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any such other obligor. In the case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Section 9.5. Revocation Of Consents; Future Holders Bound. Except as may be otherwise required in the case of a Global Security by the applicable rules and regulations of the Depository, at any time prior to the taking of any action by the Holders of the percentage in aggregate principal amount of the Securities specified in this Indenture in connection with such action, any Holder of a Security, which has been included in the Securities the Holders of which have consented to such action, may, by filing written notice with the Trustee 'at the corporate trust office of the Trustee and upon proof of ownership as provided in Section 9.2(a) hereof, revoke such action so far as it concerns such Security. Except as aforesaid, any such action taken by the Holder of any Security shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Security and of any Securities issued in exchange, substitution or upon registration of transfer therefor, irrespective of whether or not any notation thereof is made upon such Security or such other Securities.

Section 9.6. Record Date For Securityholder Acts. If the Company shall solicit from the Securityholders any request, demand, authorization, direction, notice, consent, waiver or other act, the Company may, at its option, by Board Resolution, fix in advance a record date for the determination of Securityholders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other act may be given before or after the record date, but only the Securityholders of record at the close of business on the record date shall be deemed to be Securityholders for the purpose of determining whether Holders of the requisite aggregate principal amount of outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other act, and for that purpose the outstanding Securities shall be computed as of the record date; provided that no such request, demand, authorization, direction, notice, consent, waiver or other act by the Securityholders on the record date shall be deemed effective unless it shall become effective pursuant to this Indenture not later than six months after the record date. Any such record date shall be at least 30 days prior to the date of the solicitation to the Securityholders by the Company.

ARTICLE X.

SECURITYHOLDERS' MEETING

Section 10.1. Purposes Of Meetings. A meeting of Securityholders may be called at any time and from time to time pursuant to this Article X for any of the following purposes:

(a) to give any notice to the Company or to the Trustee, or to give any directions to the Trustee, or to consent to the waiving of any Event of Default hereunder and its consequences, or to take any other action authorized to be taken by Securityholders pursuant to Article VII;

(b) to remove the Trustee pursuant to Article VIII;

(c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to Section 12.2 hereof; or

(d) to take any other action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Securities, as the case may be, under any other provision of this Indenture or under applicable law.

Section 10.2. Call Of Meetings By Trustee. The Trustee may at any time call a meeting of Holders of Securities to take any action specified in Section 10.1 hereof, to be held at such time and at such place as the Trustee shall determine. Notice of every such meeting of Securityholders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given to Holders of the Securities that may be affected by the action proposed to be taken at such meeting in the manner provided in Section 14.10 hereof. Such notice shall be given not less than 20 nor more than 90 days prior to the date fixed for such meeting.

Section 10.3. Call Of Meetings By Company Or Securityholders. If at any time the Company, pursuant to a Board Resolution, or the Holders of at least 10% in aggregate principal amount of the Securities then outstanding, shall have requested the Trustee to call a meeting of Securityholders, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed the notice of such meeting within 20 days after receipt of such request, then the Company or such Securityholders may determine the time and the place for such meeting and may call such meeting to take any action authorized in Section 10.1 hereof, by giving notice thereof as provided in Section 10.2 hereof.

Section 10.4. Qualifications For Voting. To be entitled to vote at any meetings of Securityholders a Person shall (a) be a Holder of one or more Securities affected by the action proposed to be taken or (b) be a Person appointed by an instrument in writing as proxy by a Holder of one or more such Securities. The only Persons who shall be entitled to be present or to speak at any meeting of Securityholders shall be the Persons entitled to vote at such meeting and their counsel and any representatives (including employees) of the Trustee and its counsel and any representatives (including employees) of the Company and its counsel.

Section 10.5. Regulations.

(a) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Securityholders in regard to proof of the holding of Securities and of the appointment of proxies, and in regard to

the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit.

(b) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by the Securityholders as provided in Section 10.3 hereof, in which case the Company or Securityholders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by the Holders of a majority in aggregate principal amount of the Securities present in person or by proxy at the meeting.

(c) Subject to Section 9.4 hereof, at any meeting each Securityholder or proxy shall be entitled to one vote for each $1,000 principal amount of Securities held or represented by such Securityholder; provided that no vote shall be cast or counted at any meeting in respect of any Security ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Securities held by such chairman or instruments in writing as aforesaid duly designating such chairman as the person to vote on behalf of other Securityholders. At any meeting of Securityholders duly called pursuant to Section 10.2 or 10.3 hereof, the presence of persons holding or representing Securities in an aggregate principal amount sufficient to take action on any business for the transaction for which such meeting was called shall constitute a quorum. Any meeting of Securityholders duly called pursuant to Section 10.2 or 10.3 hereof may be adjourned from time to time by the Holders of a majority in aggregate principal amount of the Securities present in person or by proxy at the meeting, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

Section 10.6. Voting. The vote upon any resolution submitted to any meeting of Securityholders shall be by written ballots on which shall be subscribed the signatures of the Holders of Securities or of their representatives by proxy and the principal amount of Securities held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of such meeting of Securityholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 10.2 hereof. The record shall show the aggregate principal amount of the Securities voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee and the Trustee shall have the ballots taken at the meeting attached to such duplicate. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 10.7. Rights Of Trustee Or Securityholders Not Delayed. Nothing in this Article X shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Securityholders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Holders of Securities under any of the provisions of this Indenture or of the Securities.

ARTICLE XI.

CONSOLIDATION, MERGER, SALE, TRANSFER OR OTHER DISPOSITION

Section 11.1. Company May Consolidate, Etc. Only On Certain Terms. The Company shall not consolidate with or merge into any other corporation or sell, or otherwise dispose all or substantially all of its assets unless (i) the corporation formed by such consolidation or into which the Company is merged or the Person which receives all or substantially all of the assets pursuant to such sale, transfer or other disposition shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and premium and interest on all of the Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed and (ii) the Company or such successor corporation or Person, as the case may be, shall not, immediately after such consolidation or merger, or such sale or disposition, be in default in the performance of any such covenant. For purposes of this Article XI the phrase *"all or substantially all of its assets"* shall mean 50% or more of the total assets of the Company as shown on the balance sheet of the Company as of the end of the calendar year immediately preceding the day of the year in which such determination is made and nothing in this Indenture shall prevent or hinder the Company from selling, transferring or otherwise disposing during any calendar year (in one transaction or a series of transactions) less than 50% of the amount of its total assets as shown on the balance sheet of the Company as of the end of the immediately preceding calendar year.

Section 11.2. Successor Corporation Substituted. Upon any consolidation or merger, or any sale, transfer or other disposition of all or substantially all of the assets of the Company in accordance with Section 11.1 hereof, the successor corporation formed by such consolidation or into which the Company is merged or to which such sale, transfer or other disposition is made shall succeed to, and be substituted for and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein and the Company shall be released from all obligations hereunder.

ARTICLE XII.

SUPPLEMENTAL INDENTURES

Section 12.1. Supplemental Indentures Without Consent Of Securityholders

(a) The Company, when authorized by Board Resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

(1) to make such provision in regard to matters or questions arising under this Indenture as may be necessary or desirable, and not inconsistent with this Indenture or prejudicial to the interests of the Holders, for the purpose of supplying any omission, curing any ambiguity, or curing, correcting or supplementing any defective or inconsistent provision;

(2) to change or eliminate any of the provisions of this Indenture, provided that any such change or elimination shall become effective only when there is no Security outstanding created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision or such change or elimination is applicable only to Securities issued after the effective date of such change or elimination;

(3) to establish the form of Securities as permitted by Section 2.1 hereof or to establish or reflect any terms of any Security determined pursuant to Section 2.5 hereof;

(4) to evidence the succession of another corporation to the Company, and the assumption by any such successor of the covenants of the Company herein and in the Securities;

(5) to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority;

(6) to permit the Trustee to comply with any duties imposed upon it by law;

(7) to specify further the duties and responsibilities of, and to define further the relationships among the Trustee, any Authenticating Agent and any paying agent;

(8) to add to the covenants of the Company for the benefit of the Holders, to add security for the Securities or to surrender a right or power conferred on the Company herein; and

(9) to make any other change that is not prejudicial to the Trustee or the Holders.

(b) The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer and assignment of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental

- indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(c) Any supplemental indenture authorized by this Section 12.1 may be executed by the Company and the Trustee without the consent of the Holders of any of the Securities at the time outstanding, notwithstanding any of the provisions of Section 12.2 hereof.

Section 12.2. Supplemental Indentures With Consent Of Securityholders.

(a) With the consent (evidenced as provided in Section 9.1 hereof) of the Holders of a majority in aggregate principal amount of the Securities at the time outstanding, the Company, when authorized by Board Resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the rights of the Securityholders; provided that no such supplemental indenture shall:

(1) change the maturity date of any Security, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof or any premium thereon, or change the coin or currency in which the principal of any Security or any premium or interest thereon is payable, or change the date on which any Security may be redeemed or repaid at the option of the holder thereof or adversely affect the rights of the Securityholders to institute suit for the enforcement of any payment of principal of or any premium or interest on any Security, in each case without the consent of the Holder of each Security so affected; or

(2) modify this Section 12.2(a) or reduce the aforesaid percentage of Securities, the Holders of which are required to consent to any such supplemental indenture or to reduce the percentage of Securities, the Holders of which are required to waive Events of Default, in each case, without the consent of the Holders of all of the Securities then outstanding.

(b) Upon the request of the Company, accompanied by a copy of the Board Resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Securityholders as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

(c) It shall not be necessary for the consent of the Holders of Securities under this Section 12.2 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

(d) Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to this Section 12.2, the Trustee shall give notice in the manner provided in Section 14.10 hereof, setting forth in general terms the substance of such supplemental indenture, to all Securityholders. Any failure of the Trustee to give such notice or any defect therein shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Section 12.3. Compliance With Trust Indenture Act; Effect Of Supplemental Indentures. Any supplemental indenture executed pursuant to this Article XII shall comply with the TIA. Upon the execution of any supplemental indenture pursuant to this Article XII, the Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the Securityholders shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 12.4. Notation On Securities. Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article XII may bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as approved by the Trustee and the Board of Directors with respect to any modification of this Indenture contained in any such supplemental indenture may be prepared and executed by the Company, authenticated by the Trustee and delivered in exchange for the Securities then outstanding.

Section 12.5. Evidence Of Compliance Of Supplemental Indenture To Be Furnished Trustee. The Trustee, subject to Sections 8.1 and 8.2 hereof may receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant hereto complies with the requirements of this Article XII.

ARTICLE XIII.

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

Section 13.1. Indenture And Securities Solely Corporate Obligations. No recourse for the payment of the principal of or any premium or interest on any Security, or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, contained in this Indenture or in any supplemental indenture, or in any Security, or because of the creation of any indebtedness represented thereby, shall be had

against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issuance of the Securities.

ARTICLE XIV.

MISCELLANEOUS PROVISIONS

Section 14.1. Provisions Binding On Company's Successors. All the covenants, stipulations, promises and agreements made by the Company in this Indenture shall bind its successors and assigns whether so expressed or not.

Section 14.2. Official Acts By Successor Corporation. Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any corporation that shall at the time be the lawful successor of the Company.

Section 14.3. Notices.

(a) Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Securityholders on the Company may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the Company with the Trustee) at the principal executive offices of the Company, to the attention of the Secretary. Any notice, direction, request or demand by any Securityholder or the Company to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made in writing at the corporate trust office of the Trustee, Attention: Vice President, Corporate Trust Department.

(b) The Company shall provide any notices required under this Indenture by publication, but only to the extent that such publication is required by the TIA, the rules and regulations of the Commission or any securities exchange upon which any series of Securities is listed.

Section 14.4. Governing Law. This Indenture and each Security shall be deemed to be a contract made under the laws of the State of Minnesota, and for all purposes shall be construed in accordance with the laws of said State.

Section 14.5. Evidence Of Compliance With Conditions Precedent.

(a) Upon any application or demand by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture (including any covenants compliance with which constitutes a condition precedent) relating to the proposed action have been complied with and an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been compiled with.

(b) Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture (other than the certificates delivered pursuant to Section 5.5 hereof) shall include (1) a statement that each Person making such certificate or opinion has read such covenant or condition and the definitions relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (3) a statement that, in the opinion of each such Person, such Person has made such

examination or investigation as is necessary to enable such Person to express an informed opinion as to whether or not such covenant or condition has been complied with; and (4) a statement as to whether or not, in the opinion of each such Person, such condition or covenant has been complied with.

(c) In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

(d) Any certificate or opinion of an officer of the Company may be based insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which such certificate or opinion is based are erroneous. Any such certificate or opinion of counsel delivered under the Indenture may be based, insofar as it relates to factual matters upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such person knows, or in the exercise of reasonable care should know, that the certificate or opinion of representations with respect to such matters are erroneous. Any opinion of counsel delivered hereunder may contain standard exceptions and qualifications satisfactory to the Trustee.

(e) Any certificate, statement or opinion of any officer of the Company, or of counsel, may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an independent public accountant or firm of accountants, unless such officer or counsel, as the case may be, knows that the certificate or opinions or representations with respect to the accounting matters upon which the certificate, statement or opinion of such officer

or counsel may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous. Any certificate or opinion of any firm of independent public accountants filed with the Trustee shall contain a statement that such firm is independent.

(f) Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 14.6. Business Days. Unless otherwise provided pursuant to Section 2.5(c) hereof, in any case where the date of maturity of the principal of or any premium or interest on any Security or the date fixed for redemption of any Security is not a Business Day, then payment of such principal or any premium or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and affect as if made on the date of maturity or the date fixed for redemption, and, in the case of timely payment thereof, no interest shall accrue for the period from and after such Interest Payment Date or the date on which the principal of the Security is required to be paid.

Section 14.7. Trust Indenture Act To Control. If and to the extent that any provision of this Indenture limits, qualifies or conflicts with the duties imposed by any of Sections 310 to 317, inclusive, of the TIA, such required provision of the TIA shall govern.

Section 14.8. Table Of Contents, Headings, Etc. The table of contents and the titles and headings of the articles and sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 14.9. Execution In Counterparts. This Indenture may be- executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

Section 14.10. Manner Of Mailing Notice To Securityholders. Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or the Company to or on the Holders of Securities, as the case may be shall be given or served by first class mail, postage prepaid, addressed to the Holders of such Securities at their last addresses as the same appear on the register for the Securities referred to in Section 2.6, and any such notice shall be deemed to be given or served by being deposited in a post office letter box in the form and manner provided in this Section 14.10. In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give notice to any Holder by mail, then such notification to such Holder as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

Section 14.11. Approval By Trustee Of Expert Or Counsel. Wherever the Trustee is required to approve an Expert or counsel who is to furnish evidence of compliance with conditions precedent in this Indenture, such approval by the Trustee shall be deemed to have been given

upon the taking of any action by the Trustee pursuant to and in accordance with the certificate or opinion so furnished by such Expert or counsel.

IN WITNESS WHEREOF, NORTHERN STATES POWER COMPANY has caused this Indenture to be signed and acknowledged by one of its Vice Presidents, and attested by its Secretary, and NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION has caused this Indenture to be signed and acknowledged by one of its Vice Presidents or authorized Corporate Trust Officers, and attested by one of its authorized officers, as of the day and year first written above.

NORTHERN STATES POWER COMPANY

By /s/ E.J. McIntyre
Vice President and Chief Financial Officer

ATTEST: /s/ John P. Moore, Jr.,
Corporate Secretary

NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION, as Trustee

ATTEST:  By: /s/ Timothy P. Mowdy

Corporate Trust Officer

EXHIBIT A

FORM OF GLOBAL SECURITY

REGISTERED REGISTERED

THIS SECURITY IS A GLOBAL SECURITY REGISTERED IN THE NAME OF THE DEPOSITORY (REFERRED TO HEREIN) OR A NOMINEE THEREOF AND, UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL SECURITIES REPRESENTED HEREBY, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY. UNLESS THIS GLOBAL SECURITY IS PRESENTED BY AN AUTHORIZED REPRE. ENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK), TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

NORTHERN STATES POWER COMPANY
(Incorporated under the laws of the State of Minnesota)

____% DEBT SECURITY, SERIES DUE__-

CUSIP: NUMBER:

ORIGINAL ISSUE DATE(S): PRINCIPAL AMOUNT(S):

INTEREST RATE: MATURITY DATE:

NORTHERN STATES POWER COMPANY, a corporation of the State of Minnesota (the *"Company"),* for value received hereby promises to pay to Cede & Co. or registered assigns, the principal sum of

DOLLARS

on the Maturity Date set forth above, and to pay interest thereon from the Original Issue Date (or if this Global Security has two or more Original Issue Dates, interest shall, beginning on each

such Original Issue Date begin to accrue for that part of the principal amount to which that Original Issue Date is applicable) set forth above or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually in arrears on the__and
___ in each year, commencing on the first such Interest Payment Date succeeding the applicable Original Issue Date set forth above, at the per annum Interest Rate set forth above, until the principal hereof is paid or made available for payment. No interest shall accrue on the Maturity Date, so long as the principal amount of this Global Security is paid on the Maturity Date. The interest so payable and punctually paid or duly provided for on any such Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Security is registered at the close of business on the Regular Record Date for such interest, which shall be the _____or _____, as the case may be, next preceding such Interest Payment Date; provided, that the first Interest Payment Date for any part of this Security, the Original Issue Date of which is after a Regular Record Date but prior to the applicable Interest Payment Date, shall be the Interest Payment Date following the next succeeding Regular Record Date; and provided, that interest payable on the Maturity Date set forth above or, if applicable, upon redemption or acceleration, shall be payable to the Person to whom principal shall be payable. Except as otherwise provided in the Indenture (as defined below), any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and shall be paid to the Person in whose name this Security is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Security holders not more than fifteen days or fewer than ten days prior to such Special Record Date. On or before Noon, New York City time, or such other time as shall be agreed upon between the Trustee and the Depository, of the day on which such payment of interest is due on this Global Security (other than maturity), the Trustee shall pay to the Depository such interest in same day funds. On or before Noon, New York City time, or such other time as shall be agreed upon between the Trustee and the Depository, of the day on which principal, interest payable at maturity and premium, if any, is due on this Global Security and following receipt of the necessary funds from the Company and following receipt of the necessary funds from the Company, the Trustee shall deposit with the Depository the amount equal to the principal, interest payable at maturity and premium, if any, by wire transfer into the account specified by the Depository. As a condition to the payment, on the Maturity Date or upon redemption or acceleration, of any part of the principal and applicable premium of this Global Security, the Depository shall surrender, or cause to be surrendered, this Global Security to the Trustee, whereupon a new Global Security shall be issued to the Depository.

This Global Security is a global security in respect of a duly authorized issue of Debt Securities, Series (the *"Securities of this Series",* which term includes any Global Securities representing such Securities) of the Company issued and to be issued under an Indenture dated as of July I, 1999 between the Company and Norwest Bank Minnesota, National Association, as trustee (herein called the *"Trustee",* which term includes any successor Trustee under the Indenture) and indentures supplemental thereto (collectively, the *"Indenture").* Under the Indenture, one or more series of Securities may be issued and, as used herein, the term "Securities" refers to the Securities of this Series and any other outstanding series of Securities. Reference is hereby made for a more complete statement of the respective rights, limitations of rights, duties and immunities under the Indenture of the Company, the Trustee and the Security holders and of the terms upon which the Securities are and are to be authenticated and

delivered. This Global Security has been issued in respect of the series designated on the first page hereof, limited in aggregate principal amount to $.

Each Security of this Series shall be dated and issued as of the date of its authentication by the Trustee and shall bear an Original Issue Date or Dates. Each Security or Global Security issued upon transfer, exchange or substitution of such Security or Global Security shall bear the Original Issue Date or Dates of such transferred, exchanged or substituted Security or Global Security, as the case may be.

[As applicable, one of the following two sentences: This Global Security may not be redeemed prior to . This Global Security is not redeemable prior to the Maturity Date set forth on the first page hereof.] [If applicable: On or after , this Global Security is redeemable in whole or in part in increments of $1,000 (provided that any remaining principal amount of this Global Security shall be at least $100,000) at the option of the Company at the following redemption prices (expressed as a percentage of the principal amount to be redeemed) plus accrued interest to the redemption date:

Redemption Periods	Redemption Prices

Notice of redemption will be given by mail to Holders of Securities of this Series not less than 30 or more than 60 days prior to the date fixed for redemption, all as provided in the Indenture. In the event of redemption of this Global Security in part only, a new Global Security or Securities of like tenor and series for the unredeemed portion hereof will be issued in the name of the Security holder hereof upon the surrender hereof.]

Interest payments for this Global Security shall be computed and paid on the basis of a 360-day year of twelve 30-day months. In any case where any Interest Payment Date or date on which the principal of this Global Security is required to be paid is not a Business Day, then payment of principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on such Interest Payment Date or date on which the principal of this Global Security is required to be paid and, in the case of timely payment thereof, no interest shall accrue for the period from and after such Interest Payment Date or the date on which the principal of this Global Security is required to be paid.

The Company, at its option, and subject to the terms and conditions provided in the Indenture, will be discharged from any and all obligations in respect of the Securities (except for certain obligations including obligations to register the transfer or exchange of Securities, replace stolen, lost or mutilated Securities, maintain paying agencies and hold monies for payment in trust, all as set forth in the Indenture) if the Company deposits with the Trustee money, U.S. Government Obligations which through the payment of interest thereon and principal thereof in accordance with their terms will provide money, or a combination of money and U.S. Government Obligations, in any event in an amount sufficient, without reinvestment, to pay all the principal of and any premium and interest on the Securities on the dates such payments are due in accordance with the terms of the Securities.

If an Event of Default shall occur and be continuing, the principal of the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modifications of the rights and obligations of the Company and the rights of the Security holders under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in principal amount of the outstanding Securities. Any such consent or waiver by the Holder of this Global Security shall be conclusive and binding upon such Holder and upon all future Holders of this Global Security and of any Security issued upon the registration of transfer hereof or in exchange therefor or in lieu thereof whether or not notation of such consent or waiver is made upon the Security.

As set forth in and subject to the provisions of the Indenture, no Holder of any Securities will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default with respect to such Securities, the Holders of not less than a majority in principal amount of the outstanding Securities affected by such Event of Default shall have made written request and offered reasonable indemnity to the Trustee to institute such proceeding as Trustee and the Trustee shall have failed to institute such proceeding within 60 days; *provided however,* that such limitations do not apply to a suit instituted by the Holder hereof for the enforcement of payment of the principal of and any premium or interest on this Security on or after the respective due dates expressed here.

No reference herein to the Indenture and to provisions of this Global Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Global Security at the times, places and rates and the coin or currency prescribed in the Indenture.

As provided in .the Indenture and subject to certain limitations therein set forth, this Global Security may be transferred only as permitted by the legend hereto.

If at any time the Depository for this Global Security notifies the Company that it is unwilling or unable to continue as Depository for this Global Security or if at any time the Depository for this Global Security shall no longer be eligible or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, the Company shall appoint a successor Depository with respect to this Global Security. If a successor Depository for this Global Security is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company's election to issue this Security in global form shall no longer be effective with respect to this Global Security and the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of individual Securities of this Series in exchange for this Global Security, will authenticate and deliver individual Securities of this Series of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of this Global Security.

The Company may at any time and in its sole discretion determine that all Securities of this Series (but not less than all) issued or issuable in the form of one or more Global Securities

shall no longer be represented by such Global Security or Securities. In such event, the Company shall execute,- and the Trustee, upon receipt of a Company Order for the authentication and delivery of individual Securities of this Series in exchange for such Global Security, shall authenticate and deliver, individual Securities of this Series of like tenor and terms in definitive
form in an aggregate principal amount equal to the principal amount of such Global Security or Securities in exchange for such Global Security or Securities.

Under certain circumstances specified in the Indenture, the Depository may be required to surrender any two or more Global Securities which have identical terms (but which may have differing Original Issue Dates) to the Trustee, and the Company shall execute and the Trustee shall authenticate and deliver to, or at the direction of, the Depository a Global Security in principal amount equal to the aggregate principal amount of, and with all terms identical to, the Global Securities surrendered thereto and that shall indicate all Original Issue Dates and the principal amount applicable to each such Original Issue Date.

The Indenture and the Securities shall be governed by, and construed in accordance with, the laws of the State of Minnesota.

Unless the certificate of authentication hereon has been executed by the Trustee, directly or through an Authenticating Agent by manual signature of an authorized officer, this Global Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

All terms used in this Global Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture unless otherwise indicated herein.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: TRUSTEE'S CERTIFICATE OF AUTHENTICATION
NORTHERN STATES POWER COMPANY

By: _____

Title: _____

Attest: _____

Title: _____

This Security is one of the Securities of the series herein designated, described or provided for in the within-mentioned Indenture.

NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION, *as Trustee*

By: _____

Authorized Officer

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM- as tenants in common UNIF GIFT

MIN ACT_____ Custodian_____
(Cust) (Minor)

TEN ENT- as tenants by the entireties Under Uniform Gifts to Minors

JT TEN- as joint tenants with right of _____ survivorship and not as tenants in common State

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED the undersigned hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

Please print or typewrite name and address including postal zip code of assignee

the within security and all rights thereunder, hereby irrevocably constituting and appointing attorney to transfer said security on the books of the Company, with full power of substitution in the premises .

Dated: _____

NOTICE:The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatever.

EXHIBIT B

FORM OF SECURITY

REGISTERED REGISTERED

NORTHERN STATES POWER COMPANY
(Incorporated under the laws of the State of Minnesota)

_%DEBT SECURITY, SERIES DUE__

CUSIP: PRINCIPAL AMOUNT:

ORIGINAL ISSUE DATE: MATURITY DATE:

INTEREST RATE: NUMBER:

NORTHERN STATES POWER COMPANY, a corporation of the State of Minnesota (the "Company"), for value received hereby promises to pay to

or registered assigns, the principal sum of

DOLLARS

on the Maturity Date set forth above, and to pay interest thereon from the Original Issue Date set forth above or from the most recent date to which interest has been paid or duly provided for, semiannually in arrears on and in each year, commencing on the first such Interest Payment Date succeeding the Original Issue Date set forth above, at the per annum Interest Rate set forth above, until the principal hereof is paid or made available for payment. No interest shall accrue on the Maturity Date, so long as the principal amount of this Security is paid in full on the Maturity Date. The interest so payable and punctually paid or duly provided for on any such Interest Payment Date will, as provided: in the Indenture (as defined below), be paid to the Person in whose name this Security is registered at the close of business on the Regular Record Date for such interest, which shall be the or , as the case may be, next ·preceding such Interest Payment Date; provided that the first Interest Payment Date for any Security, the Original Issue Date of which is after a Regular Record Date but prior to the applicable Interest Payment Date, shall be the Interest Payment Date following the next succeeding Regular Record Date; and provided, that interest payable on the Maturity Date set forth above or, if applicable, upon redemption or acceleration, shall be payable to the Person to whom principal shall be payable. Except as otherwise provided in the Indenture (referred to on the reverse hereof), any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and shall be paid to the Person in whose name this Security is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Security holders not more than fifteen days nor fewer than ten days prior to such

Special Record Date. Principal, applicable premium and interest due at the maturity of this Security shall be payable in immediately available funds when due upon presentation and surrender of this Security at the corporate trust office of the Trustee or at the authorized office of any paying agent in the Borough of Manhattan, the City and State of New York. Interest on this Security (other than interest payable at maturity) shall be paid by check in clearinghouse funds to the Holder as its name appears on the register; provided, that if the Trustee receives a written request from any Holder of Securities (as defined below), the aggregate principal amount of all of which having the same Interest Payment Date as this Security equals or exceeds $10,000,000, on or prior to the applicable Regular Record Date, interest on the Security shall be paid by wire transfer of immediately available funds to a bank within the continental United States designated by such Holder in its request or by direct deposit into the account of such Holder designated by such Holder in its request if such account is maintained with the Trustee or any paying agent.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS SECURITY SET FORTH IN FULL ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH IN FULL AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof, directly or through an Authenticating Agent by manual signature of an authorized officer, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: NORTHERN STATES POWER COMPANY

By: _____

Title: _____

Attest: _____

Title: _____

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Security is one of the Securities of the series herein designated, described or provided for in the within-mentioned Indenture.

NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION, *as Trustee*

By: _____
Authorized Officer

[FORM OF REVERSE OF SECURITY]

NORTHERN STATES POWER COMPANY

___% DEBT SECURITIES, SERIES DUE___

This Security is one of a duly authorized issue of Debt Securities, Series (the "Securities of this Series") of the Company issued and to be issued under an Indenture dated as of June 1, 1999, between the Company and Norwest Bank Minnesota, National Association, as trustee (herein called the "Trustee", which term includes any successor Trustee under the Indenture) and indentures supplemental thereto (collectively, the "Indenture"). Under the Indenture, one or more series of Securities may be issued and, as used herein, the term "Securities" refers to the Securities of this Series and any other outstanding series of Securities. Reference is hereby made for a more complete statement of the respective rights, limitations of rights, duties and immunities under the Indenture of the Company, the Trustee and the Security holders and of the terms upon which the Securities are and are to be authenticated and delivered. This Security is one of the series designated on the face hereof, limited in aggregate principal amount to
$_____.

[As applicable, one of the following two sentences: This Security may not be redeemed prior to , . This Security is not redeemable prior to the Maturity Date set forth on the face hereof.] [If applicable: On or after , this Security is redeemable in whole or in part in increments of $1,000 (provided that any remaining principal amount of this Security shall be at least $1,000) at the option of the Company at the following redemption prices (expressed as a percentage of the principal amount to be redeemed) plus accrued interest to the redemption date:

Redemption Periods	Redemption Prices

Notice of redemption will be given by mail to Holders of Securities of this Series not less than 30 or more than 60 days prior to the date fixed for redemption, all as provided in the Indenture. In the event of redemption of this Security in part only, a new Security or Securities of this Series of like tenor for the unredeemed portion hereof will be issued in the name of the Security holder hereof upon the surrender hereof.

Interest payments for this Security shall be computed and paid on the basis of a 360-day year of twelve 30-day months. In any case where any Interest Payment Date or the date on which the principal of this Security is required to be paid is not a Business Day, then payment of principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on such Interest Payment Date or the date on which the principal of this Security is required to be paid, and, in the case of timely payment thereof, no interest shall accrue for the period from and after such Interest Payment Date or the date on which the principal of this Security is required to be paid.

The Company, at its option, and subject to the terms and conditions provided in the Indenture, will be discharged from any and all obligations in respect of the Securities (except for certain obligations including obligations to register the transfer or exchange of Securities, replace

stolen, lost or mutilated Securities, maintain paying agencies and hold monies for payment in trust, all as set forth in the Indenture) if the Company deposits with the Trustee money, U.S. Government Obligations which through the payment of interest thereon and principal thereof in accordance with their terms will provide money, or a combination of money and U.S. Government Obligations, in any event in an amount sufficient, without reinvestment, to pay all the principal of and any premium and interest on the Securities on the dates such payments are due in accordance with the terms of the Securities.

If an Event of Default shall occur and be continuing, the principal of the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modifications of the rights and obligations of the Company and the rights of the Security holders under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in principal amount of the outstanding Securities. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange therefor in lieu thereof whether or not notation of such consent or waiver is made upon the Security.

As set forth in and subject to the provisions of the Indenture, no Holder of any Securities will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default with respect to such Securities, the Holders of not less than a majority in principal amount of the outstanding Securities affected by such Event of Default shall have made written request and offered reasonable indemnity to the Trustee to institute such proceeding as Trustee and the Trustee shall have failed to institute such proceeding within 60 days; *provided,* however, that such limitations do not apply to a suit instituted by the Holder hereof for the enforcement of payment of the principal of and any premium or interest on this Security on or after the respective due dates expressed here.

No reference herein to the Indenture and to provisions of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, places and rates and the coin or currency prescribed in the Indenture.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security register. Upon surrender of this Security for registration or transfer at the corporate trust office of the Trustee or such other office or agency as may be designated by the Company in the Borough of Manhattan, the City and State of New York, endorsed by or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security registrar, duly executed by the Holder hereof or the attorney in fact of such Holder duly authorized in writing, one or more new Securities of this Series of like tenor and of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Securities of this Series are issuable only in registered form, without coupons, in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and

subject to certain limitations therein set forth, Securities of this Series are exchangeable for a like aggregate principal amount of Securities of this Series of like tenor and of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner thereof for all purposes, whether or not this Security is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and the Securities shall be governed by, and construed in accordance with, the laws of the State of Minnesota.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM- as tenants in common UNIF GIFT

MIN ACT-

_____Custodian_____ (Cust) (Minor)

TEN ENT -as tenants by the entireties Under Uniform Gifts to Minors JT TEN -as joint tenants with right of survivorship and not as tenants in common ___

State

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED the undersigned hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

Please print or typewrite name and address including postal zip code of assignee

the within security and all rights thereunder, hereby irrevocably constituting and appointing attorney to transfer said security on the books of the Company, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatever.

CH01/12013384.1

(Back To Top)

Section 6: EX-4.27 (EXHIBIT 4.27)

Exhibit 4.27

SUPPLEMENTAL AND RESTATED

TRUST INDENTURE

FROM

NORTHERN STATES POWER COMPANY
(A Wisconsin corporation)

TO

FIRST WISCONSIN TRUST COMPANY
TRUSTEE

_____

DATED March 1, 1991

_____

SECURING FIRST MORTGAGE BONDS OF
NORTHERN STATES POWER COMPANY

(Restating, amending and supplementing the
Trust Indenture dated April 1, 1947, as previously

supplemented through March 1, 1988)

TABLE OF CONTENTS
(Definitions of certain capitalized words used in the Indenture are contained in Section 1.03)

ARTICLE VIII.

PARTICULAR COVENANTS OF THE COMPANY

THIS SUPPLEMENTAL AND RESTATED TRUST INDENTURE, made as of March 1, 1991 by and between **NORTHERN STATES POWER COMPANY**, a corporation duly organized and existing under and by virtue of the laws of the State of Wisconsin, having its principal office in the city of Eau Claire, Wisconsin (the "Company"), the party of the first part, and **FIRST WISCONSIN TRUST COMPANY**, a corporation duly organized and existing under and by virtue of the laws of the State of Wisconsin, having its principal office in the City of Milwaukee, Wisconsin, as Trustee (the "Trustee"), party of the second part.

WHEREAS, the Company has executed and delivered to the Trustee its Trust Indenture (the "1947 Indenture"), made as of April 1, 1947, whereby the Company granted, bargained, sold, warranted, released, conveyed, assigned, transferred, mortgaged, pledged, set over, and confirmed to the Trustee, and to its respective successors in trust, all property, real, personal, and mixed, then owned or thereafter acquired or to be acquired by the Company (except as therein excepted from the lien thereof) and, subject to the rights reserved by the Company under the provisions of the 1947 Indenture, to be held by the Trustee in trust in accordance with provisions of the 1947 Indenture for the equal pro rata benefit and security of each and every bond issued and to be issued thereunder in accordance with the provisions thereof; and

WHEREAS, the Company has executed and delivered to the Trustee the following additional Supplemental Trust Indentures which, in addition to conveying, assigning, transferring, mortgaging, pledging, setting over, and confirming to the Trustee, and its respective successors in said trust, additional property acquired by it subsequent to the preparation of the next preceding Supplemental Trust Indenture and adding to the covenants, conditions, and agreements contained in the 1947 Indenture certain additional covenants, conditions, and agreements to be observed by the Company, created the following series of Bonds:

Date of Supplemental Trust Indenture	Designation of Series
March 1, 1949	Series due March 1, 1979 (retired)
June 1, 1957	Series due June 1, 1987 (retired)
August 1, 1964	Series due August 1, 1994
December 1, 1969	Series due December 1, 1999
September 1, 1973	Series due October 1, 2003
February 1, 1982	Pollution Control Series A (redeemed)
March 1, 1982	Series due March 1, 2012 (redeemed)
June 1, 1986	Series due July 1, 2016
March 1, 1988	Series due March 1, 2018

The 1947 Indenture and the foregoing Supplemental Trust Indentures are collectively referred to herein as the "Original Indenture." The Original Indenture, this Restated Indenture, any Subsequent Supplemental Trust Indentures and any Supplemental Trust Indentures executed after the Effective Date are collectively referred to herein as the "Indenture"; and

WHEREAS, the Company has deemed it necessary and desirable to amend, restate and supplement the Original Indenture as provided in Article I of this Restated Indenture; and

WHEREAS, this Restated Indenture shall become and be effective as provided in Article I hereof; and

WHEREAS, each Holder of a Bond of any series not now Outstanding, which series shall be originally authenticated by the Trustee and originally issued by the Company under the Indenture on or subsequent to the date of this Restated Indenture, by the acquisition, holding or ownership of such Bond, thereby consents and agrees to, and shall be bound by, the provisions of this Restated Indenture on and after the Effective Date; and

WHEREAS, the execution and delivery of this Restated Indenture have been duly authorized by the Company; and

WHEREAS, this Restated Indenture is supplemental to the Original Indenture and shall not in any way extinguish or otherwise adversely affect the lien of the Original Indenture on the mortgaged and pledged property of the Company; and

WHEREAS, capitalized terms previously used in these recitals or hereafter used in the granting clauses (and not otherwise defined herein or therein) shall have the meanings assigned to them by Section 1.03; and

WHEREAS, all things necessary to make this Restated Indenture a valid, binding and legal instrument for the security of the Bonds have been done and preformed;

GRANTING CLAUSES

NOW, THEREFORE, THIS INDENTURE WITNESSETH: The Company, in consideration of the premises and of one dollar to it duly paid by the Trustee at or before the ensealing and delivery of these presents, the receipt of which is hereby acknowledged, and in order to secure the payment, both of the principal and interest, of all Bonds at any time Outstanding according to their tenor and effect and the performance of and compliance with the covenants and conditions in this Indenture, has granted, bargained, sold, warranted, released, conveyed, assigned, transferred, mortgaged, pledged, set over and confirmed, and by these presents does grant, bargain, sell, warrant, release, convey, assign, transfer, mortgage, pledge, set over and confirm unto the Trustee, and to its successors in said trust forever, all property, real, personal and mixed now owned or hereafter acquired or to be acquired by the Company, and wherever situated (except as hereinafter excepted from the Lien Hereof) subject to the rights reserved by the Company and by other provisions of the Indenture, including (without in any manner limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in the Indenture) all lands, rights of way, other land rights, flowage and other water rights, reservoirs, dams, waterways, docks, roads, and other land improvements; fossil, nuclear, hydro and other electric generating plants, including buildings and other structures, turbines, generators, boilers, reactors, nuclear fuel, other boiler plant equipment, condensing equipment and all other generating equipment; substations; electric transmission and distribution systems, including structures, poles, towers, fixtures, conduits, insulators, wires, cables, transformers, services and meters; steam heating mains and equipment; gas transmission and distribution systems, including structures, storage facilities, mains, compressor stations, purifier stations, pressure holders, governors, services and meters; office, shop and other buildings and structures, furniture and equipment; apparatus and equipment of all

other kinds and descriptions; all municipal and other franchises, all leaseholds, licenses, permits, privileges, patents and patent rights; parts or parcels of such real property and items of other property being more specifically described and mentioned or enumerated in Schedule A, and in schedules marked Schedule A and annexed to the Original Indenture and to all Subsequent Supplemental Trust Indentures, except all Permanent Additions owned by the Company on or after April 1, 1947, which have been removed, sold, abandoned, destroyed or which for any cause have been permanently withdrawn from service or property described in such schedules which has been released by the Trustee from the Lien Hereof (reference to such schedules for a more specific description and enumeration of the property therein described and enumerated being hereby made with the same force and effect as if the same were incorporated herein at length);

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any way appertaining to the aforesaid property or any part thereof with the reversion and reversions, remainder and remainders, tolls, rents and revenues, issues, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

THERE ARE HEREBY EXCEPTED from the Lien of the Indenture, whether now owned or hereafter acquired by the Company, anything herein contained to the contrary notwithstanding, (1) all shares of stock, bonds, notes, evidence of indebtedness and other securities other than such as may be or are required to be deposited with the Trustee in accordance with the provisions of the Indenture; (2) cash on hand and in banks other than such as may be or is required to be deposited with the Trustee in accordance with the provisions of the Indenture; (3) contracts, claims, bills and accounts receivable and choses in action other than such as may be or are required to be assigned to the Trustee in accordance with the provisions of the Indenture; (4) motor vehicles; (5) any stock of goods, wares and merchandise, equipment and supplies acquired for the purpose of sale or lease in the usual course of business or for the purpose of consumption in the operation, construction or repair of any of the properties of the Company; and (6) parts or parcels of real property specifically described in a schedule marked Schedule B and annexed to the 1947 Indenture.

It is hereby agreed by the Company that, except as hereinabove excepted from the Lien Hereof, all the property, rights and franchises acquired by the Company after the Effective Date shall be as fully embraced within the Lien Hereof as if such property were now owned by the Company and were specifically described herein and conveyed hereby.

The foregoing provisions, as they purport to subject to the Lien Hereof property hereafter acquired by any Successor Corporation, are subject to the provisions of Article XVI relating to the effect of a consolidation or merger into another corporation or sale or lease of substantially all of the property of the Company.

TO HAVE AND TO HOLD all said properties, real, personal and mixed, mortgaged, pledged, or conveyed by the Company as aforesaid, or intended so to be, unto the Trustee and its successors and assigns forever; subject, however, to Permitted Encumbrances.

IN TRUST NEVERTHELESS, for the equal pro rata benefit and security of each and every Bond issued and to be issued hereunder in accordance with the provisions of the Indenture, without preference, priority or distinction as to lien of any over the others by reason of priority in time of the issue, negotiation or maturity thereof; subject, however, to the provisions of the Indenture and of any Supplemental Trust Indenture relating to any sinking fund or similar fund for the benefit of the Bonds of any particular series or of any portion of the Bonds of any series; it being intended that the lien and security for all Bonds shall take effect from the execution and delivery of the Indenture, and that the security and Lien of the Indenture shall take effect from the date of execution and delivery thereof as though all of the Bonds of all series were actually authenticated and delivered upon such date.

PROVIDED, that if the Company, its successors, or assigns, shall pay or cause to be paid unto the Holders of the Bonds the principal and interest to become due in respect thereof, at the times and in the manner stipulated therein and herein, and shall keep, perform and observe each and every covenant and promise expressed in the Bonds and expressed in the Indenture to be maintained, performed and observed by or on the part of the Company, then the Indenture and the estate and rights granted, shall cease, determine and be void, otherwise to be and remain in full force and effect.

IT IS HEREBY COVENANTED, DECLARED AND AGREED, by the Company, that, after the Effective Date, all Bonds previously or hereafter issued are to be issued, authenticated and delivered in accordance with, and that, after the Effective Date, all property subject or to become subject hereto is to be held subject to, the covenants, conditions, uses and trusts set forth herein. The Company, for itself and its successors and assigns, does hereby declare, covenant and agree to and with the Trustee and its successor or successors in said trust, for the benefit of those who shall hold Bonds after the Effective Date, as follows:

ARTICLE I.

EFFECTIVE DATE; AMENDMENT AND RESTATEMENT OF ORIGINAL INDENTURE; DEFINITIONS.

SECTION 1.01. The term "Effective Date" as used herein shall mean the date selected by the Company that is no earlier than the date on which a Supplemental Trust Indenture is first recorded and filed in such manner and to such extent as may be required by law and which states that: (a) the Original Indenture Bonds shall have been retired through payment or redemption (including those Original Indenture Bonds "deemed to be paid" within the meaning of that term as used in Article XVIII of the Original Indenture) at, before or after the maturity thereof, or (b) the Holders or Registered Holders of the Original Indenture Bonds not so retired through payment or redemption (or deemed to be paid within the meaning of Article XVIII of the Original Indenture) in accordance with the requirements of Article XIX of the Original Indenture, as amended pursuant to Article IV of the Supplemental Trust Indenture dated June 1, 1986, shall have approved and agreed to be bound by Section 1.02, Section 1.03, Article II and Articles IV through XXI of this Restated Indenture.

SECTION 1.02. (a) Upon the Effective Date, Articles I through XXI of the 1947 Indenture shall be deleted and replaced by Section 1.03, Article II and Articles IV through XXI of this Restated Indenture.

(b) Upon the Effective Date, the General Form of Coupon Bond, the General Form of Coupon, the General Form of Registered Bond without Coupons, the Form of Trustee's Certificate, the Form of Coupon Bond of Series due April 1, 1977 the Form of Coupon for Coupon Bonds of Series due April 1, 1977, and the Form of Registered Bond without Coupons of Series due April 1, 1977, in the 1947 Indenture are deleted.

(c) Upon the Effective Date, the Articles of the Supplemental Trust Indentures listed below shall de deleted:

March 1, 1949	Art. II
	Art. III
June 1, 1957	Art. II
	Art. III
December 1, 1969	Art. IV
February 1, 1982	Art. II
	Art. III
	Art. IV
March 1, 1982	Art. II
	Art. III
	Art. IV

June 1, 1986	Art. IV
March 1, 1988	Art. IV

(d) on the Effective Date, the following clause in the recitals of the Supplemental Trust Indentures dated March 1, 1949, June 1, 1957, August 1, 1964, December 1, 1969, September 1, 1973, February 1, 1982, March 1, 1982, June 1, 1986 and March 1, 1988 is deleted:

"**WHEREAS**, Section 2.01 of the Original Indenture provides that bonds may be issued thereunder in one or more series, each series to have such distinctive designation as the Board of Directors of the Company may select for such series; and"

is replaced by the following clause:

"**WHEREAS**, the Indenture provides that bonds may be issued thereunder in one or more series, each series to have such distinctive designation as the Board of Directors of the Company may select for such series; and".

(e) On the Effective Date, the following clause in the recitals of the Supplemental Trust Indenture dated March 1, 1949 is deleted:

"WHEREAS, Sections 2.01, 4.01 and 21.03 of the Original Indenture provide in substance that the Company and the Trustee may enter into indentures supplemental thereto for the purposes, among others, of creating and setting forth the particulars of any new series of bonds and of providing the terms and conditions of the issue of the bonds of any series not expressly provided for in the Original Indenture and of assigning, conveying, mortgaging, pledging and transferring unto the Trustee additional property of the Company, and for any other purpose not inconsistent with the terms of the Original Indenture; and"

is replaced by the following clause:

"WHEREAS, the Indenture provides in substance that the Company and the Trustee may enter into indentures supplemental thereto for the purposes, among others, of creating and setting forth the particulars of any new series of bonds and of providing the terms and conditions of the issue of the bonds of any series not expressly provided for in the Original Indenture and of conveying, assigning, transferring, mortgaging, pledging, setting over, and confirming to the Trustee additional property of the Company, and for any other purpose not inconsistent with the terms of the Indenture; and".

(f) On the Effective Date, the following clause in the recitals of the Supplemental Trust Indentures dated June 1, 1957, August 1, 1964, December 1, 1969, September 1, 1973, February 1, 1982, March 1, 1982, June 1, 1986 and March 1, 1988 is deleted:

"WHEREAS, Sections 4.01 and 21.03 of the Original Indenture provide in substance that the Company and the Trustee may enter into indentures supplemental thereto for the purposes, among others, of creating and setting forth the particulars of any

new series of bonds and of providing the terms and conditions of the issue of the bonds of any series not expressly provided for in the Original Indenture and of assigning, conveying, mortgaging, pledging and transferring unto the Trustee additional property of the Company, and for any other purpose not inconsistent with the terms of the Original Indenture; and".

and is replaced by the following clause:

> **"WHEREAS**, the Indenture provides in substance that the Company and the Trustee may enter into indentures supplemental thereto for the purposes, among others, of creating and setting forth the particulars of any new series of bonds and of providing the terms and conditions of the issue of the bonds of any series not expressly provided for in the Original Indenture and of conveying, assigning, transferring, mortgaging, pledging, setting over, and confirming to the Trustee additional property of the Company, and for any other purpose not inconsistent with the terms of the Original Indenture; and".

(g) On the Effective Date, the phrase "permissible encumbrances as defined in Section 1.09 of the Original Indenture" referenced in Section 1.01 of the Supplemental Trust Indentures dated March 1, 1949, June 1, 1957, August 1, 1964, December 1, 1969, September 1, 1973, February 1, 1982, March 1, 1982, June 1, 1986 and March 1, 1988 is deleted and the following phrase is inserted in lieu thereof:

"Permitted Encumbrances as defined in the Indenture".

(h) On the Effective Date, the phrase "shall be dated as in Section 2.09 of the Original Indenture provided." referenced in Section 2.01 of the Supplemental Trust Indenture dated August 1, 1964 is deleted and the following phrase is inserted in lieu thereof:

> "shall be dated as of the interest payment date of the Bonds of said series, next preceding the date of issue thereof, unless issued on an interest payment date, in which event they shall be dated as of such date and shall bear interest from their date or if issued prior to an interest payment date in which event they shall be dated as of the date of coupon bonds of such series."

(i) On the Effective Date, the phrase "Section 10.02 of the Original Indenture" referenced in Section 2.02 of the Supplemental Trust Indentures dated August 1, 1964, December 1, 1969, September 1, 1973, June 1, 1986 and March 1, 1988 is deleted wherever it appears and the following phrase is inserted in each instance in lieu thereof:

"Section 10.02 of the Indenture".

(j) On the Effective Date, the phrase "Article XIII of the Original Indenture" referenced in Section 2.02 of the Supplemental Trust Indentures dated August 1, 1964, December 1, 1969, September 1, 1973, June 1, 1986 and March 1, 1988 is deleted wherever it appears and the following phrase is inserted in each instance in lieu thereof:

" Article XIII of the Indenture".

(k) On the Effective Date, the phrase "bearing interest as provided in Section 2.09 of the Original Indenture thereupon" referenced in Section 2.03 of the Supplemental Trust Indentures dated December 1, 1969, September 1, 1973, June 1, 1986 and March 1, 1988 is deleted and the following phrase is inserted in lieu thereof:

"bearing interest as provided in Section 2.01 hereof,"

(l) On the Effective Date the phrase "dated and bearing interest as provided in Section 2.09 of the Original Indenture; and upon payment, if the Company shall so require, of the charge therefor as provided in Section 2.11 of the Original Indenture." referenced in Section 2.05 of the Supplemental Trust Indenture dated August 1, 1964 is deleted and the following phrase inserted in lieu thereof:

"dated and bearing interest as provided in Section 2.01 hereof, and upon payment, if the Company shall so require, of a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge required to be paid by the Company by reason of such exchange and in addition may charge a sum not exceeding five dollars ($5.00) for each bond issued upon any such exchange, which shall be paid by the party requesting such exchange as a condition precedent to the exercise of the privilege of making such exchange."

(m) On the Effective Date, the phrase "bearing interest as provided in Section 2.09 of the Original Indenture, and upon payment, if the Company shall so require, of the charge therefor provided in Section 2.11 of the Original Indenture;" referenced in Section 2.06 of the Supplemental Trust Indenture dated August 1, 1964 is deleted and the following phrase is inserted in lieu thereof:

"bearing interest as provided in Section 2.01 hereof, and upon payment, if the Company shall so require, of a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge required to be paid by the Company by reason of such exchange and in addition may charge a sum not exceeding five dollars ($5.00) for each bond issued upon any such exchange, which shall be paid by the party requesting such exchange as a condition precedent to the exercise of the privilege of making such exchange."

(n) On the Effective Date, Section 2.05 of the Supplemental Trust Indenture dated March 1, 1988 is deleted.

SECTION 1.03. Definitions.

Certain terms, as used specifically in particular Articles of the Indenture, are defined in those Articles.

For all purposes of the Indenture, except as otherwise expressly provided or unless the context otherwise requires:

A. The terms defined in this Section have the meanings assigned to them in this Section and include the plural as well as the singular.

B. If the Indenture is qualified under the Trust Indenture Act, all other terms used herein which are defined in said Act, either directly or by reference therein, have the meanings assigned to them therein.

C. All accounting terms not otherwise defined herein have the meanings assigned to them, and all computations herein provided for, shall be made in accordance with generally accepted accounting principles, except that the Company may conform to any order, rule or regulation of any regulatory authority having jurisdiction over the Company.

D. Unless otherwise indicated, all references in this instrument to designated Articles, Sections, subsections, paragraphs and clauses are to the designated Articles, Sections, subsections, paragraphs and clauses of this instrument as originally executed.

E. Unless indicated, all references in this instrument to a particular article and section of the Original Indenture are intended to refer to the specified article and section of the 1947 Indenture, subject to any amendments thereto contained in a Supplemental Trust Indenture.

F. The words "herein", "hereof" and "hereunder" and other words of similar import refer to the Indenture as a whole and not to any particular Article, Section, subsection, paragraph or clause unless specifically stated to the contrary.

"Accountant" means a Person engaged in the practice of accounting who (except as otherwise expressly provided in the Indenture) may be employed by or affiliated with the Company.

"Accountant's Certificate" means a certificate, conforming to the applicable requirements of Sections 21.08 and 21.09, signed and verified by the President or a Vice President of the Company and by an Accountant, who may be such President or Vice President (in which case only one signature shall be required), or who may otherwise be employed by the Company.

"Acquired Facility" means any property which, within six months prior to the date of its acquisition by the Company, has been used or operated by a Person other than the Company in a business similar to that in which such property has been or is to be used or operated by the Company.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control", when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the following.

"Amount of Established Permanent Additions" means the balance stated in each Engineer's Certificate delivered pursuant to paragraph (8) of subdivision (a) of Section 5.04.

"Application" means an application for the authentication and delivery of Bonds, the release of property or the withdrawal of cash under any provision of the Indenture and shall consist of, and shall not be deemed complete until there shall have been delivered to the Trustee, such cash, Bonds, securities and documents as are required by such provision to establish the right of the Company to the action applied for. The date of a particular Application shall be deemed to be the date of completion of all such deliveries to the Trustee and not the date of any particular document so delivered.

"Authenticating Agent", when used with respect to any particular series of Bonds, means any Person named as authenticating agent for said series in the provisions of the Indenture relating to said series and any successor authenticating agent.

"Board of Directors" means either the Board of Directors of the Company or any committee of the Company appointed by the Board of Directors of the Company, provided that such committee of the Company has been properly elected or appointed in accordance with law and the by-laws of the Company and has the power requisite to take the action in question.

"Bondholder" means a Registered Holder of a Bond or, when used with respect to a Coupon Bond, means the bearer of such Bond or, when used with respect to any coupon, shall mean the bearer thereof.

"Bond Register" and **"Bond Registrar"** have the respective meanings stated in Section 2.12.

"Bond" means any bond authenticated and delivered under the Indenture and, if applicable unless the context otherwise requires, any coupons applicable thereto.

"Commission" means the Securities and Exchange Commission, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties theretofore assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Company" means the party of the first part hereto, Northern States Power Company, a Wisconsin corporation, until a Successor Corporation shall have become such pursuant to the Indenture, and thereafter, "Company" shall mean such Successor Corporation.

"Company Consent", "Company Order" and **"Company Request"** mean, respectively, a written consent, order or request signed in the name of the Company by the President, a Vice President, the Treasurer, an Assistant Treasurer or the Controller and attested by the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee.

"Completed Default" has the meaning stated in Section 14.01.

"Completed Depreciable Property" means, as of any specified time of computation, an amount, determined in accordance with generally accepted accounting principles, equal to the cost, as shown on the books of the Company, of the portion of the properties subject to the Lien Hereof that are currently depreciable.

"Cost", as applied to Permanent Additions and used in any certificate herein provided for, shall be computed as of any particular date to be the amounts paid, expended or incurred by the Company for such Permanent Additions and added to the utility plant or fixed capital accounts of the Company according to the pertinent classification of accounts prescribed by any commission or other governmental authority to whose jurisdiction the Company at the time may be subject (or, in the absence of such a system, in accordance with generally accepted accounting principles), and, in the case of an Acquired Facility, shall be deemed to include the cost of any franchises, contracts, operating agreements, other rights or intangible property acquired simultaneously therewith and related thereto, even though no separate or distinct consideration shall have been paid for or apportioned to such franchises, contracts, operating agreements or other rights or property; provided that:

(1) there shall be included in the Cost of Permanent Additions the principal amount of any monetary obligations incurred or assumed by the Company which is directly related to the construction, acquisition or erection thereof or subject to which such Permanent Additions are acquired.

(2) if the Company acquires any Permanent Additions in consideration, in whole or in part, of its own capital stock, the reasonable value of such stock may, at the option of the Company, be included in the Cost of such Permanent Additions. The reasonable value of such stock shall be the value thereof as found or determined by a commission or other governmental authority to whose jurisdiction the Company may be subject or, if no such finding or determination shall have been made, then the reasonable value of such stock shall be ascertained as follows: The Company shall appoint one or more Independent appraisers, approved by the Trustee, to determine the reasonable value of such stock on the date or dates of its delivery, which determination shall be evidenced by a certificate, conforming to the requirements of Sections 21.08 and 21.09, signed by such Person so appointed and filed with the Trustee, stating the reasonable value of such stock in the opinion of such Person. Such certificate shall be conclusive evidence of the reasonable value of such stock for purposes of the Indenture.

(3) if Permanent Additions consist of property owned by a Successor Corporation immediately prior to the time it shall become such by consolidation, merger or sale, as provided in Section 16.01, the Cost to the Company shall be the ledger value of such property on the books of such Successor Corporation, less applicable reserves for depreciation, retirements and depletion immediately prior to such consolidation, merger or sale.

"Coupon Bond" means any coupon bond of the Series due August 1, 1994.

"Date Hereof" means March 1, 1991.

"Default" means any event which has occurred and is continuing which, with the lapse of time or giving of notice, or both, would constitute a Completed Default.

"Defaulted Interest" has the meaning stated in Section 2.03.

"Depreciable Property" means, as of any specified time of computation, an amount, determined in accordance with generally accepted accounting principles, equal to the cost, as

shown on the books of the Company, of (i) the Completed Depreciable Property and (ii) properties subject to the Lien Hereof that are in the process of being constructed and will be depreciable upon completion.

"Earnings Applicable to Bond Interest" for any applicable period means an amount computed as follows: From Gross Revenues of the Company, plus losses sustained from the disposition, write down or write off of capital assets, subtract (1) all profit realized from the sale of capital assets; (2) deductions (other than taxes measured by income and interest charges) for all operating expenses and other income deductions (including, to the extent not otherwise deducted, all losses sustained from the disposition, write down or write off of capital assets); and (3) any amount by which the actual expenditures or charges of the Company for ordinary repairs and maintenance and charges for reserves, renewals, replacements, retirements depreciation and depletion are less than 2.50% of Completed Depreciable Property, as of the end of such period.

"Effective Date" means that date defined in Section 1.01.

"Engineer" means a Person who is (1) engaged in the engineering profession, (2) an appraiser or (3) other expert who (except as otherwise expressly provided in the Indenture) may be employed by or affiliated with the Company and who shall be duly authorized to make such certificate or opinion.

"Engineer's Certificate" means a certificate, conforming to the applicable requirements of Sections 21.08 and 21.09, signed and verified by the President or a Vice President of the Company and by an Engineer who may be such President or Vice President (in which case only one signature shall be required), or who may otherwise be employed by the Company.

"Fair Value", when used with respect to any property (including obligations for the payment of money or other securities), means the fair value thereof to the Company in the opinion of the Person making the determination. The Fair Value to the Company of any Permanent Additions consisting of an Acquired Facility (i) shall include an amount for any franchises, contracts, operating agreements or other rights acquired simultaneously therewith and related thereto, even though no separate or distinct consideration shall have been paid for or apportioned to such franchises, contracts, operating agreements or other rights, and (ii) shall include as an element of the value of such Permanent Additions a proper amount for the earnings capability of such Permanent Additions.

If the Fair Value of any property, obligation or securities shall be stated both in an Engineer's Certificate and in an Independent Engineer's Certificate, the Fair Value stated in the Independent Engineer's Certificate shall be deemed to be the Fair Value of such property, obligations or securities for all purposes of the Indenture.

"Government Obligations" means obligations which are full faith and credit obligations of the United States of America or payment of which has been unconditionally guaranteed by the United States of America.

"Gross Revenues" means and includes all operating revenues, other revenues and other income of the Company determined in accordance with generally accepted accounting principles.

"Holder", when used with respect to any Bond, means a Bondholder.

"**Indenture**" means the 1947 Indenture, as supplemented: (i) by Supplemental Trust Indentures thereto dated March 1, 1949, June 1, 1957, August 1, 1964, December 1, 1969, September 1, 1973, February 1, 1982, March 1, 1982, June 1, 1986 and March 1, 1988, (ii) by this Supplemental and Restated Trust Indenture dated March 1, 1991, (iii) by any Subsequent Supplemental Trust Indentures, and (iv) by any other Supplemental Trust Indentures or instruments supplemental to the Indenture entered into pursuant to the applicable provisions hereof.

"1947 Indenture" means the Trust Indenture dated April 1, 1947, from the Company to First Wisconsin Trust Company.

"Independent", when used with respect to any specified Person, means such a Person who (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the Company or in any other obligor upon the Bonds or in any Affiliate of the Company or such other obligor and (3) is not connected with the Company, or such other obligor or any Affiliate of the Company or such obligor as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions. The term "employee" in this definition of Independent shall not include any Person, otherwise independent, by reason of having been employed for any purpose for which an Independent Person is necessary under the provisions of the Indenture. Whenever it is herein provided that any Independent Person's opinion or certificate shall be furnished to the Trustee, such Person shall be appointed by a Company Order and approved by the Trustee in the exercise of reasonable care. Such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

"Independent Accountant's Certificate" means a certificate, conforming to the applicable requirements of Sections 21.08 and 21.09, signed by an Independent Accountant or a firm of Independent Accountants who are Independent and are appointed by a Company Order and approved by the Trustee in the exercise of reasonable care.

"Independent Engineer's Certificate" means a certificate, conforming to the applicable requirements of Sections 21.08 and 21.09, signed by an Independent Engineer appointed by a Company Order and approved by the Trustee in the exercise of reasonable care.

"Interest Payment Date" means the Stated Maturity of an installment of interest on the Bonds.

"Land" means, as of any specified time of computation, an amount, determined in accordance with generally accepted accounting principles, equal to the cost, as shown on the books of the Company, of the portion of the properties subject to the Lien Hereof that consist of any interest in real property and are not currently depreciable.

"Lien Hereof" and **"Lien of the Indenture"** mean the lien created by the Indenture (including the after acquired property clauses of the Indenture) and the lien created by any concurrent or subsequent conveyance to the Trustee hereunder (whether made by the Company or any other Person), of any property which is a part of the security held by the Trustee pursuant to the terms, trusts and conditions specified in the Indenture.

"Maintenance Fund" means the fund created in Section 9.01.

"Maturity", when used with respect to any Bond, means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration or call for redemption or otherwise.

"Net Earnings Certificate" means an Accountant's Certificate stating the amount of Earnings Applicable to Bond Interest for a specified period, computed as provided herein, and describing, in reasonable detail, how the same has been calculated and, to that end, specifying the amounts deducted from Gross Revenues on account of the items required to be deducted pursuant to the definition of Earnings Applicable to Bond Interest. When applicable the following rules shall be applied:

(1) for purposes of calculating: (i) the interest bearing requirements applicable to any Bonds, Prior Lien Obligations or Permitted Indebtedness interest at adjustable, floating or variable rates and (ii) the interest requirements applicable to any Bonds, Prior Lien Obligations or Permitted Indebtedness on which interest charges attributable to such Bonds, Prior Lien Obligations or Permitted Indebtedness will not become payable until a date more than one year after the date of such calculation, the interest rate used shall be the higher of (x) the interest rate applicable to such Bonds, Prior Lien Obligations or Permitted Indebtedness on the date of such calculation, or (y) the average interest rate payable on all Bonds Outstanding, Prior Lien Obligations and Permitted Indebtedness during the 12-month period immediately preceding the date of such calculation.

(2) if any property is owned by the Company at the time of: (i) the authentication and delivery of any Bonds applied for or (ii) the withdrawal of any cash, either or both of which require a Net Earnings Certificate, then, although not owned during the whole, or any part, of the period for which the computation of Earnings Applicable to Bond Interest is made, the net earnings or income of such property during the whole of such period (computed in the same manner as Earnings Applicable to Bond Interest is computed), may at the option of the Company be included in Earnings Applicable to Bond Interest for all purposes of the Indenture; provided that if any such property has been acquired in exchange or substitution for property released from the Lien Hereof or through the use of cash deposited with the Trustee under any of the provisions released from the Lien Hereof or through the use of cash deposited with the Trustee under any of the provisions hereof (other than cash deposited in accordance with the provisions of Article VII as a basis for the issuance of Bonds) then the earnings from the property released or which is represented by such cash shall be excluded from Earnings Applicable to Bond Interest.

"Officer's Certificate" means a certificate, conforming to the applicable requirements of Sections 21.08 and 21.09, signed by the President, a Vice President, the Treasurer or an Assistant Treasurer, or the Controller and attested by the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee. Whenever the Indenture requires that an Officer's Certificate also be signed by an Engineer or an Accountant or other expert, such Engineer, Accountant or other expert (except as otherwise expressly provided in the Indenture) may be employed by the Company and shall be acceptable to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, conforming to the applicable requirements of Sections 21.08 and 21.09, and who (except as otherwise expressly provided in the Indenture) may be counsel for the Company, and shall be acceptable to the Trustee. Any

Opinion of Counsel given as to title to property may be based, in whole or in part, upon the documents and opinions described in Section 21.17.

"Original Indenture" means the 1947 Indenture, as supplemented by Supplemental Trust Indentures thereto dated March 1, 1949, June 1, 1957, August 1, 1964, December 1, 1969, September 1, 1973, February 1, 1982, March 1, 1982, June 1, 1986 and March 1, 1988.

"Original Indenture Bonds" means all the Bonds of each series authenticated by the Trustee and originally issued under the Original Indenture prior to the date of this Restated Indenture and the coupons, if any, pertaining to such Bonds.

"Outstanding", when used with respect to Bonds, means, as of the date determination, all Bonds theretofore authenticated and delivered under the Indenture, except:

(1) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(2) Bonds for which provisions for payment or redemption shall have been made in accordance with Section 6.03 or for whose payment or redemption money, in the necessary amount, has been deposited with the Trustee or any Paying Agent in trust for the Holders of such Bonds, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor, satisfactory to the Trustee, has been made; and

(3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture;

provided that, in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by the Company or any other obligor upon the Bonds or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act independently with respect to such Bonds and that the pledgee is not the Company or any obligor upon the Bonds or any Affiliate of the Company or of such other obligor.

"Paying Agent" means any Person meeting the requirements established by Section 17.20 who is authorized by the Company to pay the principal of, premium, if any, or interest on any Bonds on behalf of the Company.

"Permanent Additions" means all interests (fractional or otherwise) in property, real, personal or mixed (including therein, without in any way limiting or impairing, by the enumeration of the same, the scope and intent of the foregoing except as hereinafter specifically limited, all lands, buildings, plants, power houses, dams, facilities that process raw materials or waste materials into fuel for the purpose of producing energy, nuclear fuel, reservoirs, stations, lines, pipes, mains, conduits, cables, machinery, pumps, transmission lines, pipelines, rights-of-

way, distribution systems, storage facilities, sub-stations, transformers, service systems, supply systems, wires, poles, cross-arms, apparatus of all kinds and descriptions, improvements, extensions and additions, including operating public utility properties acquired as an entirety) which shall have been made, acquired, constructed or erected by the Company subsequent to April 1, 1947, or which shall be in the process of construction or erection insofar as actually constructed or erected subsequent to April 1, 1947, and used or to be used in the business of (1) generating, manufacturing, storing, transporting, transmitting, distributing or supplying electricity or other forms of energy, including but not limited to gas for light, heat, power, refrigeration or other purposes or steam for heating, processing or other energy purposes, or other forms of energy; (2) acquiring, storing, transporting, transmitting, distributing or supplying water for use in generation of power; (3) selling, granting, leasing or licensing the right to use water (but not for the purpose of irrigation) or (4) providing telephone or other communications services.

(a) Permanent Additions, as described above, need not consist of a specific or completed development, plant, betterment, addition, extension, improvement or enlargement, but may include construction work in progress and property in the process of purchase insofar as the Company shall have acquired title to such property, and may include the following:

(1) fractional interests in poles or other property used for transmission or distribution;

(2) other interests (fractional or otherwise) in property owned jointly or in common with any other Person or in other property used in connection with or relating to any such property owned jointly or in common, whether there are or are not other agreements or obligations on the part of the Company with respect to any such property;

(3) engineering, economic, environmental, financial, geological and legal or other studies, surveys and reports, preliminary to or associated with the acquisition or construction of any property included in the calculation of Depreciable Property.

(b) The term Permanent Additions shall not include:

(1) any property not subject to the Lien of the Indenture;

(2) any land or equipment acquired, leased or used by the Company for the purpose of producing gas, oil, coal, or natural gas or oil rights owned or under lease or gas wells or oil wells or equipment therefor, or coal mines or equipment therefor;

(3) any shares of stock, bonds, notes, evidences or certificates of indebtedness or other securities;

(4) goodwill, going concern value, contracts, agreements, franchises, licenses or permits, whether acquired as such, separate and distinct from the property operated in connection therewith, or acquired as an incident thereto;

(5) any stock of goods, wares and merchandise acquired for the purpose of consumption in the operation, construction or repair of any of the properties of the Company and not chargeable to capital investment be generally accepted accounting

principles or any merchandise or appliances held by the Company for sale to customers or others;

(6) any property acquired, made or constructed by the Company for keeping or maintaining the property subject to the Lien Hereof in good repair, working order and condition or merely to renew, replace or substitute for Retired Property or any property whose cost has not been charged, or is not properly chargeable, to a utility plant or fixed capital account;

(7) any plant or system or other property in which the Company shall acquire only a leasehold interest or any betterments, extensions or improvements or additions of, upon or to any plant or system or other property in which the Company shall own only a leasehold interest, unless the same shall be movable physical personal property which the Company has the right to remove; or

(8) any property that is subject to an encumbrance of the type described in paragraph (20) of the definition of Permitted Encumbrances.

"Permanent Additions of the Company" means and includes property owned by the Company within the definition of Permanent Additions.

"Permitted Encumbrances," prior to the retirement through payment or redemption of the Original Indenture Bonds (including those Original Indenture Bonds "deemed to be paid" within the meaning of that term as used in Article XVIII of the 1947 Indenture) means "permissible encumbrances" as defined in Section 1.09 of the 1947 Indenture, and thereafter means:

(1) as to the property specifically described in Granting Clauses of the Indenture as of the Effective Date, the restrictions, exceptions, reservations, conditions, limitations and interests which are set forth or referred to in such descriptions and each of which fits one or more of the descriptions in the following paragraphs of this definition, provided that such exceptions do not, in the aggregate, materially detract from the value of the property affected thereby and do not materially impair the use of such property for the purposes for which it is held by the Company;

(2) liens for taxes, assessments and other governmental charges that are not delinquent;

(3) liens for taxes, assessments and other governmental charges already delinquent which are currently being contested in good faith by appropriate proceedings, provided that the Company shall have set aside on its books any reserves with respect thereto that are required by generally accepted accounting principles;

(4) mechanics' and materialmen's liens not filed of record and similar charges, not delinquent, that are incident to current construction and mechanics' and materialmen's liens incident to such construction which are filed of record but which are being contested in good faith and have not proceeded to judgment, provided that the Company shall have set aside on its books any reserves with respect thereto that are required by generally accepted accounting principles;

(5) mechanics', workmen's, repairmen's, materialmen's, warehousemen's and carriers' liens and other similar liens arising in the ordinary course of business for charges which are not delinquent, or which are being contested in good faith and have not proceeded to judgment, provided that the Company shall have set aside on its books any reserves with respect thereto that are required by generally accepted accounting principles;

(6) liens in respect of attachments, judgments or awards with respect to which the Company shall in good faith currently be prosecuting an appeal or proceedings for review and with respect to which the Company shall have secured a stay of execution pending such appeal or proceedings for review, provided that the Company shall have set aside on its books any reserves with respect thereto that are required by generally accepted accounting principles;

(7) easements or reservations in any property of the Company for roads, public utilities or similar purposes, rights-of-way and easements over or in respect of any real property owned by the Company and zoning ordinances, regulations and restrictions, provided that they do not materially impair the use of such property in the operation of the business of the Company;

(8) minor defects, liens and encumbrances as to which an Opinion of Counsel states: (1) that they will not interfere with the proper operation of the Company's business and (2) (a) that any effect thereof upon the security of the Indenture, is adequately guarded against by bond or other designated indemnity or (b) that any effect thereof does not materially affect the marketability of title to such property and does not materially impair the use of such property for the purposes for which it is held by the Company;

(9) rights of Persons who are parties to agreements with the Company relating to property owned or used jointly (in common) by the Company with such Persons, provided (a) that such rights do not materially impair the use of such jointly owned or used property in the normal operation of the Company's business and do not materially affect the security afforded by the Indenture for the Bonds Outstanding and (b) that such rights are not inconsistent with the rights of the Trustee under Article XIV (a waiver of a right to partition by all joint owners is binding upon the Trustee and is not inconsistent with the provisions of Article XIV);

(10) liens existing at the Effective Date that secure indebtedness neither created, assumed nor guaranteed by the Company nor on account of which it customarily pays interest, or, at the time of acquisition of property by the Company after the Effective Date, liens upon lands over which easements or rights-of-way are acquired by the Company, provided: (a) that such liens do not materially impair the use of such easements or rights-or-way for the purposes for which they are held by the Company or (b) that, in the Opinion of Counsel, the Company has power under eminent domain, or similar statutes, to remove such liens;

(11) (a) leases existing at the Effective Date affecting property owned by the Company on the Effective Date; (b) leases permitting the lessee to occupy or use any of

the mortgaged and pledged property in any manner that does not interfere in any material respect with the use of such property for the purpose for which it is held by the Company and which will not have a material adverse impact on the security afforded by the Indenture; or (c) other leases relating to not more than 5% of the sum of (i) Depreciable Property and (ii) Land;

(12) terminable or short-term leases or permits for occupancy, which leases or permits expressly grant to the Company the right to terminate them at any time on not more than six months' notice and which occupancy does not interfere with the operation of the business of the Company;

(13) liens or privileges vested in any lessor, licensor or permittor for rent to become due or for other obligations or acts to be performed, the payment of which rent or the performance of which other obligations or acts is required under leases, subleases, licenses or permits, so long as the payment of such rent or the performance of such other obligations or acts is not delinquent;

(14) liens or privileges of any employees of the Company for salary or wages earned but not yet payable;

(15) burdens of any law or governmental regulation or permit requiring the Company to maintain certain facilities or perform certain acts as a condition of its occupancy of or interference with any public lands or any river or stream or navigable waters;

(16) irregularities in or deficiencies of title to any right-of-way for telephone, telegraph or other communications lines, pipelines, power lines or appurtenances thereto, or other improvements thereon, and to any real estate used or to be used primarily for right-of-way purposes, provided that, in the Opinion of Counsel, the Company shall have obtained from the apparent owner of the lands or estates therein covered by any such right-of-way a sufficient right, by the terms of the instrument granting such right-of-way, to the use thereof for the construction, operation or maintenance of the lines, appurtenances or improvements for which the same are used or are to be used, or provided that, in the Opinion of Counsel, the Company has power under eminent domain, or similar statutes, to remove such irregularities or deficiencies;

(17) rights reserved to, or vested in, any municipality or governmental or public authority to control or regulate any property of the Company, or to use such property in any manner, which rights do not materially impair the use of such property for the purposes for which it is held by the Company;

(18) obligations or duties, affecting the property of the Company, to any municipality or governmental or other public authority with respect to any franchise, grant, license or permit;

(19) rights which any municipal or governmental authority may have by virtue of any franchise, license, contract or statute to terminate any franchise, license or other rights or to regulate the property and business of the Company;

(20) any mortgage, lien, charge or encumbrance prior or equal to the Lien of the Indenture, other than a Prepaid Lien, existing at the date any property is acquired by the Company, provided that at the date of acquisition of such property: (a) no Default has occurred and is continuing; (b) the principal amount of indebtedness outstanding under and secured by such mortgage, lien, charge or encumbrance shall not exceed 66-2/3% of the lesser of the Cost or Fair Value of the property so acquired (determined in the same manner as the Cost or Fair Value to the Company of Permanent Additions); (c) each such mortgage, lien, charge or encumbrance shall apply only to the property originally subject thereto and fixed improvements erected on such real property or affixed to such personal property or equipment used in connection with such real or personal property and that the Company shall cause to be closed all mortgages or other liens existing at the time of acquisition of any property hereafter acquired by the Company and will permit no additional indebtedness to be issued thereunder or secured thereby, except for the replacement of any mutilated, lost or destroyed notes or bonds or to effect exchanges of notes or bonds of different denominations or transfer of such notes or bonds, as may be permitted by the mortgage, lien, charge or encumbrance securing such notes or bonds;

(21) Prepaid Liens; and

(22) reservations of minerals and mineral rights existing at the time any real property is acquired by the Company.

"Permitted Indebtedness" means any outstanding indebtedness which is secured by a mortgage, lien, charge or encumbrance described in paragraph (20) of the definition of Permitted Encumbrances.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subsection thereof.

"Place of Payment," when used with respect to Bonds of any series, means a city or any political subdivision thereof in which the Company is required, by the Indenture, to maintain an office or agency for the payment of the principal of, premium, if any, or interest on the Bonds of such series.

"Prepaid Lien" means any Prior Lien Obligation or Permitted Indebtedness, for which the Company has deposited or caused to be deposited in trust, with the Trustee, or other banking institution specified in the documentation pertaining to such Prior Lien Obligation or Permitted Indebtedness, any combination:

(i) of cash and

(ii) of Government Obligations (which shall not contain provisions permitting the redemption thereof at the option of the issuer), maturing as to principal and interest (without any regard to the reinvestment thereof) in such amounts and at such times as will assure the availability of cash

that is necessary to pay and discharge the entire principal of, premium, if any, and interest on such Prior Lien Obligation or Permitted Indebtedness to the date of maturity thereof

or the redemption date, as the case may be; and, if such Prior Lien Obligation or Permitted Indebtedness is to be redeemed, the Company has made arrangements satisfactory to the Trustee for the giving of notice of redemption at the expense of the Company. Upon the filing with the Trustee of an Accountant's Certificate and an Opinion of Counsel stating that such Prior Lien Obligation or Permitted Indebtedness has been paid or reduced or has been ascertained by judicial determination otherwise to be in whole or in part invalid, and specifying the amount of such payment, reduction or the extent of such invalidity, as the case may be, any cash and Government Obligations so deposited shall be repaid to the Company proportionately to the extent of such payment, reduction or invalidity, as the case may be.

"Prior Lien" means any mortgage, lien, charge or encumbrance on or pledge of or security interest in any of the property of the Company subject to the Lien of the Indenture prior to or upon a parity with the Lien of the Indenture, other than Permitted Encumbrances.

"Prior Lien Obligation" means any indebtedness and any evidence thereof secured by a Prior Lien.

"Redemption Date," when used with respect to any Bond to be redeemed, means the date fixed for such redemption.

"Registered Bond" means any Bond registered in the Bond Register.

"Registered Holder," when used with respect to any Registered Bond, means the Person in whose name such Bond is registered in the Bond Register.

"Regular Record Date" for the interest payable on any Interest Payment Date on the Bonds of any series means the date specified in the provisions of the Supplemental Trust Indenture creating such series.

"Release Fund" means the fund created by Section 11.09.

"Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Responsible Officer," when used with respect to the Trustee, means the chairman or vice-chairman of the board of directors of the Trustee, the chairman or vice-chairman of the executive committee of said board, the president, any vice-president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller, any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above-designated officers and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restated Indenture" means the Supplemental and Restated Trust Indenture dated March 1, 1991.

"Retired Property" shall mean (a) all Permanent Additions owned by the Company on or after April 1, 1947, which have been removed, sold, abandoned, destroyed or which for any cause have been permanently withdrawn from service and (b) after the Date Hereof, the portion of all Permanent Additions for which reductions have been made in the Cost at which such Permanent Additions have been recorded on the books of the Company, except reductions resulting from the transfer of any portion of the Cost of such Permanent Additions to some other property account of the Company (until the Permanent Additions so transferred shall be retired from such other account) and except reductions, if any, resulting from depreciation or similar charges.

"Sinking Fund" means any sinking fund or similar fund created pursuant to Section 2.07 or Article XIII.

"Special Record Date" for the payment of any Defaulted Interest on Bonds means a date fixed by the Trustee pursuant to Section 2.03.

"Stated Maturity," when used with respect to any Bond, means each date specified in such Bond as the fixed date on which the principal of and installments of interest on such Bond are due and payable.

"Subsequent Supplemental Trust Indenture" means any indenture supplemental to the Indenture that is dated, executed by the Company and delivered to the Trustee after the Date Hereof and prior to the Effective Date.

"Successor Corporation" has the meaning stated in Section 16.02.

"Supplemental Trust Indenture" means an indenture supplemental to the Indenture executed by the Company and delivered to the Trustee.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as in force at the Date Hereof.

"Trustee" means the party of the second part hereto, First Wisconsin Trust Company, until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"Vice President," when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word added to the title.

ARTICLE II.

FORM AND EXECUTION OF BONDS.

SECTION 2.01. The Indenture creates a continuing lien to secure the full and final payment of the principal of, premium, if any, and interest on all Bonds which may be Outstanding. The aggregate principal amount of Bonds which may be issued, authenticated, delivered and Outstanding under the Indenture is not limited except as provided in Articles IV through VII and the provisions of any Supplemental Trust Indenture creating any series of Bonds and except as may be limited by law.

At the option of the Company, Bonds may be issued in one or more series. All Bonds of any one series shall be identical in form and language except for necessary or proper variation between temporary Bonds, Registered Bonds and Coupon Bonds or bonds of different denominations and, in the case of Bonds of any series of serial maturity as to the date of maturity, and the prices, terms, and conditions of redemption thereof. Each series shall have such distinctive designation as the Board of Directors may select for such series, and each Bond shall bear upon the face thereof the designation so selected for the series to which it belongs. Each series may bear interest at a fixed or variable rate or may bear no interest or may bear interest only upon the occurrence of certain events described in the Bonds or the Supplemental Trust Indenture relating to the Bonds of that series. The form of the Bonds of each series created before the Effective Date shall conform to the applicable provisions of the Original Indenture or any Subsequent Supplemental Trust Indenture relating thereto. The form of the Bonds of each series that is created on or after the Effective Date shall be established at the time of creation of the series by Resolution. Subject to the qualifications contained in the preceding sentence and in Sections 2.02 through 2.17, the text of the Bonds and of the certificate of the Trustee upon all Bonds shall be as described in Section 2.02. The Bonds of any series, whether temporary, Registered or Coupon, may contain such other terms, provisions, specifications and descriptive words, and may have such letters, words, numbers or other marks of identification or designation and such legends or endorsements printed, lithographed or engraved thereon not inconsistent with the provisions hereof, as may be necessary or proper to comply with the rules of any broker's board or exchange or with the order of any governmental body having jurisdiction, or to conform to usage with respect thereto or as may be desired by the Board of Directors.

Before any Bonds of any series that is created on or after the Effective Date shall be authenticated or delivered by the Trustee, a copy of the Resolutions creating the series shall be delivered by the Company to the Trustee. The Company also shall deliver to the Trustee a Supplemental Trust Indenture in recordable form, which contains the particulars of the new series of Bonds as above set forth, and also contains provisions appropriate to give such Bonds the protection and security of the Indenture.

SECTION 2.02. The form of Bonds of each series that is created on or after the Effective Date and the form of the Trustee's certificate of authentication shall be set forth in a Supplemental Trust Indenture. The Bonds of any one or more series that is created on or after the Effective Date may be expressed in one or more foreign languages, if also expressed in the English language. The English text shall govern the construction thereof and both or all texts shall constitute only a single obligation. The English text of the Bonds and the Trustee's certificate of authentication shall be in the form set forth in a Supplemental Trust Indenture;

provided that the form of each series of Bonds shall specify the descriptive title of such series of Bonds (which title shall contain the words "First Mortgage Bonds"), the designation of such series, the rate or rates of interest, if any (or the method by which such rate or rates are determined), to be borne by the Bonds of such series, the coin or currency in which payable (which need not be coin or currency of the United States of America), the Stated Maturities of principal and interest, and a place or places (which need not be in the United States of America), and the means (which may include mail) for the payment of principal of, premium, if any, and interest on such Bonds, and the record dates for the payment of interest. Any series of Bonds that is created on or after the Effective Date also may have such omissions or modifications or contain such other provisions not prohibited by the Indenture as may be set forth in a Supplemental Trust Indenture. Any portion of the text of any Bond may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Bond.

The definitive Bonds of each series shall be printed, lithographed, engraved or produced by any combination of these methods or produced in any other manner permitted by the rules of any securities exchange on which the Bonds may be listed or, if not so listed, as determined by the Company but is subject to the provisions of subdivision (c) of Section 2.12, all as determined by the officers executing such Bonds as evidenced by their execution thereof.

SECTION 2.03. The principal of and interest on the Bonds shall be payable at the option of the Company at such place or places as shall be set forth in such Bonds.

Interest on any Bond of any series that was created prior to the Effective Date shall be payable to the Person specified in such Bond or in the provisions of the Supplemental Trust Indenture creating such series.

Interest on any Bond of any series that is created on or after the Effective Date which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Bond is registered at the close of business on the Regular Record Date for such interest. At the option of the Company, interest on any such Bond may be paid by check mailed to the Person entitled to such interest.

Any interest on any Bond of any series that is created on or after the Effective Date which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Registered Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest shall be paid by the Company, at its election, as provided in subdivision (a) or (b) below:

(a) The Company may elect to make payment of any Defaulted Interest on the Bonds of any series to the Persons in whose names such Bonds are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. Prior to the Trustee establishing any Special Record Date, the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment. Such money, when deposited, shall be held in trust for the benefit of the Persons entitled to such Defaulted Interest as provided in this subdivision (a) and

shall not be deemed part of the mortgaged and pledged property hereunder. The Company also shall notify the Trustee, in writing, of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment. Such date of proposed payment shall enable the Trustee to comply with the next sentence hereof. Thereupon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be (i) not more than 15 nor less than 10 days prior to the date of the proposed payment and (ii) not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of a Bond of such series at his address, as it appears in the Bond Register not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Registered Holders of the Bonds of such series on such Special Record Date and shall no longer be payable pursuant to the following subdivision (b).

(b) The Company may make payment of any Defaulted Interest on the Bonds of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Bonds may be listed (or, if not so listed, in any other lawful manner) and upon such notice as may be or would be required by such exchange, if, after written notice given by the Company to the Trustee of the proposed payment pursuant to this subdivision (b), such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section 2.03, each Bond delivered upon transfer of or in exchange for on in lieu of any other Bond shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

SECTION 2.04. At the option of the Company, provision may be made with respect to the Bonds of any series for (a) the payment of the principal thereof, interest thereon or both without deduction for taxes and (b) any taxes which shall be reimbursed by the Company in case of payment by the Bondholder, provided that the obligation to make any such reimbursement shall not be deemed to be a part of the indebtedness secured by the Lien of the Indenture. Such provision may be limited to taxes imposed by any taxing authorities of a specified class and may exclude from its operation, or be limited to, any specified tax or taxes or any portion thereof.

SECTION 2.05. The dates of issue, Stated Maturities of principal and interest and rates of interest of the Bonds of each series, the designation of the series, and the descriptive title of the Bonds included therein and the terms and conditions, if any, upon which the Company may redeem any of such Bonds before its Stated Maturity, shall be as designated in the form established for such series in accordance with the provisions hereof.

SECTION 2.06. The Company may, in the Bonds of each series that is created on or after the Effective Date, stipulate and agree that the principal of such bonds may be converted, at the option of the Holders, into the capital stock or other securities, of any class of the Company, or of any Successor Corporation, upon such terms and conditions as the Board of Directors may determine and may cause appropriate insertions to be made in the text of such Bonds for the

purpose of stating such agreement with respect to the conversion and the terms and conditions thereof.

SECTION 2.07. In addition to the requirements of Article XIII applicable to any series of Bonds issued prior to the Effective Date, the Company may, at the time of creation of any series of Bonds issued on or after the Effective Date, make suitable provision, in such manner as may be determined by the Board of Directors not inconsistent with the provisions hereof, for the payment to the Trustee as or toward a sinking fund or similar fund for the payment, redemption, acquisition or retirement in any manner of the Bonds of such series or any portion thereof, and the Company also may provide, at any time, in such suitable manner as may be determined by the Board of Directors not inconsistent with the provisions hereof, for the creation of an additional sinking fund or similar fund for the payment, redemption, acquisition or retirement in any manner of the Bonds, or any portion thereof.

SECTION 2.08. Except as otherwise provided in any Supplemental Trust Indenture creating a series of Bonds, the Bonds of any series shall be executed, authenticated and delivered as Registered Bonds without coupons and may be issued in denominations of $1,000 and such multiples thereof as the Board of Directors may authorize.

SECTION 2.09. All Bonds of each series that is created on or after the Effective Date shall be dated their date of authentication. Bonds of each series created prior to the Effective Date shall be dated in the manner specified in the Supplemental Trust Indenture creating such series.

SECTION 2.10. The Bonds of any series, at the option of the Company, may contain provisions permitting the exchange or interchange of Bonds, to wit: the exchange or interchange of Bonds for or with Bonds of other denominations; and the exchange of Bonds of one series for Bonds of another series of the same or later maturity. Such privileges of exchange or interchange may be made subject to any conditions, limitations or restrictions which the Company shall cause to be specified in the Bonds so made exchangeable or interchangeable in the Supplemental Trust Indenture creating the series. The privilege of exchange or interchange may be conferred upon the Holders of Bonds of one or more denominations and withheld from the Holders of Bonds of other denominations of the same series.

Each Bond issued in exchange for or upon transfer of any other Bond shall be a valid obligation of the Company, evidence the same debt, secured by the Lien Hereof and entitled to all benefits and protection hereof to the same extent as the Bond surrendered for such exchange or transfer.

SECTION 2.11. In all cases of exchanges of Bonds contemplated by Section 2.10, the Bonds to be exchanged shall be surrendered at the office or agency of the Company in such place or places as shall be designated for the purpose in such Bonds or in the Indenture or any Supplemental Trust Indenture and the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor the Bonds which the Bondholder making the exchange shall be entitled to receive. All Bonds so surrendered for exchange shall be cancelled by the Trustee. After the Effective Date, and before the Effective Date if so provided in a Supplemental Trust Indenture creating a series of Bonds prior to the Effective Date, the Company may impose a reasonable service charge to cover its costs incurred in connection with any registration, transfer,

or exchange, including registrations and transfers of Bonds under the provisions of Section 2.12. The Company may make a charge sufficient to reimburse it for any tax or taxes or other governmental charge required to be paid by the Company by reason of such exchange or transfer. The Company shall not be obligated (a) to exchange any Bonds of any series that is created on or after the Effective Date for the 15-day period next preceding the day of the first mailing of a notice of redemption of Bonds of such series under Section 10.02 or (b) to exchange any such Bond so selected for redemption in whole or in part.

SECTION 2.12. (a) The Company shall keep at the office of the Trustee and the Company's office or agency in such other place as shall be designated for the purpose in any Bond, books for the registration and transfer of Bonds (the "Bond Register"), which, at all reasonable times, shall be open for inspection by the Trustee, and, upon presentation for such purpose at any office or agency, the Company will register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as it may prescribe, any Bonds entitled to be transferred at such office or agency.

(b) The Trustee is hereby appointed "Bond Registrar" for the purposes of registering and transferring Bonds. Upon the transfer of any Bond, the Company shall issue, in the name of the transferee or transferees, a new Bond of like form and the Trustee shall authenticate and deliver the same to him or them. The Company shall not be required (1) to issue or transfer any Bond of any series that is created on or after the Effective Date during the 15 days next preceding the day of the first mailing of a notice of redemption of Bonds of such series under Section 10.02 or (2) to issue or transfer any such Bond so selected for redemption in whole or in part.

(c) The Company may, at its option, provide for alternative methods or forms for evidencing and recording the ownership of Bonds. As provided in Section 19.01, the Company may amend the Indenture to establish such alternative methods or forms.

SECTION 2.13. All Bonds shall be executed on behalf of the Company by its President or one of its Vice Presidents and its corporate seal shall be affixed thereunto, or printed, lithographed, or engraved thereon, in facsimile, and attested by its Secretary or one of its Assistant Secretaries. Any such signatures may be manual or facsimile signatures and may be imprinted or otherwise reproduced. In case any of the officers who shall have signed any Bonds or attested the seal thereon shall cease to be such officers of the Company before the Bonds so signed and sealed shall have been authenticated by the Trustee or delivered by the Company, such Bonds nevertheless may be issued, authenticated and delivered with same force and effect as though the Persons who signed such Bonds and attested the seal thereon had not ceased to be such officers of the Company. Any Bond may be signed or attested on behalf of the Company by a person who at the actual date of the execution of such Bond shall be the proper officer of the Company, although at the date of such Bond such Person shall not have been an officer of the Company.

SECTION 2.14. Until definitive Bonds are ready for delivery, there may be authenticated, delivered and issued in lieu thereof, temporary printed, lithographed or typewritten Bonds in registered form substantially of the tenor of the Bonds described herein with appropriate variations, omissions or insertions. Such temporary Bonds may be of such denominations, as the Company may determine. Until exchanged for definitive Bonds, such

temporary Bonds shall be entitled to the benefit and Lien of the Indenture. Without unnecessary delay, the Company will execute and furnish definitive Bonds to be exchanged for such temporary Bonds upon surrender thereof to the Trustee or, at the option of the Holder, at the office of any Authenticating Agent appointed in accordance with Section 17.15. Upon such exchange, which the Company shall make without any charge therefor, such temporary Bonds shall be destroyed by the Trustee. Upon the exchange and destruction of said Bonds, a certificate of such destruction shall be delivered to the Company pursuant to Section 21.07. Until such definitive Bonds are ready for delivery, the Holder of temporary Bonds may, if provided by the terms thereof, exchange the same by surrendering such temporary Bonds to the Trustee for a like aggregate principal amount of temporary Bonds in such denominations as the Company may determine to issue in exchange.

SECTION 2.15. Upon receipt by the Company and the Trustee of evidence satisfactory to them of the loss, destruction, mutilation or theft of any Outstanding Bond and of indemnity satisfactory to them and upon surrender and cancellation of any mutilated Bond, the Company may execute, and the Trustee may authenticate and deliver, a new Bond of the same series and maturity and of like tenor, to be issued in lieu of such lost, stolen, destroyed or mutilated Bond. Such new Bond in the discretion of the Company or the Trustee may bear the same serial number as the lost, destroyed, mutilated or stolen Bond in lieu of which it is issued (in which case the new Bond may be marked "Duplicate" or be otherwise distinguished) or may bear a different serial number and such endorsement as may be agreed upon by the Company and the Trustee, and which at the time may be necessary to conform to the requirements of any securities exchange. The Company and the Trustee may require the payment of a sum sufficient to reimburse them for all expenses in connection with the issue of each new Bond under this Section 2.15.

SECTION 2.16. Subject to the qualifications herein set forth, the Bonds to be secured hereby shall be substantially of the tenor and effect herein recited. No Bonds shall be secured hereby unless there shall be endorsed thereon the certificate by the Trustee that it is one of the Bonds described herein; and such certificate on any such Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered and is secured hereby.

SECTION 2.17. (a) If the Company, pursuant to Article XVI, shall be consolidated with or merged into any other corporation or shall sell the mortgaged and pledged property as an entirety or substantially as an entirety, and the Successor Corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received a conveyance or transfer as aforesaid, shall have executed with the Trustee and caused to be recorded an indenture pursuant to Article XVI, any of the Bonds issued prior to such consolidation, merger, conveyance or transfer may, at the request of the Successor Corporation, be exchanged for other Bonds of the same series and Maturity executed in the name and under the seal of the Successor Corporation, with such changes in phraseology and form as may be appropriate but in substance of like tenor as the Bonds surrendered for such exchange, and of like principal amount; and the Trustee, upon the request of the Successor Corporation, shall authenticate Bonds as specified in such request for the purpose of such exchange and shall deliver them upon surrender of the Bonds to be exchanged therefor. In case of any such exchange the Trustee shall forthwith cancel the surrendered Bonds and, on the written request of

the Company, deliver the same to the Company. All bonds so executed in the name and under the seal of the Successor Corporation and authenticated and delivered shall in all respects have the same legal rank and security as the Bonds executed in the name of the Company and surrendered upon such exchange with like effect as if the Bonds so delivered in the name of the Successor Corporation had been made, authenticated and issued hereunder on the Date Hereof.

(b)The Company covenants and agrees that, if additional Bonds of any particular series of which Bonds are at the time Outstanding shall at any time be authenticated and delivered in the name of a Successor Corporation, the Company will provide for the exchange of any Bonds of any such series previously issued for Bonds issued in the name of such Successor Corporation, at the option of and without expense to the Holder.

ARTICLE III.

[Omitted]

ARTICLE IV.

PROVISIONS APPLICABLE GENERALLY TO ISSUANCE OF ALL ADDITIONAL BONDS.

SECTION 4.01. No Bonds shall be authenticated and delivered by the Trustee under Articles V, VI or VII unless the Trustee shall have received prior to or at the time of the authentication and delivery thereof:

(a) a written Application, dated not more than 90 days preceding the date of the authentication and delivery of Bonds then applied for, executed in the name of the Company by the President or a Vice President stating the aggregate principal amount, the series thereof, the denomination and form of the Bonds requested to be authenticated and delivered, and the Persons to whom or upon whose order such Bonds are to be delivered;

(b) a Resolution authorizing such Application;

(c) An Opinion of Counsel that (i) no consent of any governmental authority is requisite to the legal issue of the Bonds, the authentication and delivery of which have been applied for, or that the issue of such Bonds has been duly authorized by any and all governmental authorities, the consent of which is requisite to the legal issue of such Bonds and specifying any officially authenticated certificates or other documents by which such consent is or may be evidenced, (ii) all mortgage, registration and other similar taxes applicable to the Bonds applied for have been paid, or that provision for the payment thereof has been made or that no such payment is required by law, (iii) the amount of indebtedness which may be incurred by the Company is not then limited by law or by any corporate action limiting the total authorized indebtedness of the Company, or that the total amount of outstanding indebtedness of the Company, stated in the accompanying Accountant's Certificate provided for in subdivision (d) of this Section 4.01, plus the aggregate principal amount of the Bonds applied for in the accompanying Application, does not exceed the amount of indebtedness of the Company as then limited by law or by such corporate action, and (iv) all corporate action necessary to be taken by the Company to permit the legal and valid issue and authentication and delivery of the Bonds which have been applied for has been duly had and taken;

(d) Unless the Opinion of Counsel provided for in the foregoing subdivision (c) shall state that the amount of indebtedness which may be incurred by the Company is not then limited by law or by such corporate action, an Accountant's Certificate stating the total amount of indebtedness of the Company including the aggregate face amount of Bonds Outstanding;

(e) The officially authenticated certificates or other documents, if any, specified in the Opinion of Counsel provided for in the foregoing subdivision (c), and evidence satisfactory to the Trustee of the payment or provision for payment of any taxes therein referred to;

(f) The Resolution and Supplemental Trust Indenture creating the series of which such Bonds are a part, if the Bonds, the authentication and delivery of which are applied for, are not a part of any series then existing;

(g) An Officer's Certificate stating that no Default has occurred and is continuing and that the granting of such Application will not result in a Default.

SECTION 4.02. The Trustee shall authenticate and deliver Bonds only in accordance with the provisions of the Indenture.

ARTICLE V.

ISSUANCE OF BONDS UPON THE BASIS OF PERMANENT ADDITIONS.

SECTION 5.01. Subject to the provisions of Article IV, Bonds may be executed by the Company and delivered to the Trustee and shall be authenticated and delivered by the Trustee upon the basis of the acquisition or construction of Permanent Additions. Such additional Bonds shall be authenticated and delivered only in accordance with and subject to the conditions, provisions and limitation set forth in Sections 5.02 through 5.07.

SECTION 5.02. No Bonds shall be authenticated and delivered under the provisions of this Article V upon the basis of the acquisition or construction by the Company of any Permanent Additions until the Cost and Fair Value of such Permanent Additions shall have been certified to the Trustee as provided in Section 5.04. The aggregate principal amount of Bonds that may be authenticated and delivered under the provisions of the Article V is limited to 66-2/3% of the Cost or Fair Value, whichever is less, of the Permanent Additions forming the basis of the authentication and delivery thereof, provided that: (a) in each case, there shall be deducted from such Cost or Fair Value, as the case may be, the amounts removed from the fixed capital accounts of the Company as and for the Cost of any Retired Property during the period from April 1, 1947 to a date not more than 90 days preceding the date of authentication and delivery of the Bonds applied for; (b) in the case of Retired Property lost or destroyed by fire, or sold and released from the Lien of the Indenture, which is offset in whole or in part by cash, purchase money obligations deposited with the Trustee or property received in exchange for such Retired Property and made subject to the Lien of the Indenture, the amount deducted on account of such Retired Property and made subject to the Lien of the Indenture, which in exchange for such Retired Property shall be only the amount by which the Cost therefor shall exceed the aggregate amount of cash, the Fair Value of the purchase money obligations so deposited and the property received in such exchange; and (c) any such amounts which shall have been once deducted from the Cost or Fair Value of Permanent Additions included in any certificate previously delivered to the Trustee (including certificates delivered, prior to the Effective Date, pursuant to the Original Indenture or any Subsequent Supplemental Trust Indenture), for the authentication and delivery of Bonds, the withdrawal of cash or the release of property under any of the provisions of the Indenture, for the establishment of a credit to the Maintenance Fund or for the satisfaction of any sinking fund requirement relating to any series of Bonds, need not be deducted again on any such subsequent Application.

In no event shall the Indenture be construed to require the Company to deduct the Cost of Retired Property which was constructed, acquired or erected on or subsequent to April 1, 1947, but which has not at any time been included as a Permanent Addition in any Engineer's Certificate delivered to the Trustee under subdivision (a) of Section 5.04.

SECTION 5.03. No Bonds shall be authenticated and delivered under this Article unless, as shown by a Net Earning's Certificate, the Earnings Applicable to Bond Interest for a period of 12 consecutive calendar months within the 15 calendar months immediately preceding the date of any Application for the authentication and delivery of Bonds is made shall have been, in the aggregate, at least twice the interest requirements for a period of one year upon (a) the Bonds

applied for, (b) the Bonds Outstanding on the date of such Application and (c) all Prior Lien Obligations and Permitted Indebtedness maturing more than one year after the date of such calculation.

SECTION 5.04. The Company may deliver to the Trustee the documents described in the following subdivisions (a), (c) and (d) and when applicable (b) or (e), each accompanied by the others, for the purpose of establishing the Cost and Fair Value of Permanent Additions and the Amount of Established Permanent Additions to be used for any of the following purposes:

(i) authentication and delivery of Bonds under the provisions of this Article V;

(ii) withdrawal of cash under Section 7.02;

(iii) taking a credit to the Maintenance Fund under the provisions of subdivision (d) of Section 9.01;

(iv) withdrawal of cash from the Maintenance Fund based on the Cost or Fair Value of any Permanent Additions under the provisions of Section 9.04;

(v) withdrawal under the provisions of Section 11.10 of moneys in the Release Fund or moneys which are required by any provision of the Indenture to be held, applied or disposed of by the Trustee in the same manner as moneys in the Release Fund; or

(vi) application to a Sinking Fund of the Bonds of any series as and to the extent set forth in the subdivision (c) of Section 13.01 for applications made pursuant thereto or as provided in the Supplemental Trust Indenture creating such series of Bonds.

(a) An Engineer's Certificate dated not more than 90 days preceding the delivery thereof to the Trustee:

(1) stating, with respect to the first Engineer's Certificate delivered on or after the Effective Date: (i) the amount of Permanent Additions that has been certified to the Trustee prior to the Effective Date in accordance with the Original Indenture as supplemented by any Subsequent Supplemental Trust Indenture and that could have been used immediately prior to the Effective Date as a basis for the authentication of Bonds under the Original Indenture as supplemented by Subsequent Supplemental Trust Indentures and (ii) that none of such Permanent Additions has been used for any of the purposes set forth in Section 5.04 of the Original Indenture as supplemented by Subsequent Supplemental Trust Indentures and the amount set forth shall be the initial Amount of Established Permanent Additions;

(2) stating that between dates specified in the certificate, the Company has made, acquired, constructed or erected the Permanent Additions therein described;

(3) specifying such Permanent Additions and briefly describing the same in such manner as to show conformity thereof with the definition of Permanent Additions set

forth in Section 1.03 and stating that no part of the Permanent Additions so described was included in any Engineer's Certificate previously delivered to the Trustee under this subdivision (a);

(4) stating that the signers, either personally or through one or more competent assistants, have examined the Permanent Additions so specified; that such properties conform to the definition of Permanent Additions; that they are used or to be used in a business specified in said definition and that they do not include any property excluded from the definition of Permanent Additions;

(5) stating the Cost and the Fair Value to the Company of the property described in the Engineer's Certificate and that the Cost, so stated, was the amount stated in the Accountant's Certificate provided for in subdivision (c) of this Section 5.04;

(6) stating whether or not any of the property described in the Engineer's Certificate is an Acquired Facility and specifying each such Acquired Facility and if the Fair Value of said Acquired Facility is, or are, as the case may be, not less than $25,000 and not less than 1% of the aggregate principal amount of Bonds then Outstanding, that such Fair Value in the Independent Engineer's Certificate provided for in subdivision (b) of this Section 5.04 was included in the aggregate amount stated pursuant to paragraph (5) of this subdivision (a);

(7) stating the amount removed from the utility plant or fixed capital accounts of the Company as and for the Cost of all Retired Property (to the extent provided in Section 5.02) subsequent to April 1, 1947, to a date specified in the certificate, which shall be not more than 90 days preceding the date of the delivery of the certificate (exclusive of amounts in respect of which appropriate deduction has been made in an Engineer's Certificate or certificates or an Accountant's Certificate or certificates previously delivered to the Trustee under this Section 5.04 or under subdivision (d) of Section 5.06 or under another provision of the Indenture containing the statements and calculation required by subdivision (d) of Section 5.06 or, prior to the Effective Date, under the Original Indenture as supplemented by Subsequent Supplemental Trust Indentures); and stating that such amount stated pursuant to this paragraph (7) was taken at the amount stated in the Accountant's Certificate provided for in subdivision (c) of this Section 5.04;

(8) stating an "Amount of Established Permanent Additions," which is the balance remaining after deducting from the lesser of Cost or Fair Value (as stated pursuant to paragraph (5) of this subdivision (a)), the amounts removed from the utility plant or fixed capital accounts (as stated pursuant to paragraph (7) of this subdivision (a)).

(b) If any portion of the Permanent Additions described in the accompanying Engineer's Certificate, delivered pursuant to subdivision (a) of this Section 5.04, consists of an Acquired Facility of a Fair Value not less than $25,000 and not less than 1% of the aggregate principal amount of Bonds then Outstanding, then there shall be delivered to the Trustee an Independent Engineer's Certificate, stating, in the opinion of the signer, the Fair Value of such Acquired

Facility (together with the Fair Value of any Acquired Facility which has been subjected to the Lien of the Indenture since the commencement of the then current calendar year, and for which an Independent Engineer's Certificate has not previously been furnished), determined as of a date not more than 90 days preceding the date of the delivery of the Independent Engineer's Certificate to the Trustee.

(c) An Accountant's Certificate, dated not earlier than the date of the accompanying Engineer's Certificate provided for in subdivision (a) of this Section 5.04 stating in substance:

(1) the Cost of the Permanent Additions described in such Engineer's Certificate,
pursuant to paragraph (3) of subdivision (a) of this Section 5.04; and if any portion of such Permanent Additions is stated in such Engineer's Certificate to consist of an Acquired Facility, the Cost of such Acquired Facility shall be specified;

(2) the amount removed from the utility plant or fixed capital accounts of the Company as and for the Cost of all Retired Property (to the extent provided in Section 5.02) subsequent to April 1, 1947, to a date specified in the certificate which shall be the date specified in the accompanying Engineer's Certificate (exclusive of amounts in respect of which appropriate deduction has been made in an Engineer's Certificate or certificates or an Accountant's Certificate or certificates previously delivered under this Section 5.04, under subdivision (d) of Section 5.06 or under another provision of the Indenture containing the statements and calculation required by subdivision (d) of Section 5.06 or, prior to the Effective Date, under the Original Indenture as supplemented by Subsequent Supplemental Trust Indentures); and specifying by classes the amount of Retired Property previously characterized as Permanent Additions which has not been included in a certificate previously delivered to the Trustee; and

(3) that no part of the Permanent Additions described in the accompanying Engineer's Certificate and no part of the Cost or Fair Value thereof, was included in any Engineer's Certificate previously delivered to the Trustee under subdivision (a) of this Section 5.04.

(d) An Opinion of Counsel, stating in the opinion of the signer that:

(1) except for all Permanent Additions owned by the Company on or after April 1, 1947, which have been removed, sold, abandoned, destroyed or which for any cause have been permanently withdrawn from service, the Company has title to all of the Permanent Additions specified in the accompanying Engineer's Certificate, subject to Permitted Encumbrances, or that, upon the delivery of instruments of conveyance, assignment or transfer specified in the Opinion of Counsel, it will have title to such properties, subject to Permitted Encumbrances;

(2) except for all Permanent Additions owned by the Company on or after April 1, 1947, which have been removed, sold, abandoned, destroyed or which for any cause have been permanently withdrawn from service, and subject to Permitted Encumbrances, all of the Permanent Additions specified in the accompanying Engineer's Certificate are

subject to the Lien of the Indenture and that none of such Permanent Additions is subject to any Prior Lien or, in the alternative, stating what, if any, documents should be delivered, recorded or filed to subject such property to the Lien of the Indenture;

(3) except for all Permanent Additions owned by the Company on or after April 1, 1947, which have been removed, sold, abandoned, destroyed or which for any cause have been permanently withdrawn from service, the Company has corporate authority to own the Permanent Additions specified in the accompanying Engineer's Certificate, subject to Permitted Encumbrances; and

If any of the Permanent Additions specified in the accompanying Engineer's Certificate include any property which is subject to any Permitted Encumbrances of the character described in paragraphs (8), (10), or (16) of the definition of Permitted Encumbrances, an Opinion of Counsel also shall be provided as required in such paragraphs.

(e) The instruments of conveyance, assignment and transfer, if any, specified in the Opinion of Counsel provided for in subdivision (d) of this Section 5.04 in accordance with paragraph (1) of said subdivision (d) or evidence satisfactory to the Trustee of the delivery thereof to the Company and the documents, if any, stated in such Opinion of Counsel in accordance with paragraph (2) of said subdivision (d) or evidence satisfactory to the Trustee of the delivery or recording or filing.

SECTION 5.05. (a) No Permanent Additions specified or described in any Engineer's Certificate provided for in subdivision (a) of Section 5.04 shall thereafter be included in any similar Engineer's Certificate subsequently delivered to the Trustee.

(b) No Amount of Established Permanent Additions used or applied for any of the purposes specified in Section 5.04 shall be used or applied again for any such purposes, except to the extent permitted by Section 9.05.

SECTION 5.06. (a) No Application by the Company to the Trustee for the authentication and delivery of Bonds under this Article shall be granted by the Trustee unless the Trustee shall have received:

(a) The documents provided for in Section 4.01.

(b) A Net Earnings Certificate stating the Amount of Earnings Applicable to Bond Interest for a specified period of 12 consecutive calendar months within the 15 calendar months immediately preceding the first day of the calendar month in which the accompanying Application for the authentication and delivery of Bonds is made and stating separately: (1) the aggregate principal amount of (i) the Bonds applied for, (ii) all Bonds Outstanding at the date of said Application and (iii) the aggregate principal amount of all Prior Lien Obligations and Permitted Indebtedness maturing more than one year after the date of such calculation; (2) the interest requirements for a period of one year on all such Bonds, Prior Lien Obligations and Permitted Indebtedness maturing more than one year after the date of such calculation; and (3) the aggregate principal amount of Bonds authenticated and delivered since the commencement of

the then current calendar year, exclusive of (i) Bonds in connection with the authentication and delivery for which no Net Earnings Certificate was required and (ii) Bonds in connection with the authentication and delivery for which an Independent Accountant's Certificate has been previously delivered to the Trustee.

(c) an Independent Accountant's Certificate containing the statements required by subdivision (b) of this Section 5.06, if (1) the aggregate principal amount of the Bonds stated in the Net Earnings Certificate provided for in subdivision (b) of this Section 5.06 to have been authenticated and delivered since the commencement of the current calendar year, plus the principal amount of Bonds applied for, is equal to or exceeds 10% of the aggregate principal amount of all Bonds Outstanding, as stated in such Net Earnings Certificate, and (2) the 12-month period in respect of which Earnings Applicable to Bond Interest are stated in such Net Earnings Certificate is a period with respect to which an annual report is required to be filed by the Company pursuant to Section 8.18.

(d) An Accountant's Certificate containing a statement of the Amount of Established Permanent Additions remaining available for the purposes set forth in Section 5.04 and stating;

(1) The unapplied balance, if any, of the Amount of Established Permanent Additions (including any amounts attributable to subdivision (b) of Section 9.05) stated in the next preceding similar Accountant's Certificate, if any, delivered to the Trustee under the provisions of this subdivision (d) or under another provision of the Indenture containing the statements and calculation required by this subdivision (d);

(2) The Amount of Established Permanent Additions stated in such of the Engineer's Certificates delivered to the Trustee under the provisions of subdivision (a) of Section 5.04 as have not been included in any similar Accountant's Certificate previously delivered to the Trustee under this subdivision (d) or under another provision of the Indenture containing the statements and calculation required by this subdivision (d), which it is desired then to include in the Accountant's Certificate, taking such Engineer's Certificates consecutively according to the dates thereof; and specifying the respective dates of such Engineer's Certificates;

(3) The aggregate of the unapplied balance stated under paragraph (1) above and the Amount of Established Permanent Additions stated under paragraph (2) above;

(4) The amount removed from the utility plant or fixed capital accounts of the Company as and for the Cost of all Retired Property (to the extent provided in Section 5.02) subsequent to April 1, 1947, to a date specified in the Engineer's certificate which shall be not more than 90 days preceding the authentication and delivery of the Bonds applied for in the accompanying Application, exclusive of amounts in respect of which appropriate deduction has been made in an Engineer's Certificate or in a similar Accountant's Certificate previously delivered to the Trustee under Section 5.04, or this Section 5.06 or under another provision of the Indenture containing the statements and calculation required by this subdivision (d) or, prior to the Effective Date, under the Original Indenture as supplemented by Subsequent Supplemental Trust Indentures;

(5) The balance remaining after deducting the amount stated under paragraph (4) above from the aggregate amount stated under paragraph (3) above, which remaining balance shall be the amount available to be applied for any of the purposes stated in Section 5.04 at the time of the delivery of the Accountant's Certificate to the Trustee;

(6) Such portion (determined pursuant to Section 5.07) of the amount stated under paragraph (5) above that is to be applied to the authentication and delivery of Bonds (or, as the case may be, any other purpose permitted by Section 5.04) applied for in the accompanying Application;

(7) The balance remaining after deducting the amount stated under paragraph (6) above from the balance stated under paragraph (5) above, which remaining balance shall be the amount included in the next similar Accountant's Certificate delivered to the Trustee as the unapplied balance of the Amount of Established Permanent Additions to be stated therein in accordance with paragraph (1) of this subdivision (d);

(8) that no part of any unapplied balance of the Amount of Established Permanent Additions included under paragraph (1) above, or of any Amount of Established Permanent Additions included under paragraph (2) above, has theretofore been applied for any of the purposes stated in clauses (i) through (vi) in Section 5.04, except to the extent permitted by Section 9.05.

SECTION 5.07. In each case of the application of any Amount of Established Permanent Additions on account of items specified in paragraphs (i) or (ii) of Section 5.04, the amount so applied shall be 150% of the aggregate principal amount of Bonds applied for and authenticated and delivered under this Article V, or of the cash applied for and withdrawn under Section 7.02, on any particular application; in each case of the application of any Amount of Established Permanent Additions for any items specified in paragraphs (iii) through (v) of Section 5.04, the amount so applied shall be 100% of the amount of cash applied for and withdrawn on any particular application or credit taken at any particular time and, in the case of the application of any such amount for any items specified in clause (vi) of Section 5.04, the amounts so applied shall be (a) 150% of the amount of credit to a Sinking Fund applied under subdivision (c) of Section 13.01 and (b) the percentage set forth in the Supplemental Trust Indenture creating the series of Bonds for any additional sinking fund requirement established for such series.

ARTICLE VI.

ISSUANCE OF BONDS UPON RETIREMENT OF BONDS.

SECTION 6.01. Subject to the provisions of Article IV, the Company may issue and the Trustee shall authenticate and deliver Bonds, in addition to those provided for in any other Section hereof, in an aggregate principal amount not exceeding the aggregate principal amount of any previously issued Bonds which shall have been retired, if the Trustee shall have received an Officer's Certificate stating the aggregate principal amount of Bonds in respect of whose retirement the Bonds applied for in the accompanying Application are to be authenticated and delivered and that such retired Bonds do not include the Bonds retired or used as subsequently specified in this Section 6.01; provided that no Bond shall be issued in respect of any such retired Bond (a) which shall have been retired (1) through the use of cash deposited with the Trustee pursuant to the provisions of Article VII, (2) through the use of cash constituting any part of the Release Fund, or which pursuant to the Indenture is to be held or disposed of or applied in the same manner as moneys in the Release Fund, or (3) through the use of cash constituting a part of, or in lieu of the deposit of any such cash in, or through the operation of, the Maintenance Fund, or the Sinking Fund or other similar fund applicable to its retirement if the provisions establishing such other similar fund prohibit such issuance or (b) whose retirement was previously used as a basis for the issuance of Bonds under this Section 6.01, or (c) which shall have been retired prior to the Effective Date and which the Company would not have been permitted under Section 6.01 of the Original Indenture to use as a basis for the issuance of additional Bonds.

SECTION 6.02. No Bond shall be issued in respect of any retired Bond more than one year prior to the final Stated Maturity of such retired Bond unless: the Bond so issued bears no greater rate of interest than such retired Bond or, if the Bond so issued bears a greater rate of interest than such retired Bond, unless the Trustee shall have received a Net Earnings Certificate complying with subdivision (b) of Section 5.06 and, when required, an Independent Accountant's Certificate pursuant to subdivision (c) of Section 5.06 showing that the Earnings Applicable to Bond Interest meets the requirements of Section 5.03.

SECTION 6.03. Any Bond (including, if applicable, any unmatured Coupons appertaining thereto) shall be deemed retired if it shall have been paid or redeemed or surrendered to the Trustee and cancelled or destroyed (unless such surrender shall have been made in exchange for another Bond of the same series and evidencing the same indebtedness) or if provision for the payment or redemption of such Bond shall have been made in the following manner:

(a) if the Bond has been selected for redemption, the Trustee shall have given (or the Company shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give), on a date in accordance with the provisions of Section 10.02 and the terms of such Bond notice of redemption of such Bond or portions thereof;

(b) there shall have been deposited with the Trustee any combination:

(i) of cash and

(ii) of Government Obligations (which shall not contain provisions permitting the redemption thereof at the option of the issuer), maturing as to principal and interest (without any regard to the reinvestment thereof) in such amounts and at such times as will assure the availability of cash

that is necessary to pay when due the principal of, premium, if any, and interest due and to become due on such Bond on or prior to the Redemption Date or Stated Maturity thereof, as the case may be; and

(c) if the Bond does not mature and is not to be redeemed within the next succeeding 30 days, the Company shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to give, as soon as practicable, in the same manner as a notice of redemption is given pursuant to Section 10.02, a notice to the Holder of such Bond stating that: (1) the deposit required by paragraph (b) above has been made with the Trustee; (2) such Bond is deemed to have been paid in accordance with this Section 6.03; and (3) the Stated Maturity or Redemption Date upon which moneys are to be available for payment of the principal of, premium, if any, and interest on such Bond.

ARTICLE VII.

ISSUANCE OF BONDS UPON DEPOSIT OF CASH WITH TRUSTEE.

SECTION 7.01. Subject to the provisions of Article IV, the Trustee shall authenticate and deliver Bonds if the Company shall deposit cash with the Trustee in an amount equal to the principal amount of the Bonds requested to be authenticated and delivered and if the Trustee shall have received a Net Earnings Certificate as described in Section 5.03 showing that the Earnings Applicable to Bond Interest for a period of 12 consecutive calendar months within the 15 calendar months immediately preceding the date of the Application for authentication and delivery of Bonds shall have been in the aggregate at least equivalent to twice the interest requirements for a period of one year upon (a) the Bonds applied for, (b) all Bonds Outstanding on the date of such Application and (c) all Prior Lien Obligations and Permitted Indebtedness maturing more than one year after the date of such calculation.

SECTION 7.02. All cash deposited with the Trustee under the provisions of Section 7.01 shall be held by the Trustee as a part of the mortgaged and pledged property, but, whenever the Company shall become entitled to the authentication and delivery of Bonds under Articles V or VI, the Trustee, upon application by the Company, evidenced by a Resolution, shall pay to the Company, in lieu of the Bonds to which the Company may then be so entitled, such cash equal to the aggregate principal amount of such Bonds without any limitation by reason of the amount of Earnings Applicable to Bond Interest; and for such purpose (a) the requisite certificates and other documents delivered to the Trustee may contain such variations, omissions or insertions as may be appropriate in the light of the purpose for which they are used, (b) Section 5.03 shall be inapplicable to the withdrawal of such cash pursuant to this Section 7.02 and (c) it shall not be necessary to deliver to the Trustee any Net Earnings Certificate or any Independent Accountant's Certificate with respect to Earnings Applicable to Bond Interest, or any of the documents provided for in Section 4.01 except subdivision (g).

ARTICLE VIII.

PARTICULAR COVENANTS OF THE COMPANY.

The Company hereby covenants as follows:

SECTION 8.01. That it lawfully possesses all the aforesaid mortgaged and pledged property; that it will maintain and preserve the Lien of the Indenture on such mortgaged and pledged property in accordance with the terms hereof so long as any of the Bonds are Outstanding; that it has good right and lawful authority to mortgage and pledge such mortgaged and pledged property, as provided by the Indenture; and that the mortgaged and pledged property is free and clear of all liens and encumbrances, except Permitted Encumbrances, and except as otherwise provided herein.

SECTION 8.02. That it will duly and punctually pay the principal of, premium, if any, and interest on all the Bonds Outstanding according to the terms thereof and of the Indenture.

SECTION 8.03. That it will maintain an office or agency (approved by the Trustee), while any of the Bonds are Outstanding, at each Place of Payment, where notices, presentations and demands to or upon the Company in respect of the Bonds or the Indenture may be given or made, and for the payment of the principal of, premium, if any, and interest on the Bonds. The Company will give the Trustee prompt written notice of any change in location of such office or agency. If the Company shall fail to maintain such office or agency in each Place of Payment, or to give the Trustee written notice of the location thereof, the Trustee shall appoint in each such Place of Payment an agent of the Company for the foregoing purposes and the Trustee is hereby authorized and empowered to make any such appointment on behalf of the Company. In case of any such failure of the Company, any such notice, presentation or demand in respect of the Bonds or the Indenture may be given or made, unless other provision is expressly made herein, to or upon the Trustee at is principal corporate trust office, and the Company hereby authorizes such presentation and demand to be made to and such notice to be served on the Trustee in such event.

SECTION 8.04. That it will pay, when the same shall become payable, all taxes, assessments and other governmental charges lawfully levied or assessed upon the mortgaged and pledged property, or upon any part thereof or upon any income therefrom, or upon the interest of the Trustee in the mortgaged and pledged property when the same shall become due, and will duly observe and conform to all valid requirements of any governmental authority relative to any of the mortgaged and pledged property, and all covenants, terms and conditions upon or under which any of the mortgaged and pledged property is held and that, except as herein otherwise provided, it will not permit, create or incur any lien to be existing hereafter upon the mortgaged and pledged property whether now owned or hereafter acquired, or any part thereof, or the income therefrom, equal to or prior to the Lien of the Indenture, except Permitted Encumbrances.

SECTION 8.05. (a) That it will keep all the mortgaged and pledged property of a character usually insured by companies engaged in a similar business and similarly situated, and which is at any time subject to the Lien of the Indenture, insured with reasonable deductibles and retentions against loss or damage by fire or extended coverage perils, to such amount as such property is usually insured by companies similarly situated, either by means of policies issued by

reputable insurance companies or, in lieu of or supplementing such insurance in whole or in part, at the Company's election, by means of some other method or plan of protection including an insurance fund maintained by the Company alone or in conjunction with any other Person. All such insurance policies or alternative methods or plans of protection upon any part of the mortgaged and pledged property shall provide that the proceeds thereof shall be payable to the Trustee. The Company agrees to deposit with the Trustee all proceeds from any insurance or alternative method or plan of protection received by the Company with respect to any such loss relating to the mortgaged and pledged property.

Upon request, the Company will furnish to the Trustee a statement signed by the President, a Vice President, the Treasurer or an Assistant Treasurer and attested by the Secretary or an Assistant Secretary of the Company showing:

(i) the number of the policies of insurance in effect and the names of the issuing companies,

(ii) the amount of such policies,

(iii) the nature of the property covered by such policies, and

stating that each such insurance policy or alternative method or plan of protection provides that losses thereunder for fire or extended coverage perils are payable to the Trustee. In lieu of the statement described in the preceding sentence, the Company may deliver to the Trustee a certificate of one or more nationally known insurance brokers that he or they have examined the fire and extended coverage insurance policies and alternative method or plans of protection in effect upon the property of the Company and that in his or their opinion the Company has fully complied with the provisions of this subdivision (a).

(b) That all proceeds of any insurance or alternative method or plan of protection received by the Trustee, shall be held and applied by the Trustee in the same manner and for the same purposes and shall be subject to the same conditions as moneys held in the Release Fund, except that, until a Completed Default shall occur and be continuing, any such proceeds received by the Trustee for any single loss not exceeding $1,000,000 shall be paid promptly to the Company upon receipt by the Trustee of a Company Order directing such payment.

(c) That all proceeds of any insurance or alternative method or plan of protection paid to the Company by the Trustee pursuant to subdivision (b) of this Section 8.05 promptly shall be expended for Permanent Additions, or be applied to the rebuilding, renewal or replacement of the property damaged or destroyed.

(d) That subject to Section 17.01, in case of any loss covered by any insurance policy or alternative method or plan of protection, any appraisement or adjustment of such loss and settlement and payment of indemnity therefor, which shall be approved in an Officer's Certificate, may be consented to and accepted by the Trustee, and the Trustee shall in no way be liable or responsible for the collection of any insurance in case of any loss nor for consenting to or accepting any such appraisement, adjustment, settlement or payment of indemnity.

SECTION 8.06. That the business of the Company will be continuously carried on and conducted in an efficient manner; that all property, plants, appliances and equipment of the

Company classified as Permanent Additions subject to the Lien of the Indenture and used and useful in the carrying on of its business will be maintained in adequate repair, working order and condition to the extent, in the Company's opinion, it is economical to do so, and, if worn out, obsolete or severely damaged, it will be replaced or offset by other property of the character of Permanent Additions of at least equal value; that, except as permitted under the provisions of Section 11.02, none of the rights, powers, franchises or privileges of the Company, subject to the Lien of the Indenture, whether now owned or hereafter acquired, will be allowed to lapse other than by expiration of the term of duration thereof or be forfeited so long as the same shall be necessary for the carrying on of the business of the Company; that, except as permitted by Article XVI, it will maintain its corporate existence and right to carry on business in the states in which its property and plants subject to the Lien of the Indenture, or any part thereof, may be located and will use reasonable efforts to obtain all necessary renewals and extensions thereof, and subject to the provisions hereof, will diligently endeavor to maintain, preserve and renew all such rights, powers, privileges and franchises owned by it and necessary for carrying on the business of the Company; that it will at all times use all reasonable diligence to provide service adequate to meet the reasonable requirements of the communities in which it may be operating; that, except to the extent herein expressly permitted, it will at no time commit or allow to be committed, any waste upon the mortgaged and pledged property of the character of Permanent Additions, or do, or permit to be done, about, in or upon the mortgaged property, anything that may in any way tend to impair the value thereof, or to weaken, diminish or impair the security afforded by the Indenture, and that it will fully and in due time comply with all laws and ordinances applicable to the Company or the mortgaged and pledged property. However, nothing herein contained shall be construed to prevent the Company (a) from contesting in good faith the validity of any such laws or ordinances by necessary and appropriate legal proceedings or in such other manner as may be deemed advisable by the Company; (b) from ceasing to operate any of its plants or any other properties if, in the judgment of the Company, it is advisable not to operate or maintain the same; (c) from selling or otherwise disposing of its mortgaged and pledged property subject to the provisions of Article XI; or (d) from dismantling or taking such other action with respect to such plant or such other property as it deems proper and customary under the circumstances.

SECTION 8.07. [Omitted]

SECTION 8.08. That it will cause the Indenture and all indentures and instruments supplemental hereto to be kept, recorded and filed in such manner and to such extent as may be required or permitted by law and in such places as may be required by law in order to make effective and maintain the Lien Hereof and to fully preserve and protect the security of the Bondholders and all rights of the Trustee.

SECTION 8.09. That it will execute and deliver such further instruments and do such further acts as may be necessary or proper to carry out the purposes of the Indenture, and to make subject to the Lien Hereof any property hereafter acquired and intended to be subject to the Lien of the Indenture, and to transfer to any new trustee the estate, powers, instruments and any funds held in trust under the Indenture.

SECTION 8.10. That it will, at all times, keep or cause to be kept, proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the Bonds, plants, properties, business and affairs of the

Company; that it will at any and all reasonable times, upon the written request of the Trustee, permit it, or its clerks, agents, or auditors, for that purpose duly authorized, to inspect the books, accounts, papers, documents and memoranda of the Company, as well as its plants and properties, and to take from its books, accounts, papers, documents and memoranda such extracts as may be deemed necessary; that it will at any time, upon the written request of the Trustee, furnish to the Trustee a full and complete statement of the property covered by the Lien Hereof or intended to be covered.

SECTION 8.11. That it will not go into voluntary bankruptcy or insolvency, or apply for or consent to the appointment of a receiver of itself or its property or make any general assignment for the benefit of its creditors, or allow any order adjudicating it to be bankrupt or insolvent or appointing a receiver of it or of its property, to be made and remain unvacated for a period of 90 days.

SECTION 8.12. That it is duly authorized under the laws of Wisconsin and under all other applicable provisions of law to create and issue the Bonds and to execute and deliver the Indenture; that all corporate action required for the creation and issue of said Bonds and the execution of the Indenture has been duly and effectually taken, and that said Bonds when issued and in the hands of the Holders thereof are and will be valid and enforceable obligations of the Company, and that the Indenture is and always will be a valid mortgage or deed of trust to secure the payment of said Bonds.

SECTION 8.13. That upon the issue of each Bond it will pay all such taxes (which may legally be paid by the Company) as may be imposed by any law, then in force applicable to and imposed upon the issue of such Bond, of the United States of America, of the States of Wisconsin and Michigan or of the several states in which its property and plants, or any part thereof may be located.

SECTION 8.14. That it will not issue, or permit to be issued, any Bonds in any manner other than in accordance with the provisions of the Indenture and that it will faithfully observe and perform all the conditions, covenants and requirements of the Indenture.

SECTION 8.15. That it will duly and punctually perform all the conditions and obligations imposed on it by the terms of any Prior Lien or any mortgage, lien, charge or encumbrance described in paragraph (20) of the definition of Permitted Encumbrances to the extent necessary to keep the security afforded by the Indenture substantially unimpaired and that it will not permit any default under any such Prior Lien or mortgage, lien, charge or encumbrance to occur and continue for any grace period specified therein, if thereby the security afforded by the Indenture would be materially impaired or endangered.

SECTION 8.16. That, if it shall act as its own Paying Agent, it will, on or before each due date of the principal of, premium, if any, or interest on the Bonds, set aside and segregate and hold in trust for the benefit of Holders of such Bonds or the Trustee a sum sufficient to pay the principal of, premium, if any, or interest so becoming due, and the Company promptly will notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents, it will, on or prior to each due date of the principal of, premium, if any, or interest on any Bonds, deposit with a Paying

Agent a sum sufficient to pay the principal of, premium, if any, or interest so becoming due, such sum to be held in trust for the benefit of the Holders of such Bonds or the Trustee, and (unless such Paying Agent is the Trustee) the Company promptly will notify the Trustee of its action or failure so to act.

Moneys so segregated or deposited and held in trust shall not be a part of the mortgaged and pledged property but shall constitute a separate trust fund for the benefit of the Persons entitled to such principal, premium or interest. Except in the case of moneys so segregated by the Company when acting as its own Paying Agent, moneys held in trust by the Trustee or any other Paying Agent for the payment of the principal of, premium, if any, or interest on the Bonds need not be segregated from other funds, except to the extent required by law.

The Company will cause each Paying Agent other than the Trustee, to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section 8.16, that such Paying Agent will:

(a) hold all sums held by it for the payment of principal of, premium, if any, or interest on Bonds in trust for the benefit of the Holders of such Bonds or the Trustee until such sums shall be paid to the Holders or withdrawn for deposit with a successor Paying Agent or with the Trustee or until disposed of as herein provided;

(b) give the Trustee notice of any default by the Company (or any other obligor upon the Bonds) in the making of any such payment of principal, premium, if any, or interest; and

(c) at any time during the continuance of any such default, upon the written request of the Trustee, promptly pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of the Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all money held in trust by the Company or such Paying Agent pursuant to this Section 8.16, such money to be held by the Trustee upon the same trusts as those upon which such money was held by the Company or such Paying Agent; and, upon such payment by the Company, the Company shall be discharged from such trust, and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Anything in this Section 8.16 to the contrary notwithstanding, any money deposited with the Trustee or any Paying Agent or held by the Company in trust for the payment of the principal of, premium, if any, or interest on any Bond shall be subject to the provisions of Section 21.03.

SECTION 8.17. That it will furnish or cause to be furnished to the Trustee between May 1 and May 31 in each year beginning with the May following the Effective Date, and also between November 1 and November 30 in each year beginning with the November following the Effective Date, and at such other times as the Trustee may request in writing, a statement in such form as the Trustee may reasonably require, containing all the information in the possession or control of the Company or of any of its Paying Agents as to the names and addresses of the Holders of Bonds obtained since the date as of which the next previous statement, if any, was furnished, excluding from any such list the names and addresses received by the Trustee in its capacity as Bond Registrar. Each such statement shall be dated as of a date not earlier than the

tenth day of the month next preceding the month during which said statement is furnished, and need not include information received after such date.

SECTION 8.18. That it will:

(a) file with the Trustee within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may prescribe from time to time by rules and regulations) which the Company may be required to file with the Commission pursuant to section 13 or section 15 (d) of the Securities Exchange Act of 1934, as amended; or, if the Company is not required to file information, documents or reports pursuant to either of such sections, that it will file with the Trustee and the Commission, in accordance with any rules and regulations that may be prescribed by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to section 13 of the Securities Exchange Act of 1934, as amended, in respect of a security listed and registered on a national securities exchange as may be prescribed in such rules and regulations;

(b) file with the Trustee and the Commission, in accordance with such rules and regulations as may be prescribed by the Commission and to which the Company shall be subject, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants provided for in the Indenture as may be required from time to time by such rules and regulations, including in the case of annual reports (if required by such rules and regulations), certificates or opinions of independent public accountants (conforming to the requirements of Sections 21.08 and 21.09) as to compliance with conditions or covenants (which compliance is subject to verification by accountants), but no such certificate or opinion shall be required as to any matter specified in clause (A), (B) or (C) of paragraph (3) of subsection (c) of Section 314 of the Trust Indenture Act; and

(c) transmit to the Holders of Bonds in the manner and to the extent provided in subdivision (c) of Section 17.18, such summaries of any information, documents and reports required to be filed by the Company pursuant to subdivisions (a) and (b) of this Section 8.18 as may be required by rules and regulations prescribed by the Commission; and

(d) furnish to the Trustee, not less than annually, a brief certificate from the principal executive officer, principal financial officer or principal accounting officer as to his knowledge of the Company's compliance with all conditions and covenants under the Indenture. For purposes of this subdivision (d), such compliance shall be determined without regard to any period of grace or requirement of notice provided under the Indenture.

SECTION 8.19. That it will furnish to the Trustee: (a) promptly after the Effective Date and promptly after the execution of any Supplemental Trust Indenture after the Effective Date, an Opinion of Counsel either stating that the Indenture has been properly recorded and filed so as to make effective the Lien of the Indenture intended to be created thereby, and reciting the details of such action, or stating that no such action is necessary to make such Lien of the Indenture effective; and (b) by May 1 in each year after the Effective Date, an Opinion of Counsel either stating that such action has been taken with respect to the recording, filing, re-recording and refiling of the Indenture as is necessary to maintain the Lien Hereof, and reciting the details of such action, or stating that no such action is necessary to maintain such Lien of the

Indenture. Compliance with clauses (a) and (b) of this Section 8.19 shall be achieved if (1) the Opinion of Counsel herein required to be delivered to the Trustee shall state for details: the time, place, and manner of such recording, re-recording, filing and refiling as the case might be and that, in the Opinion of Counsel (if such is the case) such receipt for record of filing makes the Lien of the Indenture intended to be created thereby effective and (2) such Opinion of Counsel is delivered to the Trustee within such time, following the date and execution of this Restated Indenture and each Supplemental Trust Indenture, as shall be practicable, giving due regard to the number and distance of the jurisdictions in which the Indenture or such Supplemental Trust Indenture is required to be recorded or filed.

ARTICLE IX.

MAINTENANCE FUND.

SECTION 9.01. The Company covenants that, for each calendar year while any of the Bonds remain Outstanding, it will pay to the Trustee on the next succeeding May 1, as a "Maintenance Fund," an amount equal to 2.50% of Completed Depreciable Property as of the end of such calendar year; less, to the extent that the Company desires to include the same, the following credits:

(a) all amounts expended during such calendar year for maintenance of all property included in the calculation of Completed Depreciable Property owned by the Company;

(b) all expenditures or charges during such calendar year for renewals or replacements of property included in the calculation of Completed Depreciable Property owned by the Company, or for retirements of property included in the calculation of Completed Depreciable Property owned by the Company to the extent that the charges for such retirements have been offset by expenditures for acquisition, construction or erection of Permanent Additions;

(c) the principal amount of all Bonds which have been retired or redeemed, except Bonds which have been retired or used in the manner set forth in clause (a), (b) or (c) of Section 6.01; and

(d) any portion of an Amount of Established Permanent Additions determined in accordance with Article V if it has not been previously applied to any other purpose specified in Section 5.04.

The credits provided for in this Section 9.01 shall not include any amounts reserved for or accrued for depreciation or obsolescence on the books of the Company in any such calendar year, except to the extent that the charges or expenditures in paragraph (a) or (b) above include depreciation or charges related to equipment or materials used for maintenance, renewals or replacements of property included in the calculation of Completed Depreciable Property.

SECTION 9.02. By May 1 of each year, the Company shall deliver to the Trustee

(a) an Accountant's Certificate stating (i) the amount of the Completed Depreciable Property of the Company at the end of the previous calendar year; (ii) the amount equal to 2.50% of the amount stated pursuant to clause (i) of this subdivision (a); (iii) to the extent that the Company desires to include the same, the credits (separately stated) that are provided for under subdivisions (a), (b), (c) and (d) of Section 9.01; (iv) the credit balance, if any, provided for in Section 9.05; and (v) the remaining balance, if any, of the amount set forth under clause (ii) of this subdivision (a) remaining after deducting the credits set forth under paragraphs (iii) and (iv);

(b) if the Company includes in the Accountant's Certificate provided for in subdivision (a) of this Section 9.02 any credit under subdivision (d) of Section 9.01, the Accountant's Certificate also shall contain the statements and calculation provided for in subdivision (d)

of Section of 5.06, with such changes therein as may be necessary to adapt the same to the purposes of this Section 9.02 and Section 9.01; and

(c) an amount of cash or an aggregate principal amount of Bonds (except Bonds which have been retired or used in any manner set forth in clause (a), (b) or (c) of Section 6.01), equal to the balance, if any, stated in the Accountant's Certificate provided for in subdivision (a) of this Section 9.02 pursuant to clause (v) of said subdivision (a).

SECTION 9.03. Any cash balance held in the Maintenance Fund, at the option and upon the request of the Company, expressed by a Resolution, shall be applied by the Trustee to the purchase or redemption of Bonds in the manner provided for with reference to cash in the Release Fund as provided in Sections 11.13 and 11.14 but in no event shall such cash be considered as part of the Release Fund for purposes of Section 11.15. At the option of the Company, any monies constituting any part of the Maintenance Fund may be withdrawn by the Company upon the delivery to the Trustee of Bonds (except Bonds which have been used or retired in a manner set forth in clause (a), (b) or (c) of Section 6.01), of an aggregate principal amount equal to the amount of moneys so withdrawn.

All Bonds purchased or otherwise acquired by or delivered to the Trustee for the Maintenance Fund shall forthwith be cancelled, and the Trustee shall thereupon destroy such Bonds and deliver evidence of the destruction thereof to the Company, pursuant to Section 21.07.

SECTION 9.04. Any cash deposited by the Company with the Trustee in the Maintenance Fund may be withdrawn by the Company upon the basis of the Cost or Fair Value, whichever is less (after making the deductions provided for in Section 5.02 because of Retired Property), of Permanent Additions certified to the Trustee as provided in Article V and subject to the conditions of Sections 5.05 and 5.07, but only upon delivery to the Trustee of:

(a) a Company Request, authorized by Resolution;

(b) an Officer's Certificate stating that no Default has occurred and is continuing, and that the granting of such Company Request will not result in a Default; and

(c) an Accountant's Certificate containing the statements and calculation provided for in subdivision (d) of Section 5.06 with such changes therein as may be necessary to adapt the same to the purposes of this Section 9.04.

SECTION 9.05. If the total amount of credits, applicable to the Maintenance Fund, specified in any Accountant's Certificate filed for any calendar year after 1990 shall exceed an amount equal to 2.50% of Completed Depreciable Property as of the end of such calendar year, the excess, if any, may be used:

(a) as a credit balance to offset any deficiency for expenditures or charges as shown by any subsequent Accountant's Certificate or Certificates submitted pursuant to Section 9.02; or

(b) to increase the Amount of Established Permanent Additions available for any of the purposes described in paragraphs (i) through (vi) of Section 5.04, but only in an aggregate amount equal to the lesser of: (i) such excess credits or (ii) the Amount of Established Permanent Additions used, after calendar year 1990, as a credit to the Maintenance Fund or for the withdrawal of cash from the Maintenance Fund.

The amount of excess Maintenance Fund credits shall be reduced by the amount of any such excess credits applied for either of the purposes described in the foregoing clauses (a) and (b).

SECTION 9.06. If the mortgaged and pledged property shall be sold either under the power of sale herein provided, or under decree of court in a suit for the foreclosure of the Indenture, then any moneys at the time remaining in the Maintenance Fund shall be added to and dealt with as if it were a part of the proceeds of such sale.

ARTICLE X.

REDEMPTION OF BONDS.

SECTION 10.01. Bonds that are, by their terms, redeemable before maturity may, at the option of the Company, be redeemed at such times, in such amounts and at such prices as may be specified therein and in accordance with Sections 10.02 through 10.07.

SECTION 10.02. In case of redemption of only part of the Bonds of any series, the particular Bonds so to be redeemed shall be selected by the Trustee by lot, in such manner as it shall elect. In any such selection by lot under this Section 10.2, each Bond shall be represented by a separate number for each $1,000 of its principal amount.

Notice of intention to redeem Bonds of any series, wholly or in part, shall be given, by or on behalf of the Company, by first class mail, postage prepaid, at least 30 days before the Redemption Date, to the Trustee and each Holder of a Bond to be redeemed at the address shown on the Bond Register; but the failure to give such notice, or any defect in such notice so given, shall not affect the validity of the proceedings for the redemption of any Bond not affected by such failure or defect. All notices of redemption shall state the Redemption Date and redemption price, the portion, if less than all, of the Bonds to be redeemed, the place at which the Bonds are to be surrendered for payment, which, unless otherwise stated, shall be the principal corporate trust office of the Trustee, and that on the Redemption Date the redemption price will become due and payable on each such Bond (or the portion thereof to be redeemed) and interest thereon shall cease to accrue on and after such date.

If only part of the Bonds of any particular series is to be redeemed, said notice of redemption shall specify the number of such Registered Bonds to be redeemed in whole or in part. If any Bond is to be redeemed in part only, said notice shall specify the portion of the principal amount thereof to be redeemed and shall state that, upon presentation of such Bond for redemption, a new Bond of the same series, of the same maturity and of an aggregate principal amount equal to the unredeemed portion of such Bond, will be issued in lieu thereof.

In case of a redemption of any Bonds that are Coupon Bonds, such written notice of redemption shall also be given, by or on behalf of the Company, by publication at least once in each of not less than three successive calendar weeks preceding the Redemption Date and in each case on any day in the week (the first publication to be at least thirty days, or such other number of days as shall be fixed by the terms of the Bonds to be redeemed, before the Redemption Date) in one daily newspaper, in the English language, of general circulation published in Chicago, Illinois, and in one newspaper, in the English language, of general circulation published in each other city, if any, in which the principal of any of the Bonds to be redeemed may be payable.

In case only a portion of any Bond shall be called for redemption (it being understood that no Coupon Bond shall be called for redemption in part absent contrary provisions in such Coupon Bond or the Supplemental Trust Indenture creating such Coupon Bond), the Company at its expense shall execute and the Trustee shall authenticate and deliver to the Holder of such

Bond a new Bond of the same series and of the same maturity for the principal amount of the surrendered Bond, less the principal amount redeemed and paid.

SECTION 10.03. If the Company shall give and complete notice of its intention to redeem any of the Bonds, the Company shall, and it hereby covenants that it will, on or before the Redemption Date specified in such notice, deposit with the Trustee a sum of cash, Government Obligations or a combination thereof, which will provide sufficient cash to redeem all of such Bonds on such Redemption Date.

SECTION 10.04. Cash, Government Obligations or a combination thereof deposited by the Company with the Trustee under the provisions of this Article X for the redemption of any of the Bonds shall be deposited and held in a trust fund for the account of the respective Holders of the Bonds to be redeemed and shall be paid to them respectively, upon presentation and surrender of such Bonds (including, if applicable, unmatured coupons appertaining thereto); and on and after such Redemption Date if the moneys for the redemption of said Bonds shall be on deposit as aforesaid, such Bonds shall cease to bear interest, and such Bonds shall cease to be entitled to the benefits and security of and the Lien of the Indenture, and, if applicable, all unmatured coupons relating to such Bonds shall be void and deemed paid.

SECTION 10.05. All Bonds paid, retired or redeemed under any of the provisions of this Article X shall be cancelled forthwith, and the Trustee shall thereupon destroy such Bonds and deliver evidence of the destruction thereof to the Company in accordance with Section 21.07.

SECTION 10.06. If there shall have been deposited with the Trustee any combination:

(i) of cash and

(ii) of Government Obligations (which shall not contain provisions permitting the redemption thereof at the option of the issuer), maturing as to principal and interest (without any regard to the reinvestment thereof) in such amounts and at such times as will assure the availability of cash

that is necessary to pay when due the principal of, premium, if any, and interest due and to become due on such Bond on or prior to the Redemption Date thereof; and either the notice provided for in respect of the redemption of such Bonds shall have been duly given by the Trustee or irrevocable authorization shall have been given by the Company to the Trustee to give notice, on behalf of the Company, as provided in Section 10.02, then the Company and the Trustee shall consider such Bonds (including, if applicable, all unmatured coupons appertaining thereto) redeemed from the Holder thereof and paid for purposes of release and satisfaction of the Indenture.

SECTION 10.07. In case any question shall arise as to whether proper and sufficient action shall have been taken for the redemption of Bonds, such question shall be decided by the Trustee and the decision of the Trustee shall, subject to Section 17.01, be final and binding upon all parties in interest.

ARTICLE XI.

POSSESSION, USE AND RELEASE OF MORTGAGED PROPERTY.

SECTION 11.01. Until a Completed Default shall occur and be continuing, the Company shall be permitted, subject to the provisions of this Article XI, to possess, use, manage, operate and enjoy the mortgaged and pledged property (except money and securities which are expressly required to be deposited with the Trustee); to collect, receive, use, invest and dispose of the rents, issues, income, product and profits from all the mortgaged and pledged property, with power (in the ordinary course of business freely and without permission from or hindrance by the Trustee or the Bondholders) to use, consume and dispose of materials and supplies; and, except as herein otherwise expressly provided to the contrary, to exercise any and all rights under or in relation to choses in action, leases and contracts.

SECTION 11.02. (a) Until a Completed Default shall occur and be continuing, the Company may, without any release or consent by the Trustee, or accountability thereto for any consideration received by the Company:

(1) sell or otherwise dispose of, free from the Lien of the Indenture, any machinery, equipment, tools, implements or similar property subject to the Lien Hereof which may have become obsolete or unfit for use or no longer useful, necessary or profitable in the conduct of business of the Company, upon replacing the same by or substituting for the same, other machinery, equipment, tools or implements, not necessarily of the same character but of at least equal value to that of such property disposed of;

(2) cancel, or make changes or alterations in, or substitutions of, any and all contracts, leases and rights of way and easements;

(3) surrender or assent to the modification of any franchise, license, governmental consent or permit under which it may be operating, provided that, in the event of any such surrender or modification, the Company shall have (under some other franchise, license, governmental consent, permit or right, or under the modified franchise, license, governmental consent or permit, or under a new franchise, license, governmental consent or permit, or under a new franchise, license, governmental consent or permit) received in exchange therefor, authority which is sufficient, in the Opinion of Counsel, for the conduct of the same or an extended business in the same or substantially the same or an extended territory for the same or substantially the same or an extended or unlimited period of time or until the maturity date of the last maturing series of Bonds at the time Outstanding or for the most extended period or term then possible under existing laws or regulations or until it is no longer necessary or expedient to continue in the territory affected thereby;

(4) surrender any franchise, license or governmental consent or permit now held or which may be held hereafter by the Company or under which it now may be operating or may operate hereafter any of its properties or assent to or arrange for any modification or alteration of any of the terms hereof, provided that the Board of Directors determines by Resolution that it is either no longer necessary or no longer in the best

interests of the Company and the Bondholders and that the value and efficiency of the mortgaged and pledged property as an entirety will not be impaired thereby, and a copy of such Resolution shall be filed with the Trustee, and provided further that the Company shall still have power and authority, in the Opinion of Counsel, sufficient for the conduct of its business in the same or substantially the same territory;

(5) grant rights-of-way and easements over or in respect of any of the mortgaged and pledged property, of the nature described in the definition of Permitted Encumbrances, provided that such grant will not impair the use of such property for the purposes for which it is held by the Company and will not have a material adverse impact on the security afforded by the Indenture;

(b) Until a Completed Default shall occur and be continuing, and following the retirement through payment or redemption of the Original Indenture Bonds (including those Original Indenture Bonds "deemed to be paid" within the meaning of that term as used in Article XVIII of the Original Indenture), the Company may, without any release or consent by the Trustee, or accountability thereto for any consideration received by the Company:

(1) sell or otherwise dispose of, free of the Lien of the Indenture:

(A) all vessels, boats, barges and other marine equipment, all railroad engines, cars and related equipment, all airplanes, airplane engines and other flight equipment, and all accessories and supplies used in connection with any of the foregoing;

(B) all office furniture and all leasehold interests in property owned by Persons other than the Company for office purposes; and

(2) enter into leases permitting the lessee to occupy or use any of the mortgaged and pledged property in any manner that does not interfere in any material respect with the use of such property for the purpose for which it is held by the Company and will not have a material adverse impact on the security afforded by the Indenture; and

(3) surrender any franchise, license or governmental consent or permit now held or which may be held hereafter by the Company or under which it now may be operating or may operate hereafter any of its properties or assent to or arrange for any modification or alteration of any of the terms thereof, provided that the Board of Directors determines by Resolution that it is either no longer necessary or no longer in the best interest of the Company to continue to operate in the territory affected thereby or to comply with the terms and provisions of the franchise or governmental consent or permit and such surrender or modification will not materially impair the value and efficiency of the mortgaged and pledged property as an entirety or be prejudicial in any material respect to the interests of the Bondholders.

(c) The Trustee shall execute a written instrument to confirm any action taken by the Company under this Section 11.02, upon receipt by the Trustee of (1) a Resolution requesting such written instrument and expressing any required opinions, (2) an Officer's Certificate stating that no Default has occurred and is continuing and that said action was duly taken in conformity with a designated subsection of this Section 11.02 and (3) an Opinion of Counsel stating that said

action was duly taken by the Company in conformity with said subdivision and that the execution of such written instrument is appropriate to confirm such action under this Section 11.02.

SECTION 11.03. Until a Completed Default shall occur and be continuing, the Company may sell, exchange or otherwise dispose of any other of the mortgaged and pledged property, and the Trustee shall release the same from the Lien Hereof upon the submission by the Company to the Trustee of an Application and delivery to the Trustee of an Application and delivery to the Trustee of the items listed in either (i) subdivisions (a) through (j) or (ii) subdivision (k) of this Section 11.03, as applicable:

(a) A Resolution requesting such release and describing the applicable property;

(b) An Officer's Certificate stating that no Default has occurred and is continuing, and that the granting of such Application will not result in a Default;

(c) An Engineer's Certificate, dated not more than 90 days preceding the date of the delivery of the Application for such release, stating in substance that the Company has sold, exchanged, or otherwise disposed of or intends to sell, exchange or otherwise dispose of the property or securities to be released, and stating:

(1) a brief description of the property or securities, if any, to be released (which may be given by reference to the Resolution requesting the release if such property is described therein) and stating whether such property is of the character of Permanent Additions;

(2) a brief description of the consideration, if any, received or to be received by the Company for the property or securities, if any, to be released, which consideration may consist in whole or in part of one or more of the following:

(A) cash;

(B) obligations secured by purchase money first mortgages upon the property to be released, provided that the principal amount of such obligations does not exceed (i) individually, 66 2/3% of the Fair Value of the property to be released, and (ii) when added to the aggregate principal amount of all other such obligations previously theretofore received for property released pursuant to this clause (B), and then held by the Trustee, 15% of the aggregate principal amount of the Bonds then Outstanding; or

(C) any other property;

provided that if the property to be released is of the character of Permanent Additions, then such other property referred to in this clause (C) shall be of the character of Permanent Additions;

(3) the amount of cash, if any, to be deposited by the Company pursuant to subdivision (j) of this Section 11.03;

(4) the Fair Value of the property and securities to be released and stating, if such is the case, that the Fair Value of such property and securities is taken at the amount

stated in the Independent Engineer's Certificate provided for in subdivision (d) of this Section 11.03;

(5) the Fair Value of the property (other than cash) to be received in consideration for the property to be released and (A) if such property is of the character of Permanent Additions, stating that the Fair Value of such property is taken at the amount stated in the Engineer's Certificate provided for in paragraph (1) of subdivision (g) of this Section 11.03 (or, if applicable, an Independent Engineer's Certificate provided for in paragraph (2) of subdivision (g) of this Section 11.03), and (B) if any portion of such property to be received consists of securities, stating that the Fair Value of such securities is taken at the amount stated in the Engineer's Certificate provided for in subdivision (e) of this Section 11.03 (or, if applicable, at the amount stated in the Independent Engineer's Certificate provided for in subdivision (f) of this Section 11.03); and

(6) that, in the opinion of the signer, such release will not impair the security under the Indenture in contravention of the provisions thereof.

(d) If the Fair Value of the property or securities to be released, the amount of any award or consideration received under Section 11.06, and the Fair Value of any other property or securities theretofore released under this Section 11.03, since the beginning of the then current calendar year, is shown by the Engineer's Certificates filed in connection with such releases to be 10% or more of the aggregate principal amount of Bonds at the time Outstanding, an Independent Engineer's Certificate making the statements required by paragraphs (4) and (6) of subdivision (c) of this Section 11.03; but no such Independent Engineer's Certificate shall be required in the case of any release of property or securities, the Fair Value of which, as set forth in the Engineer's Certificate required by subdivision (c) of this Section 11.03, is less than $25,000 or less than 1% of the aggregate principal amount of the Bonds at the time Outstanding;

(e) If any portion of the property to be received in consideration for the property to be released is shown by the Engineer's Certificate provided for in subdivision (c) of this Section 11.03 to consist of securities, an Engineer's Certificate stating (1) the Fair Value of such securities; and (2) since the commencement of the current calendar year, the Fair Value of all other securities made the basis for the (i) authentication and delivery of Bonds, (ii) the withdrawal of cash constituting part of the mortgaged and pledged property, and (iii) the release of property or securities subject to the Lien of the Indenture.

(f) If any portion of the property to be received in consideration for the property to be released is shown by the Engineer's Certificate provided for in subdivision (c) of this Section 11.03 to consist of securities, and if the Fair Value of such securities, together with the Fair Value of all other securities made the basis for the authentication and delivery of Bonds, withdrawal of cash, and release of property or securities since the beginning of the then current calendar year, as shown by the Engineer's Certificate provided for in subdivision (e) of this Section 11.03, is 10% or more of the aggregate principal amount of Bonds at the time Outstanding, then, in addition to the Engineer's Certificate provided for in subdivision (e) of this Section 11.03, the Company shall furnish to the Trustee an Independent Engineer's Certificate stating, in the opinion of the signer, the Fair Value of such securities at the date of the Engineer's Certificate provided for in subdivision (c) of this Section 11.03; but no such Independent

Engineer's Certificate shall be required if the Fair Value of the securities constituting consideration for the property then to be released, as set forth in the Engineer's Certificate provided for in subdivision (e) of this Section 11.03, is less than $25,000 or less than 1% of the aggregate principal amount of Bonds at the time Outstanding;

(g) If the property to be received in consideration for the property to be released is of a character which would be included within the definition of Permanent Additions:

(1) an Engineer's Certificate containing the statements required by paragraphs (3), (4), (5), and (6) of subdivision (a) of Section 5.04 with such changes therein as may be necessary to adapt the same to the purposes of this Article XI;

(2) if any portion of such property described in the Engineer's Certificate provided for in paragraph (1) above consists of an Acquired Facility of a Fair Value of not less than $25,000 and not less than 1% of the aggregate principal amount of Bonds at the time Outstanding, an Independent Engineer's Certificate containing the statements required by subdivision (b) of Section 5.04 with such changes therein as may be necessary to adapt the same to the purposes of this Article XI; and

(3) an Opinion of Counsel and the instruments and documents or evidence respectively required by subdivision (d) and (e) of Section 5.04, with such changes therein as may be necessary to adapt the same to the purposes of this Article XI.

(h) an Opinion of Counsel, with respect to any of the property consisting of an obligation to be received by the Company in consideration for the property to be released, stating that such obligation is a valid obligation and, if such obligation is secured by a purchase money mortgage, that such mortgage is sufficient to afford a first lien (subject to Permitted Encumbrances) upon the property to be released; and if the property to be released consists of or includes any franchise, an Opinion of Counsel that such release will not impair the right of the Company to operate any of its remaining properties constituting the mortgaged and pledged properties;

(i) any cash, obligations or other securities or other property capable of manual delivery described in the Engineer's Certificate provided for in subdivision (c) of this Section 11.03, pursuant to paragraph (2) of said subdivision (c), to be the consideration for the property to be released; and

(j) cash and Bonds delivered pursuant to Section 11.16, which taken together, equal the amount, if any, by which the Fair Value of the property and securities, if any, to be released as stated in the Engineer's Certificate provided for in subdivision (c) of this Section 11.03, pursuant to paragraph (4) of such subdivision (c), exceeds the total of the cash received by the Trustee pursuant to subdivision (i) of this Section 11.03 and the Fair Value of the property and securities to be received in consideration therefor as described in said Engineer's Certificate pursuant to paragraph (5) of said subdivision (c).

(k) following the retirement through payment or redemption of the Original Indenture Bonds (including those Original Indenture Bonds "deemed to be paid" within the meaning of that term as used in Article XVIII of the Original Indenture), and if the Fair Value of all mortgaged and pledged property of the character of Permanent Additions, excluding Retired Property,

equals or exceeds an amount equal to 150% of the aggregate principal amount of Bonds Outstanding at the time of such release, the following:

(1) a Resolution requesting such release and describing the applicable property;

(2) an Officer's Certificate, stating that no Default has occurred and is continuing, and that the granting of such Application will not result in a Default;

(3) an Engineer's Certificate, dated not more than 90 days preceding the date of delivery of the Application for such release, stating:

(A) a brief description of the property to be released (which may be given by reference to the Resolution requesting the release if such property is described therein) and stating whether such property is of the character of Permanent Additions;

(B) a brief description of the consideration, if any, to be received by the Company for the property to be released;

(C) the Fair Value of:

(i) all of the mortgaged and pledged property that are Permanent Additions, excluding Retired Property, and

(ii) the property to be released; and

(D) that, in the opinion of the signer, such release will not impair the security under the Indenture in contravention of the provisions thereof;

(4) if the aggregate of the Fair Value of the property to be released, the amount of any award or consideration received under Section 11.06, and the Fair Value of any other property or securities theretofore released under this Section 11.03, since the beginning of the then current calendar year, is shown by the Engineer's Certificates filed in connection with such releases to be 10% or more of the aggregate principal amount of Bonds at the time Outstanding, an Independent Engineer's Certificate making the statements required by clause (ii) of subparagraph (C) and subparagraph (D) of paragraph (3) of this subdivision (k), but no such Independent Engineer's Certificate shall be required in the case of any release of property or securities, the Fair Value of which, as set forth in the Engineer's Certificate required by paragraph (3) of this subsection (k), is less than $25,000 or less than 1% of the aggregate principal amount of the Bonds at the time Outstanding;

(5) if any of the property to be received in consideration for the property to be released is of a character which would be included within the definition of Permanent Additions:

(A) an Engineer's Certificate containing the statements required by paragraphs (3), (4), (5) and (6) of subdivision (a) of Section 5.04 with such

changes therein as may be necessary to adapt the same to the purposes of this Article XI;

(B) if any portion of such property described in the Engineer's Certificate provided for in subparagraph (A) of this paragraph (5) consists of an Acquired Facility of a Fair Value of not less than $25,000 and not less than 1% of the aggregate principal amount of Bonds at the time Outstanding, an Independent Engineer's Certificate containing the statements required by subdivision (b) of Section 5.04 with such changes therein as may be necessary to adapt the same to the purposes of this Article XI; and

(C) an Opinion of Counsel and the instruments and documents or evidence respectively required by subsections (d) and (e) of Section 5.04, with such changes therein as may be necessary to adapt the same to the purposes of this Article XI; and

(6) an Accountant's Certificate stating the aggregate principal amount of Bonds Outstanding at the time of such release, and stating that the Fair Value of all of the Permanent Additions (excluding the mortgaged and pledged property to be released but including any Permanent Additions to be acquired by the Company with the proceeds of, or otherwise in connection with, such release) stated in the Engineer's Certificate filed pursuant to paragraph (3) or the Independent Engineer's Certificate filed pursuant to paragraph (4), both of this subdivision (k), equals or exceeds an amount equal to 150% of such aggregate principal amount of Bonds Outstanding.

SECTION 11.04. Until a Completed Default shall occur and be continuing and upon receipt of a Company Request, the Trustee, without requiring compliance with any of the foregoing provisions of Section 11.03, shall release from the Lien Hereof any property, the Fair Value of which shall be stated in an Engineer's Certificate delivered to the Trustee simultaneously with said Company Request, provided that such Fair Value is less than $25,000 or less than 1% of the aggregate principal amount of Bonds Outstanding at the date of the Engineer's Certificate and which property, as stated in such Engineer's Certificate, is not useful or necessary in the conduct of the business of the Company. Said Engineer's Certificate shall also state that such release will not in any material respect impair the security under the Indenture. The aggregate Fair Value of all property released pursuant to this Section 11.04 in any calendar year shall not exceed $500,000. The Company covenants that it will deposit with the Trustee the consideration, if any, received by it upon the sale or other disposition of any property so released. The provisions of this Section 11.04 shall not be available if any portion of the property to be received in consideration for the property of the Company to be released consists of securities.

SECTION 11.05. Interest on and principal of any obligation received by the Trustee pursuant to the provisions of Section 11.03 may be collected by it, but, until a Completed Default shall occur and be continuing, interest as received by the Trustee on any such obligation thereof shall be paid over to the Company.

Any new property acquired by exchange or purchase (other than cash received pursuant to subdivision (k) of Section 11.03) to take the place of any property released under any

provision of this Article XI shall forthwith and without further conveyance become subject to the Lien of the Indenture; and the Company covenants that if so requested by the Trustee, it will convey the same, or cause the same to be conveyed, to the Trustee by appropriate instruments of conveyance upon the trusts and for the purposes of the Indenture.

SECTION 11.06. Should any of the mortgaged and pledged property be taken by exercise of the power of eminent domain or should any governmental body or agency, at any time, exercise any right which it may have to require the Company to sell to it any part of said property, the Trustee shall accept any cash award therefor, and at the request of the Company, shall release the property so taken or purchased, upon being furnished with an Opinion of Counsel to the effect that such property has been taken by exercise of the power of eminent domain or purchased by a governmental body or agency in the exercise of a right which it had to purchase the same. The proceeds of all property so taken or purchased shall be paid over to the Trustee, to be held and applied by the Trustee in the same manner and on the same basis as moneys received by the Trustee pursuant to Section 11.03.

SECTION 11.07. If all or substantially all of the mortgaged and pledged property, other than any money and securities deposited by the Trustee, shall be in the possession of a trustee or receiver, lawfully appointed in any action or judicial proceeding for the foreclosure of the Indenture or for the enforcement of the rights of the Trustee or of the Bondholders, the powers conferred upon the Company with respect to the sale or other disposition of the mortgaged and pledged property may be exercised by such trustee or receiver, and any request, certificate or appointment made or signed by such receiver for such purpose shall be as effective as if made by the Company or Board of Directors or any of the officers of the Company herein provided. If the Trustee shall be in possession of the mortgaged and pledged property under any provision of the Indenture, then such powers may be exercised by the Trustee in its discretion.

SECTION 11.08. No Person purchasing in good faith property purporting to have been released hereunder shall be bound to ascertain the authority of the Trustee to execute the release, or to inquire as to the existence of any conditions herein prescribed for the exercise of such authority; nor shall any purchaser or grantee of any property or rights permitted by Sections 11.02, 11.03 or 11.04 to be sold, granted, exchanged or otherwise disposed of by the Company, be under any obligation to ascertain or inquire into the authority of the Company to make any such sale, grant, exchange or other disposition. Any release executed by the Trustee under this Article XI shall be sufficient for the purpose of the Indenture and shall constitute a good and valid release of the property therein described from the Lien Hereof.

SECTION 11.09. The Release Fund shall consist of all moneys deposited with or received by the Trustee pursuant to any Section of this Article XI (excluding any cash received by the Company pursuant to subsection (k) of Section 11.03) or in payment of or in exchange for any of the obligations deposited with or received by the Trustee pursuant to the provisions of Sections 11.03 or 11.04 (except interest or dividends on said obligations or other securities) or which under any of the provisions of the Indenture are to be held, applied, or disposed of by the Trustee in the same manner as moneys or cash in such Release Fund. The Release Fund shall be held by the Trustee in trust for the security of the Bonds Outstanding until withdrawn or paid out as provided in Sections 11.10 through 11.17.

SECTION 11.10. Until a Completed Default shall occur and be continuing, at the option of the Company any moneys constituting all or any part of the Release Fund shall be paid over to the Company by the Trustee in an amount equal to the Cost or Fair Value, whichever is less, of Permanent Additions certified to the Trustee as provided in Article V, after making the deductions provided for in Section 5.02 for Retired Property and subject to the conditions of Sections 5.05 and 5.07 but only upon the delivery to the Trustee of:

(a) A Company Order;

(b) A Resolution authorizing such Company Order;

(c) An Officer's Certificate stating that no Default has occurred and is continuing, and that the granting of such Company Order will not result in a Default; and

(d) An Accountant's Certificate containing the statements and calculation provided for in subdivision (d) of Section 5.06 with the changes necessary to adapt the same to the purposes of this Section 11.10.

SECTION 11.11. Upon receipt of a Company Request in the form of an Officer's Certificate and without requiring compliance with any of the provisions of Section 11.10 (except subdivision (c) of Section 11.10), the Trustee shall pay over to the Company the proceeds of any sale of property, for which the consideration was less than $25,000, and the Company covenants that moneys so paid over pursuant to this Section 11.11, promptly will be expended for property of the character of Permanent Additions. The aggregate amount withdrawn pursuant to this Section 11.11 in any calendar year shall not exceed (i) $100,000 prior to the retirement through payment or redemption of the Original Indenture Bonds (including those Original Indenture Bonds "deemed to be paid" within the meaning of that term as used in Article XVIII of the Original Indenture) and (ii) $500,000 thereafter. Withdrawals under this Section 11.11 shall be deducted from the Amount of Established Permanent Additions in the next succeeding Accountant's Certificate filed under Section 11.10.

SECTION 11.12. If the mortgaged and pledged property shall be sold, either under the power of sale herein provided, or under decree of court in a suit for the foreclosure of the Indenture, then the Release Fund shall be added to and dealt with as if it were part of the proceeds of such sale.

SECTION 11.13. Until a Completed Default shall have occurred and be continuing, upon Company Request, authorized by Resolution, the Trustee shall to the extent that such Bonds are available for such purpose, apply all or any part of the cash held by it in the Release Fund to the purchase of Outstanding Bonds of one or more series as the Company may designate at the lowest price obtainable, but such purchase price shall not exceed the current regular redemption price applicable to such Bonds. Upon the purchase by the Trustee of any Bond, as hereinabove provided, the Trustee shall notify the Company in writing thereof, specifying the serial numbers and principal amount of the Bonds purchased and any amount of the accrued interest thereon paid or to be paid by the Trustee on such purchase, and the Company covenants that, upon the receipt by it of any such notice , it immediately will pay to the Trustee, as an additional payment to the Release Fund, an amount of cash equal to such accrued interest on the

Bonds so purchased, or to be purchased, as specified in such notice to the end that the Release Fund shall not be diminished by the payment therefrom of interest.

SECTION 11.14. Until a Completed Default shall have occurred and be continuing, and upon Company Request, authorized by Resolution, the Trustee shall as soon as practicable apply all or any part of the cash held by it in the Release Fund to the redemption of Bonds, which are by their terms then redeemable, of one or more series as may be designated by the Company in the manner and as provided for redemption of Bonds in Article X. In the event of each such redemption the Trustee promptly shall notify the Company in writing of the Bonds selected for redemption, specifying the amount of accrued interest payable in respect of the Bonds to be redeemed upon such redemption. The Company covenants that it will give or cause to be given the notice provided for in respect of the redemption of such Bonds and will, on or prior to the date fixed for such redemption, deposit with the Trustee an additional amount of cash equal to such accrued interest, to the end that the Release Fund shall not be diminished by the payment of interest therefrom.

The provisions of this Section 11.14 and of Section 11.15 shall not grant the Company the power to redeem any Bond that is not otherwise redeemable or to redeem any Bond at a price less than the price at which such Bond could be redeemed pursuant to Article X or pursuant to the terms of such Bond.

SECTION 11.15. Until a Completed Default shall have occurred and be continuing, if the Release Fund exceeds $300,000 for a period of 24 months or more, and during that period the Company shall not have made a proper request for reimbursement pursuant to Section 11.10 or for the application of such balance to the purchase or redemption of Bonds pursuant to Section 11.13 or 11.14, respectively, then the balance in the Release Fund shall be applied by the Trustee without further action by, or election of, the Company to the purchase or redemption of Bonds (subject to the last paragraph of Section 11.14) in the manner specified in Sections 11.13 and 11.14, choosing for such purpose Bonds of the series of the lowest current redemption price that may be then Outstanding and available for such purpose. In the event of each such application and upon written notice from the Trustee, the Company shall give or cause to be given the notice provided for in respect of the redemption of such Bonds and shall pay to the trustee additional cash equal to any accrued interest that will be payable upon such redemption.

SECTION 11.16. Until a Completed Default shall have occurred and be continuing, delivery by the Company to the Trustee of Bonds (except Bonds which have been retired or used in any manner set forth in clause (a), (b) or (c) of Section 6.01), shall be deemed equivalent under this Article XI to payment of cash under Sections 11.03 and 11.04 equal to the aggregate principal amount of the Bonds so delivered.

SECTION 11.17. Until a Completed Default shall have occurred and be continuing, any moneys constituting part of the Release Fund may be withdrawn by the Company upon the delivery to the Trustee of Bonds (except Bonds which have been retired or used in any manner set forth in clause (a), (b) or (c) of Section 6.01), of an aggregate principal amount equal to the amount of moneys so withdrawn.

SECTION 11.18. All Bonds purchased or otherwise acquired by, or delivered to the Trustee for the Release Fund shall be cancelled forthwith, and the Trustee thereupon shall

destroy such Bonds and deliver evidence of such destruction to the Company, pursuant to Section 20.07.

ARTICLE XII

MEETINGS OF BONDHOLDERS.

SECTION 12.01. A meeting of Holders of Bonds of any or all series may be called at any time pursuant to the provisions of this Article XII for any of the following purposes:

(1) to give any notice to the Company or to the Trustee, or to give any directions to the Trustee, or to waive any Completed Default and its consequences, or to take any other action authorized to be taken by Holders pursuant to any of the provisions of Article XIV;

(2) to remove the Trustee and appoint a successor Trustee pursuant to the provisions of Article XVII;

(3) to consent to the execution of a Supplemental Trust Indenture pursuant to the provisions of Section 19.02; or

(4) to take any other action authorized to be taken by or on behalf of the Holders of any specified percentage in aggregate principal amount of the Bonds of any or all series, as the case may be, under any other provisions of the Indenture or under applicable law.

SECTION 12.02. The Trustee at any time may call a meeting of Holders of Bonds of any or all series to take any action specified in Section 12.01, such meeting to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Holders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given to Holders of Bonds of each series affected, in the manner and to the extent provided in subdivision (c) of Section 17.18, not less than 20 nor more than 180 days prior to the date fixed for the meeting; provided that, if there shall be Outstanding any Coupon Bonds not registered as to principal, publication of such notice in the newspapers specified in Section 10.02 for a redemption of Coupon Bonds shall occur at least twice, with each publication to be not less than 20 or more than 180 days prior to the date fixed for the meeting.

SECTION 12.03. If the Company, pursuant to a Resolution, or the Holders of at least 25% in aggregate principal amount of the Bonds then Outstanding, shall have requested the Trustee in writing to call a meeting of Holders to take any action authorized in Section 12.01, which request shall set forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed the notice of such meeting within 20 days after receipt of such request, then the Company or the Holders of at least 25% in aggregate principal amount of the Bonds then Outstanding may determine the time and the place for such meeting and may call such meeting by mailing (and, if applicable, publishing) notice thereof as provided in Section 12.02. The Trustee shall be required to attend any such meeting properly called by the Company or Bondholders.

SECTION 12.04. To be entitled to vote at any meeting of Holders, a Person shall be a Holder of one or more Outstanding Bonds, of any or all series, as the case may be, with respect to which such meeting is being held or be a Person appointed by an instrument in writing as

proxy by such Holder. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 12.05. Notwithstanding any other provisions of the Indenture, the Trustee may establish such reasonable rules as it may deem advisable for any meeting of Holders in regard to: (a) proof of the holding of Bonds and of the appointment of proxies; (b) the appointment and duties of inspectors of votes; (c) the submission and examination of proxies, certificates and other evidence of the right to vote; and (d) such other matters concerning the conduct of the meeting as the Trustee shall determine. Except as otherwise permitted or required by any such rules, the holding of Bonds shall be proved in the manner specified in Section 15.02 and the appointment of any proxy shall be proved in the manner specified in Section 15.02 or by having the signature of the Person executing the proxy witnessed or guaranteed by any bank or trust company satisfactory to the Trustee.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or the Holders as provided in Section 12.03, in which case the Company or the Holders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by majority vote of the meeting.

Subject to the provisions of Section 12.04, at any meeting each Holder of Outstanding Bonds, with respect to which such meeting is being held, or proxy therefor shall be entitled to one vote for each $1,000 principal amount of Outstanding Bonds held or represented by each Holder; provided that no vote shall be cast or counted at any meeting in respect of any Bonds challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote except as a Holder or proxy. At any meeting of Holders, the presence of Persons holding or representing Bonds in an aggregate principal amount sufficient to take action on any business for which such meeting was called shall constitute a quorum.

Any meeting of Holders duly called pursuant to the provisions of Section 12.02 or 12.03 may be adjourned from time to time by vote of the Holders of a majority in aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum is then present at such meeting, and any meeting so adjourned may be continued without further notice.

SECTION 12.06. The vote upon any resolution submitted to any meeting of Holders of Bonds with respect to which such meeting is being held or represented by them shall be by written ballots on which shall be subscribed the signatures of the Holders or proxies and, if deemed appropriate by the Trustee, the serial number or numbers and principal amount of the Bonds of each series held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their notarized and sworn written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote

taken by ballot and affidavits by one or more Persons having knowledge of the facts, setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 12.02. The record shall be signed and verified by the permanent chairman and secretary of the meeting. One of the duplicates shall be delivered to the Company. The other duplicate, with the ballots voted at the meeting attached thereto, shall be delivered to the Trustee to be preserved by the Trustee.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

ARTICLE XIII.

SINKING FUNDS.

SECTION 13.01. (a) The Company covenants that on the first day of April of each year commencing one year after the date of the issuance of the first Bonds of each series originally issued prior to the Effective Date, and so long as any of the Bonds of such series originally issued prior to the Effective Date are Outstanding, it will pay or cause to be paid to the Trustee for and as a fund for the use and benefit of the Holders of Bonds of that series, a sum in lawful money of the United States of America equal to the amount required to redeem in the first day of June next following the date of such payment in accordance with Section 13.02 one percent of the highest aggregate principal amount of Bonds of that series at any time Outstanding. Each such fund shall be the Sinking Fund for Bonds of the respective series originally issued prior to the Effective Date for which it was or is to be paid and the aggregate of the Sinking Funds for all series shall be the Sinking Fund Requirement. On or after the Effective Date, the Company may, at the time of creation of any series of Bonds, establish a Sinking Fund having similar or different terms as provided in Section 2.07.

(b) The delivery by the Company to the Trustee of Bonds of any series (including, if applicable, unmatured coupons appertaining thereto), shall, for the purposes of a Sinking Fund for Bonds of that series, be deemed equivalent under this Section to the payment of cash equal to the amount required to effect the redemption of the Bonds, so delivered on the first day of June next following such delivery. If any Bonds of any series have been redeemed or retired and no Bonds have been issued, cash withdrawn or credit taken under any of the provisions of the Indenture on account of the redemption or retirement of such Bonds, the Company may deduct from any payment for the Sinking Fund for Bonds of that series an amount equivalent to the amount required to effect the redemption of a like amount of Bonds of that series for the Sinking Fund for Bonds of that series on the first day of June next following, provided that the Company shall not thereafter issue any Bonds, withdraw any cash or take any credit under any of the provisions of the Indenture on account of the redemption or retirement of such Bonds and such Bonds shall be cancelled.

(c) The delivery by the Company to the Trustee of an Application to apply an Amount of Established Permanent Additions which has not previously been applied to any other purpose specified in Section 5.04 or to a Sinking Fund established pursuant to this Article XIII shall for the purpose of such a Sinking Fund be deemed equivalent under this Section 13.01 to the payment of cash equal to the amount required to effect the redemption on the first day of June next following, of Bonds of the series to which the Sinking Fund is applicable in an amount equal to 66-2/3% of the Amount of Established Permanent Additions so applied.

SECTION 13.02. (a) As soon as possible, after each payment to a Sinking Fund is made, the Trustee shall apply the moneys in such Sinking Fund to the purchase of Bonds of the series to which it is applicable in the open market, at the lowest price or prices obtainable, but not to exceed the price at which the Bonds of such series are then redeemable for the Sinking Fund for Bonds of that series as hereinafter provided. If within 20 days after each payment to a Sinking Fund, the Trustee shall be unable to purchase Bonds of the series to which it is applicable as aforesaid sufficient to reduce the amount of money held in the Sinking Fund for Bonds of that series to less than $10,000, the Trustee shall apply the Sinking Fund for Bonds of

that series or the balance thereof to the redemption, on the first day of June next following the receipt of such cash by the Trustee, of Bonds of such series.

(b) The particular Bonds of any series to be redeemed for the Sinking Fund for Bonds of that series shall be selected by the Trustee by lot, in such method as it shall elect. In any such selection by lot under this Section 13.02, each Bond shall be represented by a separate number for each $1,000 of its principal amount. The Trustee shall notify the Company in writing of the series and the distinctive numbers of the Bonds to be redeemed for any Sinking Fund. The Trustee is hereby authorized and empowered to give or cause to be given on behalf of the Company, the notice required by Section 10.02 in order to redeem Bonds for Sinking Fund purposes.

(c) On and after the commencement of notice of redemption of Bonds pursuant to this Section 13.02, the Trustee shall (subject to the provision of Section 21.05 hereof) hold the moneys necessary to redeem the Bonds so to be redeemed as a separate trust fund for the account of the respective Holders thereof and such moneys shall be paid to them respectively upon presentation and surrender of such Bonds (including, if applicable, unmatured coupons appertaining thereto); and after the Redemption Date, such Bonds shall cease to be entitled to the benefits and security of and the Lien of Indenture, and, if applicable, all unmatured coupons relating to such Bonds shall be void and deemed paid. This section is in all respects subject to the provisions of Section 21.05, provided that on and after commencement of notice of redemption of Bonds pursuant to this Section 13.02, such Bonds (including if applicable, unmatured coupons appertaining thereto) shall be deemed to have been redeemed from the Holders thereof and paid for the purpose of release and satisfaction of the Indenture.

(d) If only a portion of any Bond shall be called for redemption by operation of a Sinking Fund (it being understood that no Coupon Bond shall be called for redemption in part absent contrary provisions in such Coupon Bond or the Supplemental Trust Indenture creating such Coupon Bond), the Company at its expense shall execute and the Trustee shall authenticate and deliver to the Holder of such Bond a new Bond of the same series and of the same maturity for the principal amount of the surrendered Bond, less the principal amount redeemed and paid.

SECTION 13.03. All Bonds delivered to the Trustee in lieu of cash, or purchased by the Trustee, or redeemed by operation of a Sinking Fund in accordance with the provisions of this Article XIII (including, if applicable unmatured coupons appertaining thereto) shall be cancelled by the Trustee. Bonds so cancelled shall not be reissued and no additional Bonds shall be authenticated and delivered in substitution therefor or on account of the retirement thereof and no credit shall be taken or cash withdrawn under the provisions of the Indenture on the basis thereof.

ARTICLE XIV.

REMEDIES OF TRUSTEE AND BONDHOLDERS UPON DEFAULT.

SECTION 14.01. Upon the occurrence of any one or more of the following events, a "Completed Default" shall exist:

(a) default in the payment of the principal of or premium, if any, on any Bond when the same shall become due and payable, whether at Stated Maturity or by declaration, or otherwise; or

(b) default continued for 30 days in the payment of any interest upon any Bond; or

(c) default continued for 60 days in any Sinking Fund payment; or

(d) default in the covenants of the Company with respect to bankruptcy, insolvency, assignment or receivership contained in Section 8.11; or

(e) default continued for 60 days after notice to the Company from the Trustee in the performance of any other covenant, agreement or condition contained herein;

and the Trustee may, and upon the written request of the Holders of 25% or more in principal amount of the Bonds then Outstanding shall, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest thereupon shall be due and payable immediately; subject to the right of the Holders of a majority in principal amount of the Bonds then Outstanding, by written notice to the Company and to the Trustee, to rescind and annul such declaration and destroy its effect at any time before any sale hereunder if, before any such sale, (1) all agreements with respect to which default shall have been made shall be fully performed and (2) the reasonable expenses and charges of the Trustee, its agents and attorneys, all arrears of interest upon all Bonds Outstanding and of all other indebtedness secured hereby (except (i) the principal of any Bonds not then due by their terms, and (ii) interest accrued on such Bonds since the last Interest Payment Date) shall have been paid, or the amount thereof shall have been paid to the Trustee for the benefit of those entitled thereto.

No rescission or annulment and no waiver of Completed Default shall extend to or affect any subsequent Completed Default or impair any right subsequently accruing with respect thereto.

SECTION 14.02. Upon the occurrence of one or more Completed Defaults, the Company, upon demand of the Trustee, forthwith shall surrender to the Trustee the actual possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all the mortgaged and pledged property (with the books, papers and accounts of the Company) and to hold, operate and manage the same, and from time to time make all necessary repairs, and such alterations, additions and improvements as the Trustee shall deem appropriate, and to receive the rents, income, issues and profits thereof, and out of the same to pay all proper costs and expenses of so taking, holding, operating and managing the same, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the Trustee under the Indenture, and any taxes and assessments and other charges prior to the Lien of

the Indenture, which the Trustee may deem it appropriate to pay, and all expenses of all such repairs, alterations, additions and improvements, and to apply the remainder of the moneys so received by the Trustee, as follows:

(a) in case the principal of none of the Bonds shall have become due, to the payment of the interest in default, in chronological order of the Stated Maturity of the installments of such interest, with interest (to the extent permitted by law) on the overdue installments thereof at the same rate that the Bonds themselves bear; such payments to be made ratably to the Persons entitled thereto, without discrimination or preference, and thereafter, to the payment of all Sinking Fund payments then due and payable;

(b) in case the principal of any Bonds shall have become due, by declaration or otherwise, first to the payment of interest in default, in chronological order of the Stated Maturity of the installments of such interest, with interest (to the extent permitted by law) on the overdue installments of interest at the same rate that the Bonds themselves bear, and thereafter to the payment of the principal of all Bonds then due, such payments to be made ratably to the persons entitled thereto without discrimination or preference.

Whenever all that is due upon such installments of interest, and the principal of such Bonds and under any of the terms of the Indenture shall have been paid and all defaults made good, the Trustee shall surrender possession to the Company, its successors or assigns; but with the same right of entry to exist upon any subsequent default.

SECTION 14.03. Upon the occurrence of one or more Completed Defaults: (a) it shall be lawful for the Trustee by such officer or agent as it may appoint, with or without entry (i) to sell all property subject to the Lien Hereof as an entirety, or in such parcels as the Holders of a majority in principal amount of the Bonds Outstanding shall in writing request, or in the absence of such request, as the Trustee may determine, at public auction, at some convenient place in Milwaukee, Wisconsin, or such other place as may be required by law, or by order of court (having first given notice of such sale by publication at least once on any day in each of not less than four successive calendar weeks immediately preceding the date fixed for any such sale in at least one daily newspaper of general circulation printed in the English language, published in Milwaukee, Wisconsin, and in at least one daily newspaper of general circulation printed in the English language, published in the City and State of New York, and any other notice which may be required by law) (ii) to adjourn such sale in its discretion by announcement at the time and place fixed for such sale without further notice, and upon such sale to make and deliver to the purchaser or purchasers a good and sufficient deed or deeds for the same, which sale shall be a perpetual bar, both at law and in equity, against the Company, and all Persons lawfully claiming or who may claim by, through or under it and (b) the Trustee and its successors are irrevocably appointed the true and lawful attorney or attorneys of the Company, in its name and stead, for the purpose of effectuating any such sale to execute and deliver all necessary deeds, bills of sale, assignments and transfers, and to substitute one or more Persons with like power, the Company hereby ratifying and confirming all that the Trustee's attorney or attorneys, or such substitute or substitutes, shall lawfully do by virtue hereof. Nevertheless, if so requested by the Trustee or by any purchaser, the Company shall ratify and confirm any such sale or transfer by executing and delivering to the Trustee or to such purchaser or purchasers all proper conveyances, assignments, instruments of transfer and releases as may be designated in any such request.

SECTION 14.04. In the event of a Completed Default, the Trustee shall have the right and power to take appropriate judicial proceedings for the enforcement of its rights and the rights of the Bondholders. In case of a Completed Default, the Trustee may after entry, or without entry, proceed by suit or suits at law or in equity to enforce payment of the Bonds then Outstanding and to foreclose the Indenture and to sell the property subject to the Lien of the Indenture under the judgment or decree of a court of competent jurisdiction; and it shall be obligatory upon the Trustee to take action, either by such proceedings or by the exercise of its powers with respect to entry or sale, upon being requested to do so by the Holders of a majority in principal amount of the Bonds then Outstanding and upon being indemnified as hereinafter provided.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Bonds or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable, as therein expressed or by declaration or otherwise, and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal, premium or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal of, premium, if any and interest owing and unpaid in respect of the Bonds Outstanding and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Bondholders allowed in such judicial proceeding; and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Bondholder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Bondholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 17.07.

Nothing contained herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan or reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding.

No remedy by the terms of the Indenture conferred upon or reserved for the Trustee or for the Bondholders, is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any Completed Default shall impair any such right or power or shall be construed to be a waiver of any such Completed Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as expedient.

SECTION 14.05. Anything in the Indenture to the contrary notwithstanding, the Holders of a majority in principal amount of the Bonds then Outstanding, at any time, by a written instrument, executed and delivered to the Trustee, may reasonably direct the method and place of conducting all proceedings to be taken for any sale of the property subject to the Lien of the Indenture, or for the foreclosure of the Indenture, or for the appointment of a receiver or for the taking of any action authorized hereby or refraining therefrom; provided that such direction shall not be contrary to the provisions of law or of the Indenture.

SECTION 14.06. In case of a Completed Default and upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders, the Trustee shall be to the extent permitted by law, entitled as a matter of right to the appointment of a receiver or receivers of the property subject to the Lien of the Indenture, and of the income, rents, issues and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

SECTION 14.07. Upon any sale being made either under the power of sale hereby given or under judgment or decree in any judicial proceedings for the foreclosure or otherwise for the enforcement of the Indenture, the principal of all Bonds then Outstanding, if not previously due, shall immediately be due and payable.

SECTION 14.08. Upon any sale made under the power of sale hereby given or under judgment or decree in any judicial proceedings for foreclosure or otherwise for the enforcement of the Indenture, any Bondholder or Bondholders, or the Trustee, may bid for and purchase the property subject to the Lien of the Indenture and upon compliance with the terms of sale may hold, retain, possess and dispose of such property without further accountability. To the extent permitted by law, any purchaser at any such sale may deliver any of the Bonds Outstanding in lieu of cash in a principal amount equal to the cash payable upon the distribution of the net proceeds from such sale. Said Bonds, in case the amounts so available for payment to the Holders thereof shall be less than the amount due upon the Bonds, shall be returned to the Holders thereof after being properly stamped to show partial payment of the Bonds.

SECTION 14.09. Upon any sale made under the power of sale hereby given or under judgment or decree in any judicial proceedings for the foreclosure or otherwise for the enforcement of the Indenture, a receipt from the Trustee or the officer making such sale shall be a sufficient discharge to the purchaser for his purchase money. Such purchaser, his assigns or personal representatives, after paying such purchase money and receiving such receipt of the Trustee or of such officer therefor, shall not be obliged to see to the application of such purchase money, or be in any way be answerable for any loss, misapplication or nonapplication thereof.

SECTION 14.10. Any sale made under the power of sale hereby given or under judgment or decree in any judicial proceedings for foreclosure or otherwise for the enforcement of the Indenture, shall operate to divest all right, title, interest, claim and demand whatsoever,

either at law or in equity, of the Company, of, in and to the property so sold, and shall be a perpetual bar both at law and in equity against the Company, its successors and assigns and against any and all Persons claiming or who may claim the property sold or any part thereof, from, through or under the Company, its successors or assigns. The purchaser of the Company's interest in properties owned jointly or in common with others shall have the same right and status as possessed by the Company prior to any such sale, but only to the extent permitted by law and subject to the provisions of any such judgment or decree.

SECTION 14.11. The proceeds of any sale made under the power of sale hereby given, or under judgment or decree in any judicial proceeding for the foreclosure or otherwise for the enforcement of the Indenture, together with any other amounts of cash which may then be held by the Trustee, as part of the mortgaged and pledged property, and which by any other provision hereof are to be added to or treated as a part of the proceeds of sale, shall be applied in the following order:

First. To the payment of all taxes, assessments or Prior Liens, except those taxes, assessments or Prior Liens subject to which such sales shall have been made, and of all the costs and expenses of such sale, including reasonable compensation to the Trustee, its agents and attorneys, and of all other sums payable to the Trustee as compensation for other services hereunder and by reason of any expenses or liabilities incurred or advances made in connection with the management or administration of the trusts hereby created;

Second. To the payment in full of the amounts then due and unpaid for principal and interest upon the Bonds then Outstanding; and in case such proceeds shall be insufficient to pay in full the amounts so due and unpaid, then to the payment thereof ratably, with interest on the overdue principal and interest (to the extent permitted by law) at the rates that the Bonds themselves bear, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest;

Third. To the Company, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same.

SECTION 14.12. In case of a Completed Default, neither the Company nor any one claiming through or under it shall or will set up, claim or seek to take advantage of any appraisement, valuation, stay, extension or redemption laws now or hereafter in force in any locality where any of the property subject to the Lien of the Indenture may be situated, in order to prevent or hinder the enforcement or foreclosure of the Indenture, or the absolute sale of the mortgaged and pledged property, or any part thereof, or the possession thereof by any purchaser, at any sale under this Article XIV, but the Company, for itself and all who may claim through or under it, hereby waives (to the extent it may lawfully do so) the benefit of all such laws. The Company, to the extent it may lawfully do so, for itself and all who may claim through or under it, hereby waives any and all right to have the mortgaged and pledged property marshalled upon any foreclosure hereof, and agrees that any court having jurisdiction to foreclose the Indenture may sell the mortgaged and pledged property subject to the Lien Hereof as an entirety.

SECTION 14.13. The Company covenants that if default shall be made in the payment of the principal of or interest on any of the Bonds when the same shall become payable,

whether at the Stated Maturity or by declaration as authorized by the Indenture, or in case of a sale as provided in Sections 14.03, 14.04 or 14.07, or otherwise, then, upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the Holders of such Bonds so due and payable the whole amount due and payable on all such Bonds for principal and interest, with interest upon the overdue principal and interest. If the Company shall fail to pay the same promptly upon such demand, the Trustee in its own name and as trustee of an express trust shall be entitled to sue for and to recover judgment for the whole amount so due and unpaid.

The Trustee shall be entitled to sue for and recover judgment as aforesaid, either before, after or during the pendency of any proceedings for the enforcement of the Lien of the Indenture, or otherwise for the enforcement of any of its rights, or the rights of the Bondholders. In case of a sale of any of the property subject to the Lien of the Indenture, and of the application of the proceeds of sale to the payment of the debt hereby secured, the Trustee in its own name and as trustee of an express trust, shall be entitled to enforce payment of and to receive all amounts then remaining due and unpaid upon any and all the Bonds then Outstanding, for the benefit of the Holders thereof, and the Trustee shall be entitled to recover judgment for any portion of the debt remaining unpaid, with interest. No recovery of any such judgment by the Trustee and no levy of any execution upon any such judgment upon any of the property subject to the Lien of the Indenture or upon any other property shall affect, in any manner or to any extent, the Lien of the Indenture upon the mortgaged and pledged property, or any rights, powers or remedies of the Trustee, or any lien, rights, powers or remedies of the Holders of the said Bonds, but such lien, rights, powers and remedies of the Trustee and of the Bondholders shall continue unimpaired.

Any moneys collected or received by the Trustee under this Section 14.13, shall be applied by it first, to the payment of its expenses, disbursements and compensation and the expenses, disbursements and compensation of its agents and attorneys, and, second, toward payment of the amounts then due and unpaid upon such Bonds, with respect to which such moneys shall have been collected, ratably and without preference or priority of any kind, according to the amounts due and payable upon such Bonds at the date fixed by the Trustee for the distribution of such moneys, upon presentation of the several Bonds and upon notation of such payment thereon, if partly paid, and upon surrender thereof, if fully paid.

SECTION 14.14. All rights of action in favor of the Trustee, in respect of the Bonds or otherwise, may be enforced by the Trustee without the possession of any of the Bonds or the production thereof at any trial or other proceedings relative thereto. Any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee and any recovery of judgment shall be for the equal benefit of the Holders of the Bonds.

SECTION 14.15. (a) No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the foreclosure of the Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless (i) such Holder shall have previously given to the Trustee written notice of the existence of a Completed Default as herein provided; (ii) the Holders of 25% in principal amount of the Bonds then Outstanding also shall have made written request to the Trustee and shall have afforded it reasonable opportunity to proceed to exercise the powers herein granted or to institute such action, suit or proceeding in its own name; and (iii) the Trustee shall have been offered adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, provided that such liabilities do not arise as the result of the Trustee's negligence or

bad faith. No Bondholder shall be entitled to institute any such suit if and to the extent that the institution or prosecution of such suit or the entry of judgment therein would result, under applicable law, in the surrender, impairment, waiver or loss of the Lien of the Indenture upon the mortgaged and pledged property, or any part thereof, as security for Bonds held by any other Bondholder.

(b) In any suit for the enforcement of any right or remedy under the Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the court may in its discretion require any litigant party in such suit to file an undertaking to pay the costs of such suit and the court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any litigant party in such suit, having due regard to the merits and good faith of the claims or defenses made by such litigant party; provided that the provisions of this subdivision (b) shall not apply to: (i) any suit instituted by the Trustee, (ii) any suit instituted by any Bondholder, or group of Bondholders, holding in the aggregate more than 10% in principal amount of the Bonds Outstanding, or (iii) any suit instituted by any Bondholder for the enforcement of the payment of the principal of or interest on any Bond, on or after the respective due dates expressed in such Bond.

(c) Nothing contained in the Indenture shall affect or impair the absolute and unconditional obligation of the Company to pay the principal of and interest on the Bonds in accordance with the terms thereof, to the respective Holders thereof (whether by lapse of time or call for redemption), nor affect or impair the right of action of each such Holder to enforce such payment.

SECTION 14.16. The Company may, if permitted by law, waive any period of grace provided for in this Article XIV.

SECTION 14.17. In case the Trustee shall have proceeded to enforce any right under the Indenture by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Company and the Trustee shall be restored to their former positions and rights hereunder with respect to the property subject to the Lien of the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

SECTION 14.18. All rights, remedies and powers provided for in this Article XIV may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Article XIV are intended to be subject to all applicable mandatory provisions of law that may be controlling and to be limited to the extent necessary so that they will not render the Indenture invalid, unenforceable or not entitled to be recorded or filed under the provisions of any applicable law.

ARTICLE XV.
EVIDENCE OF RIGHTS OF BONDHOLDERS AND OWNERSHIP OF BONDS.

SECTION 15.01. Whenever the Holders of a specified percentage in aggregate principal amount of Bonds are entitled to take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action, the Holders of such specified percentage have joined therein may be evidenced: (a) by any instrument or any number of substantially concurrent instruments of similar tenor executed by the Holders in person or by agent or proxy, appointed in writing; (b) by the record of the Holders voting in favor thereof at any meeting of such Holders duly called and held in accordance with the provisions of Article XII; or (c) by a combination of such instrument or instruments and any such record of such a meeting of such Holders.

SECTION 15.02. Subject to the provisions of Sections 17.01 and 12.05, the fact and date of the execution of any instrument by a Holder of Bonds or his agent or proxy may be proved by the certificate of any notary public or other officer authorized to take acknowledgements of deeds to be recorded within the United States of America or territories, commonwealths, or possessions thereof that the Person executing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution sworn to before any such notary or other such officer, provided that the Trustee may require such additional proof as it shall deem reasonable. Where such execution is by or on behalf of any legal entity other than an individual, such certificate or affidavit also shall constitute sufficient proof of the authority of the Person executing the same. Subject to Sections 17.01 and 12.05, the fact and date of the execution of any such instrument and the amount and numbers of Bonds of any series held by the Person so executing such instrument and the amount and numbers of any Bond for such series also may be proved in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in any other manner which the Trustee may deem sufficient.

The ownership and proof of holding of Registered Bonds shall be proved by the Bond Register or by a certificate of the Bond Registrar. The fact of the holding by any Holder of a Bond of any series, and the identifying number of such Bond and the date of his holding the same, may be proved by the production of such Bond or by a certificate executed by any trust company, bank, banker or recognized securities dealer satisfactory to the Trustee, wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory. Each such certificate shall be dated and shall state that on the date thereof a Bond of such series bearing a specified identifying number was deposited with or exhibited at such trust company, bank, banker or recognized securities dealer by the Person named in such certificate. Any such certificate may be issued in respect of one or more Bonds of one or more series specified therein. The holding by the Person named in any such certificate of any Bonds or any series specified therein shall be presumed to continue for a period of one year from the date of such certificate unless at the time of any determination of such holding (1) another certificate bearing a later date issued in respect of the same Bonds shall be produced, or (2) the Bond of such series specified in such certificate shall be produced by some other Person, or (3) the Bond of such series specified in such certificate shall have ceased to be Outstanding. Subject to Section 17.01 and 12.05, the fact and date of the execution of any such instrument and the amount and number of Bonds of any series held by the Person so executing such instrument and the amount and numbers of Bonds for such series also may be proved in accordance with such reasonable rules and

regulations as may be prescribed by the Trustee or in any other manner which the Trustee may deem sufficient.

The record of a Holders' meeting shall be proved in the manner provided in Section 12.06.

SECTION 15.03. Prior to presentation for registration of transfer of any Bond, the Company, the Trustee, any Authenticating Agent, any Paying Agent or any Bond Registrar may deem and treat the Holder of any coupon and the Holder of any Bond other than a Registered Bond, and the Person in whose name any Bond shall be registered upon the Bond Register as the absolute owner of such Bond or coupon (whether or not such Bond or coupon shall be overdue) for the purpose of receiving payment of or interest on account thereof and for all other purposes. Neither the Company nor the Trustee nor any Authenticating Agent nor any Paying Agent nor the Bond Registrar shall be affected by any notice to the contrary. All such payments made to any such Person, or upon his order, shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Bond.

SECTION 15.04. At any time prior to, but not after, evidence is provided to the Trustee, pursuant to Section 15.01, of the taking of any action by the Holders of the percentage in aggregate principal amount of the Bonds specified in the Indenture in connection with any such action, any Holder of a Bond which is included in the Bonds the Holders of which have joined in such action may, by filing a written notice with the Trustee at its office and upon proof of holding as provided in Section 15.02, revoke, such action so far as concerns such Bond. Except as aforesaid in this Section 15.04, any such action taken by the Holder of any Bond pursuant to this Article XV shall be conclusive and binding upon such Holder, upon all future Holders and owners of such Bond and of any Bond issued in exchange or substitution therefor, irrespective of whether any notation is regard thereto is made upon such Bond. Any action taken by the Holder of the percentage in aggregate principal amount of the Bond specified in the Indenture in connection with such action shall be conclusively binding upon the Company, the Trustee and the Holders of the Bonds.

SECTION 15.05. The Company may establish, by Resolution, a record date for purposes of determining the identity of Bondholders entitled to take any action under the Indenture (including the making of any demand or request, the giving of any notice, consent, vote or waiver or the taking of any other action). The record date established by the Company under this Section 15.05 shall not be more than 90 days prior to the meeting or action requiring a determination of Bondholders. If no record date is established by the Company under this Section 15.05, the record date for determining the identity of Bondholders entitled to take any action under the Indenture shall be 15 days prior to the date of mailing of the first notice to Bondholders relating to such meeting or action. A determination of Bondholders entitled to notice of or to vote at a Bondholders' meeting is effective for any adjournment of the meeting unless the Company, by Resolution, establishes a new record date, which must be done if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

ARTICLE XVI.

EFFECT OF MERGER, CONSOLIDATION, ETC. ON THE LIEN OF THE INDENTURE

SECTION 16.01. Nothing in the Indenture shall prevent any lawful consolidation or merger of the Company with or into any other corporation, or any conveyance, transfer or lease, subject to the Lien of the Indenture, of all or substantially all of the mortgaged and pledged property as an entirety, to any corporation lawfully entitled to acquire or lease and operate the same; provided (and the Company covenants and agrees), that such consolidation, merger, conveyance, transfer or lease shall be only upon terms that fully preserve and in no respect impair the efficiency or security of the Indenture or the Lien Hereof, or any of the rights or powers of the Trustee or the Bondholders; and provided that any such lease shall be made expressly subject to immediate termination by: (i) the Company or the Trustee at any time during the continuance of a Completed Default, and (ii) by the purchaser of the property so leased at any sale thereof, whether such sale be made under the power of sale hereby conferred or under judicial proceedings; and provided, further, that, upon any such consolidation, merger, conveyance, transfer, or lease, the term of which extends beyond the Stated Maturity of any of the Bonds Outstanding, the due and punctual payment of the principal of and interest on all said Bonds according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Indenture to be kept or performed by the Company, shall be assumed by the corporation formed by such consolidation or into which such merger shall have been made, or acquiring all the mortgaged and pledged property as an entirety, as aforesaid, or by the lessee under any such lease the term of which extends beyond the Stated Maturity of any of the Bonds Outstanding.

SECTION 16.02. If the Company, pursuant to Section 16.01, shall be consolidated with or merged into any other corporation, or shall convey or transfer (subject to the Lien of the Indenture), all, or substantially all, the mortgaged and pledged property, as an entirety, then the successor corporation, formed by such consolidation, or into which the Company shall have been merged, or which shall have received a conveyance or transfer as aforesaid (the "Successor Corporation"), upon executing an indenture with the Trustee, satisfactory to the Trustee, and causing the same to be recorded, whereby such Successor Corporation shall assume and agree to pay, duly and punctually, the principal of and interest on the Bonds, and agree to perform and fulfill all the covenants and conditions of the Indenture binding upon the Company, shall (a) succeed to and be substituted for the Company, with the same effect as if it had been named herein, and in the Bonds as the mortgagor or obligor company, (b) have and may exercise under the Indenture and the Bonds the same powers and rights as the Company, and (without in any way limiting or impairing by the enumeration of the same the scope and intent of the foregoing general powers and rights) such Successor Corporation thereupon may cause to be executed, issued and delivered, either in its own name or in the name of the Company, any or all of such Bonds which shall not theretofore have been executed by the Company and authenticated by the Trustee, and upon the order of such Successor Corporation in lieu of the Company, and subject to the terms, conditions and restrictions prescribed in the Indenture, concerning the authentication and delivery of Bonds, the Trustee shall authenticate and deliver any such Bonds which shall have been previously signed and delivered by the officers of the Company to the Trustee for authentication, and any such Bonds which such Successor Corporation shall

thereafter, in accordance with the provisions of the Indenture, cause to be executed and delivered to the Trustee for authentication. All the Bonds so issued shall in all respects have the same legal right and security as the Bonds theretofore issued in accordance with the terms of the Indenture as though all of said Bonds had been authenticated and delivered at the date of the execution hereof; provided that as a condition precedent to the execution by such Successor Corporation and the authentication and delivery by the Trustee of any such additional Bonds in respect of the construction or acquisition by the Successor Corporation of Permanent Additions, the indenture with the Trustee to be executed and caused to be recorded by the Successor Corporation, as provided in this Section 16.02, shall contain a conveyance or transfer and mortgage in terms sufficient to include such Permanent Additions; and provided further that the Lien of the Indenture and of the indenture so created and to be executed by such Successor Corporation shall have similar force, effect and standing as the Lien of the Indenture would have if the Company had not been consolidated with or merged into such other corporation or had not conveyed or transferred, subject to the Indenture, all the mortgaged and pledged property as an entirety, as aforesaid, to such Successor Corporation, and had itself acquired or constructed such Permanent Additions, and requested the authentication and delivery of Bonds under the provisions of the Indenture.

Until a Completed Default shall occur and be continuing and subject to the provisions of Section 17.01, the Trustee may receive an Opinion of Counsel as conclusive evidence that any such indenture complies with the foregoing conditions and provisions of this Section 16.02.

SECTION 16.03. If the Company, pursuant to Section 16.01, shall be consolidated with or merged into any other corporation, or shall convey or transfer, subject to the Indenture, all or substantially all of the mortgaged and pledged property as an entirety as aforesaid, neither the Indenture nor the indenture with the Trustee to be executed and caused to be recorded by the Successor Corporation as provided in Section 16.02, shall, unless such latter indenture shall otherwise provide (anything in the Indenture contained to the contrary notwithstanding), become or be a lien upon any of the properties or franchises of the Successor Corporation except those acquired by it from the Company, and extensions and additions appurtenant to the property acquired from the Company, and such franchises, repairs and additional property as may be acquired by the Successor Corporation in pursuance of the covenants herein contained to maintain, renew and preserve the franchises covered by the Indenture and to keep and maintain the mortgaged and pledged property in adequate repair, working order and condition.

SECTION 16.04. At any time prior to the exercise of any power reserved by this Article XVI for the Company or a purchasing or Successor Corporation, the Company may surrender any such power by delivery to the Trustee of an instrument in writing executed by its President or a Vice President under its corporate seal attested by its Secretary or an Assistant Secretary, accompanied by the affidavit of its Secretary or an Assistant Secretary, that the execution of such instrument was duly authorized by its Board of Directors. Upon such delivery, the power so surrendered shall cease.

ARTICLE XVII.

THE TRUSTEE.

SECTION 17.01. (a) Except during the continuance of a Completed Default:

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee which conform to the requirements of the Indenture; but in the case of any such certificate or opinion which by any provision hereof is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms as to form to the requirements of the Indenture.

(b) If a Completed Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by the Indenture and use the same degree of care and skill in their exercise as a prudent man would exercise or use, under the circumstances, in the conduct of his own affairs.

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

(1) this subdivision (c) shall not be construed to limit the effect of subdivision (a) of this Section 17.01;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or for exercising any trust or power conferred upon the Trustee; and

(4) no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Before taking any action under the Indenture, the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default, by reason of any action so taken.

(d) the Trustee shall use reasonable care in the selection or approval of any Engineer, appraiser or other expert, counsel or Accountant required to be selected or approved by the Trustee.

(e) every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 17.01.

SECTION 17.02. Within 90 days after the occurrence of any Default, the Trustee shall transmit notice of such Default, unless such Default shall have been cured or waived, to the Bondholders in the manner and to the extent provided in subdivision (c) of Section 17.18; provided that (except in the case of a Default in the payment of the principal of, premium, if any, or interest on any Bond or in the payment of any Sinking Fund installment), the Trustee shall be protected in withholding such notice if and so long as its board of directors, its executive committee or a trust committee of its board of directors or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Bondholders, and provided that in the case of any Default of the character specified in subdivision (d) of Section 14.01, no such notice to Bondholders shall be given until at least 90 days after the occurrence thereof.

SECTION 17.03. Except as otherwise provided in Section 17.01:

(a) the Trustee may rely; and shall be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document believed by it to be genuine and to have been signed or presented by the proper party;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Resolution;

(c) whenever in the administration of the Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, permitting or omitting any action, the Trustee (unless other evidence be specifically prescribed herein) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, permitted or omitted by the Trustee in good faith and in reliance thereon;

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

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may

see fit. If the Trustee shall make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(h) the Trustee shall not be personally liable, in case of entry by it upon the mortgaged and pledged property, for debts contracted or liabilities or damages incurred in the management or operation of the mortgaged and pledged property.

SECTION 17.04. The recitals contained herein and in the Bonds, except the certificate of authentication on the Bonds, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value or condition of the Mortgaged and pledged property or any part thereof, or as to the title of the Company thereto or as to the security afforded thereby or hereby, or as to the validity or genuineness of any securities at any time pledged and deposited with the Trustee hereunder, or as to the validity or genuineness of any securities at any time pledged and deposited with the Trustee hereunder, or as to the validity or sufficiency of the Indenture or of the Bonds. The Trustee shall not be accountable for the use or application by the Company of Bonds or the proceeds thereof or of any money paid to the Company upon Company Order.

SECTION 17.05. The Trustee, any Paying Agent, Bond Registrar, Authenticating Agent or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Bonds and, subject to Sections 17.08 and 17.13, if operative, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Bond Registrar, Authenticating Agent or such other agent.

SECTION 17.06. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent provided herein or requested by the Company or required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as provided elsewhere herein and except as otherwise agreed with the Company.

SECTION 17.07. The Company agrees:

(a) to pay to the Trustee reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with the Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel) except any such expense, disbursement or advance as may be attributable to the Trustee's negligence or bad faith;

(c) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with

the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder; and

(d) that all such payments and reimbursements shall be made with interest at the rate of six percent per annum, accruing from the date such payments and reimbursements are billed by the Trustee, unless paid by the Company on or before a subsequent due date established by such billing.

As security for the performance of the obligations of the Company under this Section 17.07, the Trustee shall be secured under the Indenture by a lien prior to the Bonds, and for the payment of such compensation, expenses, reimbursements and indemnity the Trustee shall have the right to use and apply any moneys held by it under the Indenture as part of the mortgaged and pledged property.

SECTION 17.08. Certain terms used in this Section 17.08 are defined in subsections (c) and (d).

(a) If the Trustee has or shall acquire any conflicting interest, as defined in this Section 17.08,

(1) then, within 90 days after ascertaining that it has such conflicting interest, and if the Default to which such conflicting interest relates has not been cured or duly waived or otherwise eliminated before the end of such 90-day period, the Trustee shall either eliminate such conflicting interest or, except as otherwise provided in this subdivision (a), resign, and the Company shall take prompt steps to have a successor appointed in the manner provided in Section 17.10;

(2) if the Trustee shall fail to comply with the provisions of clause (1) of this subdivision (a), the Trustee shall, within 10 days after the expiration of such 90-day period, transmit notice of such failure to the Bondholders in the manner and to the extent provided in subdivision (c) of Section 17.18; and

(3) subject to the provisions of subdivision (b) of Section 14.15, unless the Trustee's duty to resign is stayed as provided in this subdivision (a), any Bondholder who has been a bona fide holder of Bonds for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee, and the appointment of a successor, if the Trustee fails, after written request thereof by such Bondholder to comply with the provisions of clause (1) of this subdivision (a).

(b) For the purposes of this Section 17.08, the Trustee shall be deemed to have a conflicting interest if a Default exists and

(1) the Trustee is trustee under another indenture under which any other securities of the Company, or certificates of interest or participation in any other securities of the Company, are Outstanding or is trustee for more than one Outstanding series of securities, under a single indenture of the Company (unless such other indenture is a collateral trust indenture under which the only collateral consists of Bonds issued

under the Indenture). There shall be excluded from the operation of this paragraph any indenture or indentures under which (A) other securities of the Company, or (B) certificates of interest or participation in other securities of the Company, are Outstanding, if the Company shall have sustained the burden of proving, on application to the Commission and after opportunity for hearing thereon, that trusteeship under the Indenture and such other indenture or such other indenture or under more than one Outstanding series under a single indenture is not so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under one of such indentures or with respect to such series; or

(2) the Trustee or any of its Directors or Executive Officers is an obligor upon the Bonds or an Underwriter for the Company; or

(3) the Trustee directly or indirectly controls or is directly or indirectly controlled by or is under direct or indirect common control with the Company or an Underwriter for the Company; or

(4) the Trustee or any of its Directors or Executive Officers is a Director, officer, partner, employee, appointee or representative of the Company or of an Underwriter for the Company (other than the Trustee itself) who is currently engaged in the business of underwriting, except that: (A) one individual may be a Director or an Executive Officer, or both, of the Trustee and a Director or an Executive Officer, or both, of the Company but may not be at the same time an Executive Officer of both the Trustee and the Company; (B) if and so long as the number of Directors of the Trustee in office is more than nine, one additional individual may be a Director or an Executive Officer, or both, of the Trustee and a Director of the Company; and (C) the Trustee may be designated by the Company or by any Underwriter for the Company to act in the capacity of transfer agent, registrar, custodian, paying agent, fiscal agent, escrow agent, or depositary, or in any other similar capacity, or, subject to the provisions of paragraph (1) of this subdivision (b) to act as trustee, whether under an indenture of otherwise; or

(5) 10% or more of the Voting Securities of the Trustee is beneficially owned either by the Company or by any Director, partner, or Executive Officer thereof, or 20% or more of such Voting Securities is beneficially owned, collectively, by any two or more of such Persons; or 10% or more of the Voting Securities of the Trustee is beneficially owned either by an Underwriter for the Company or by any Director, partner or Executive Officer thereof, or is beneficially owned, collectively, by any two or more such Persons; or

(6) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default in payment of principal for 30 days or more and such default shall not have been cured, (A) 5% or more of the Voting Securities or 10% or more of any other class of Security of the Company (not including the Bonds and Securities issued under any other indenture under which the Trustee is also trustee) or (B) 10% or more of any class of Security of an Underwriter for the Company; or

(7) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default in payment of principal for 30 days or more and such default shall not have been cured, 5% or more of the Voting Securities of any Person who, to the knowledge of the Trustee, owns 10% or more of the Voting Securities of, or controls directly or indirectly or is under direct or indirect common control with, the Company; or

(8) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default in payment of principal for 30 days or more and such default shall not have been cured, 10% or more of any class of Security or any Person who, to the knowledge of the Trustee, owns 50% or more of the Voting Securities of the Company; or

(9) the Trustee owns, on the date of any Default or any anniversary of such Default while such Default continues, in the capacity of executor, administrator, testamentary or inter vivos trustee, guardian, committee or conservator, or in any other similar capacity, an aggregate of 25% or more of the Voting Securities, or of any class of Security, of any Person, the beneficial ownership of a specified percentage of which would have constituted a conflicting interest under paragraph (6), (7) or (8) of this subdivision (b). As to any such Securities of which the Trustee acquired ownership through becoming executor, administrator, or testamentary trustee of an estate which included them, the provisions of the preceding sentence shall not apply, for a period of not more than two years from the date of such acquisition, to the extent that such Securities included in such estate do not exceed 25% of such Voting Securities or 25% of any such class of Securities. Promptly after the dates of any such Default and annually in each succeeding year that such Default continues, the Trustee shall make a check of its holding of such Securities in any of the above-mentioned capacities as of such dates. If the Company fails to make payments in full of the principal of, the premium, if any, or interest on, any of the Bonds when and as the same become due and payable, and such failure continues for 30 days thereafter, the Trustee shall make a prompt check of its holdings of such Securities in any of the above-mentioned capacities as of the date of the expiration of such 30-day period, and after such date, notwithstanding the foregoing provisions of this paragraph (9), all such Securities so held by the Trustee, with sole or joint control over such Securities vested in it, shall, but only so long as such failure shall continue, be considered as though beneficially owned by the Trustee for the purposes of paragraphs (6), (7) and (8) of this subdivision (b).

(10) except under the circumstances described in paragraphs (1), (3), (4), (5) or (6) of subdivision (b) of Section 17.13, the Trustee shall become a creditor of the Company.

For purposes of paragraph (1) of this subdivision (b), the term "series of securities" or "series" means a series, class or group of securities issuable under an indenture pursuant to whose terms holders of one such series may vote to direct the indenture trustee, or otherwise take action pursuant to a vote of such holders, separately from holders of another such series; provided that "series of securities" or "series" shall not include any series of securities issuable under an indenture if all such series rank equally and are wholly unsecured.

The specification of percentages in paragraphs (5) through (9) of this subdivision (b), shall not be construed to indicate that ownership of such percentages of the Securities of a Person is or is not necessary or sufficient to constitute direct or indirect control for the purposes of paragraph (3) or (7) of this subdivision (b).

For the purposes of paragraphs (6), (7), (8) and (9) of this subdivision (b) only, "Security" and "Securities," shall include only such securities as are generally known as corporate securities, but shall not include any note or other evidence of indebtedness issued to evidence an obligation to repay moneys lent to a Person by one or more banks, trust companies or banking firms, or any certificate of interest or participation in any such note or evidence of indebtedness. The Trustee shall be deemed not to be the owner or holder of (i) any Security which it holds as collateral security, as trustee or otherwise, for an obligation which is not in default in the payment of principal for 30 days or more, or (ii) any Security which it holds as collateral security under the Indenture, irrespective of any Default, or (iii) any Security which it holds as agent for collection, or as custodian, escrow agent, or depositary, or in any similar representative capacity.

(c) For the purposes of this Section 17.08 only:

(1) "Company" means any obligor upon the Bonds.

(2) "Director" means any director of a corporation, or any individual performing similar functions with respect to any organization whether incorporated or unincorporated.

(3) "Executive Officer" means the president, every vice president, every trust officer, the cashier, the secretary, or the treasurer of a corporation, and any individual customarily performing similar functions with respect to any organization whether incorporated or unincorporated, but shall not include the chairman of the board of directors if not also one of the foregoing officers.

(4) "Person" means an individual, a corporation, a partnership, an association, a joint-stock company, a trust, an unincorporated organization, or a government or political subdivision thereof. As used in this paragraph, the term "trust" shall include only a trust where the interest or interests of the beneficiary or beneficiaries are evidenced by a security.

(5) "Trustee" includes any separate or co-trustee appointed under Section 17.14.

(6) Underwriter," when used with reference to the Company, means every Person who, within one year prior to the time as of which the determination is made, was an underwriter of any security of the Company Outstanding at the time of the determination.

(7) "Voting Security" means any security presently entitling the owner or holder thereof to vote in the direction or management of the affairs of a Person, or any security issued under or pursuant to any trust, agreement or arrangement whereby a trustee or trustees or agent or agents for the owner or holder of such security are presently entitled to vote in the direction or management of the affairs of a Person.

(d) The percentages of Voting Securities and other securities specified in this Section 17.08 shall be calculated in accordance with the following provisions:

(1) A specified percentage of the Voting Securities of any Person referred to in this Section 17.08 (including the Trustee and the Company) means such amount of the Outstanding Voting Securities of such Person as entitles the holder thereof to cast such specified percentage of the aggregate votes which the holders of all the Outstanding Voting Securities for such Person are entitled to cast in the direction or management of the affairs of such Person.

(2) A specified percentage of a class of securities of a Person means such percentage of the aggregate amount of securities of the class Outstanding.

(3) "Amount," when used in regard to securities, means the principal amount if relating to evidences of indebtedness, the number of shares if relating to capital shares, and the number of units if relating to any other kind of security.

(4) "Outstanding," means issued and not held by or for the account of the issuer. The following securities shall be deemed not Outstanding within the meaning of this definition:

(A) securities of an issuer held in a sinking fund for securities of the issuer of the same class;

(B) securities of an issuer held in a sinking fund for another class of securities of the issuer, if the obligation evidenced by such other class of securities is not in default as to principal or interest or otherwise;

(C) securities pledged by the issuer thereof as security for an obligation of the issuer not in default as to principal or interest or otherwise; and

(D) securities held in escrow if placed in escrow by the issuer thereof;

provided that any Voting Securities of an issuer shall be deemed Outstanding if any Person other than the issuer is entitled to exercise the voting rights thereof.

(5) A security shall be deemed to be of the same class as another security if both securities confer upon the holder thereof substantially the same rights and privileges; provided that, in the case of secured evidences of indebtedness, all of which are issued under a single indenture, differences only in the interest rates or maturity dates of various series thereof shall not be deemed sufficient to constitute such series as different classes and provided that, in the case of unsecured evidences of indebtedness, differences in the interest rates of maturity dates thereof shall not be deemed sufficient to constitute them securities of different classes, whether or not they are issued under a single indenture.

(e) Except in the case of a default in the payment of the principal of or interest on any Bonds, or in the payment of any Sinking Fund or similar fund, the Trustee shall not be required to resign as provided by this Section 17.08 if the Trustee shall have sustained the burden of proving, on application to the Commission and after opportunity for hearing thereon, that (1) the Default may be cured or waived during a reasonable period and under the procedures described in such applications, and (2) a stay of the Trustee's duty to resign will not be inconsistent with

the interests of Holders of the Bonds. The filing of such an application shall automatically stay the performance of the duty to resign until the Commission orders otherwise.

SECTION 17.09. There shall be at all times a Trustee which shall be a corporation organized and doing business under the laws of the United States of America or of any state thereof or a corporation or other Person permitted to act as Trustee by the Commission, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $5,000,000, and subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section 17.09, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

No obligor under the Bonds or Person directly or indirectly controlling, controlled by, or under common control with such obligor shall serve as Trustee.

If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 17.09, it shall resign immediately in the manner and with the effect specified in this Article XVII.

SECTION 17.10. (a) No resignation or removal of the Trustee and no appointment of a successor Trustee shall become effective until the acceptance of appointment by the successor Trustee under Section 17.11.

(b) The Trustee may resign at any time by giving written notice to the Company. If an executed instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by the Holders of a majority in principal amount of the Outstanding Bonds.

(d) If at any time:

(1) the Trustee, after this Indenture has been qualified under the Trust Indenture Act, shall fail to comply with subdivision (a) of Section 17.08 after written request therefor by the Company or by any Bondholder who has been a bona fide Holder of a Bond for at least six months; or

(2) the Trustee shall cease to be eligible pursuant to Section 17.09 and shall fail to resign after written request therefor by the Company or by any such Bondholder; or

(3)(A) the Trustee shall become incapable of acting; or (B) the Trustee shall be adjudged a bankrupt or insolvent; or (C) a receiver for the Trustee or of its property shall be appointed; or (D) any public offer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, (i) the Company by Resolution may remove the Trustee, or (ii) subject to subdivision (b) of Section 14.15, any Bondholder who has been a bona fide Holder of a Bond for at least six months may (on behalf of himself and all others similarly situated), petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by Resolution, shall promptly appoint a successor Trustee. If all or substantially all of the mortgaged and pledged property shall be in the possession of a lawfully appointed receiver or trustee, such receiver or Trustee, by written instrument, may similarly appointed a successor Trustee to fill such vacancy until a new Trustee shall be so appoint by the Bondholders. If, within one year after such resignation, removal incapability or the occurrence of such vacancy, a successor Trustee shall be appointed by the Holders of a majority in principal amount of the Outstanding Bonds, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Company or by such receiver or trustee. If no successor Trustee shall have been so appointed by the Company or the Bondholders and accepted appointment as hereinafter provided, then, subject to subdivision (b) of Section 14.15, any Bondholder who has been a bona fide Holder of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give written notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by first-class mail, postage prepaid, to the Bondholders as their names and addresses appear in the Bond Register. Each notice shall include the name of the successor Trustee and the address of its principal corporate trust office.

SECTION 17.11. Every successor Trustee shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment and thereupon the resignation or removal of the retiring Trustee shall become effective. Such successor Trustee, without any further act, deed or conveyance, shall become vested with all the estate, properties, rights, powers, trusts and duties of the retiring Trustee. On request of the Company or the successor Trustee, such retiring Trustee shall, upon payment by the Company to the retiring Trustee for its charges, execute and deliver an instrument conveying and transferring to such successor Trustee upon the trusts herein expressed all the estates, properties, rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held hereunder by such retiring Trustee, subject nevertheless to the Trustee's lien, if any, provided for in Section 17.07. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such estates, properties, rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article XVII.

SECTION 17.12. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding

to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee, provided that such corporation shall be otherwise qualified and eligible under this Article XVII, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

If any Bonds shall have been authenticated, but not delivered, by the Trustee then in office, any successor to such authenticating Trustee (by merger, conversion or consolidation) may adopt such authentication and deliver the Bonds so authenticated with the same effect as if such successor Trustee had authenticated such Bonds.

SECTION 17.13. Certain terms used in this Section 17.13 are defined in subdivision (c) of this Section 17.13.

(a) Subject to subdivision (b) of this Section 17.13, if the Trustee shall be or shall become a secured or unsecured creditor of the Company (either directly or indirectly) within three months prior to a Payment Default, or subsequent to such a Payment Default, then, unless and until such Payment Default shall be cured, the Trustee shall set apart and hold in a special account for the benefit of the Trustee individually, the Bondholders and the holders of Other Indenture Securities:

(1) an amount equal to any and all reductions in the amount due and owing upon any claim of the Trustee as such creditor in respect to principal or interest, effected after the beginning of such three month period and valid against the Company and its other creditors, except any such reduction resulting from the receipt or disposition of any property described in paragraph (2) of this subdivision (a), or from the exercise of any right of setoff which the Trustee could have exercised if a petition in bankruptcy has been filed by or against the Company upon the date of such Payment Default; and

(2) all property received by the Trustee in respect to any claim as such creditor, either as security therefor, or in satisfaction or composition thereof, or otherwise, after the beginning of such three month period, or an amount equal to the proceeds of any such property, if disposed of, subject, however, to the rights, if any, of the Company and its other creditors in such property or such proceeds.

Nothing contained herein shall affect the right of the Trustee:

(A) to retain for its own account (i) payments made on account of any such claim by any Person (other than the Company) who is liable thereof, (ii) the proceeds from the bona fide sale of any such claim by the Trustee to a third Person and (iii) distributions made in cash, securities or other property in respect to claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable state law; or

(B) to realize, for its own account, upon any property held by it as security for any such claim, if such property was so held prior to the beginning of such three month period; or

(C) to realize, for its own account, but only to the extent of the claim hereinafter mentioned, upon any property held by it as security for any such claim, if such claim was created after the beginning of such three month period and such property was received as security therefor simultaneously with the creation thereof, and if the Trustee shall sustain the burden of proving that at the time such property was so received the Trustee had no reasonable cause to believe that a Payment Default would occur within three months; or

(D) to receive payment on any claim referred to in the foregoing subparagraph (B) or (C), against the release of any property held as security for such claim as provided in the foregoing subparagraph (B) or (C), as the case may be, to the extent of the fair value of such property.

For the purposes of the foregoing subparagraph (B), (C) and (D), property substituted after the beginning of such three month period for property held as security at the time of such substitution shall, to the extent of the fair value of the property released, have the same status as the property released and, to the extent that any claim referred to in any of such subparagraphs is created in renewal of or in substitution for or for the purpose of repaying or refunding any pre-existing claim of the Trustee as such creditor, such claim shall have the same status as such pre-existing claim.

If the Trustee shall be required to account for the funds and property held in such special account and the proceeds thereof, they shall be apportioned between the Trustee, the Bondholders and the holders of Other Indenture Securities in such manner that the Trustee, Bondholders and holders of such Other Indenture Securities realize, as a result of payments from such special account and payments of "dividends" (as defined below) on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable state law, the same percentage of their respective claims, figured before crediting to the claim of the Trustee anything on account of the receipt by it from the Company of the funds and property in such special account and before crediting to the respective claims of the Trustee, Bondholders and holders of Other Indenture Securities dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable state law, but after crediting thereon receipt on account of the indebtedness represented by their respective claims from all sources other than from such dividends and from the funds and property so held in such special account. As used in this paragraph, with respect to any claim, the term "dividends" shall include any distribution with respect to such claim, in bankruptcy or receivership or proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable state law, whether such distribution is made in cash, securities, or other property, but shall not include any such distribution with respect to the secured portion, if any, of such claim. The court in which such bankruptcy, receivership or proceeding for reorganization is pending shall have jurisdiction (A) to apportion between the Trustee, Bondholders and holders of Other Indenture Securities, in accordance with the provisions of this paragraph, the funds and property held in such special account and proceeds thereof, or (B) in lieu of such apportionment, in whole or in part, to give to the provisions of this paragraph due consideration in determining the fairness of the distributions to be made to the Trustee, Bondholders and holders of Other Indenture Securities with respect to their respective claims, in which event it shall not be necessary to liquidate or to appraise the

value of any securities or other property held in such special account or as security for any such claim, or to make a special allocation of such distributions as between the secured and unsecured portions of such claims, or otherwise to apply the provisions of this paragraph as a mathematical formula.

Any Trustee which has resigned or been removed after the beginning of such three month period shall be subject to the provisions of this subdivision (a) as though such resignation or removal had not occurred. If any Trustee has resigned or been removed prior to the beginning of such three month period, it shall be subject to the provisions of this subdivision (a) if and only if the following conditions exist:

(i) the receipt of property or reduction of claim which would have given rise to the obligation to account if such Trustee had continued as Trustee, occurred after the beginning of such three month period; and

(ii) such receipt of property or reduction of claim occurred within three months after such resignation or removal.

(b) There shall be excluded from the operation of subdivision (a) of this Section 17.13 a creditor relationship arising from:

(1) the ownership or acquisition of securities issued under any indenture, or any security or securities having a maturity of one year or more at the time of acquisition by the Trustee; or

(2) advances authorized by a receivership or bankruptcy court of competent jurisdiction, or by the Indenture, for the purpose of preserving any property which shall at any time be subject to the Lien Hereof, or of discharging tax liens, or other Prior Liens or encumbrances on the mortgaged and pledged property, if notice of such advance and of the circumstances surrounding the making thereof is given to the Bondholders at the time and in the manner provided in paragraph (2) of subdivision (a) of Section 17.18 or paragraph (2) of subdivision (b) of Section 17.18; or

(3) disbursements made in the ordinary course of business in the capacity of trustee under the Indenture or another Indenture or as transfer agent, registrar, custodian, paying agent, fiscal agent, depositary or other similar capacity; or

(4) an indebtedness created as a result of services rendered or premises rented, or an indebtedness created as a result of goods or securities sold in a Cash Transaction; or

(5) the ownership of stock or of the other securities of a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act, as amended, which is directly or indirectly a creditor of the Company; or

(6) the acquisition, ownership, acceptance or negotiation of any drafts, bills of exchange, acceptances or obligations which fall within the classification of Self-liquidating Paper.

(c) For purposes of this Section 17.13 only:

(1) "Cash Transaction" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand.

(2) "Company" means any obligor under the Bonds.

(3) "Other Indenture Securities" means securities, upon which the Company is an obligor, outstanding under any other indenture (A) under which the Trustee is also trustee, (B) which contains provisions substantially similar to the provisions of this Section 17.13 and (C) under which a Payment Default exists at the time of the apportionment of the funds and property held in such special account.

(4) "Payment Default" means any failure to make payment in full of the principal of or interest on any of the Bonds or upon the Other Indenture Securities when and as such principal or interest becomes due and payable.

(5) "Self-liquidating Paper" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided that the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

(6) "Trustee" includes any separate or co-trustee appointed under Section 17.14.

SECTION 17.14. For the purpose of meeting the legal requirements of any jurisdiction in which any of the mortgaged and pledged property may at the time be located, the Company and the Trustee shall have power to appoint and, upon the written request of the Trustee or of the Holders of at least 25% in principal amount of the Bonds Outstanding, the Company shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Trustee either to act jointly with the Trustee as co-trustee of all or any part of the mortgaged and pledged property, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section 17.14. If the Company does not join in such appointment within 15 days after the receipt by it of a request so to do, or if a Completed Default has occurred and is continuing, the Trustee alone shall have power to make such appointment

Should any written instrument from the Company be required by any such co-trustee or separate trustee for more fully confirming to such co-trustee or separate trustee such property, title, right or power, then on request, it shall be executed, acknowledged and delivered by the Company.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms:

(a) The Bonds shall be authenticated and delivered, and all rights, powers, duties and obligations under the Indenture in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Trustee, shall be exercised by the Trustee.

(b) The rights, powers, duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Trustee or by the Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such co-trustee or separate trustee.

(c) The Trustee at any time by a written instrument executed by it, and with the concurrence of the Company evidenced by a Resolution, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section 17.14. If a Completed Default has occurred and is continuing, the Trustee, by a written instrument executed by it, shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Company. Upon the written request of the Trustee, the Company shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effect any such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section 17.14.

(d) No co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Trustee, or any other such trustee.

(e) Any act of Bondholders delivered to the Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

SECTION 17.15. The Trustee shall, upon receipt of a Company Request, promptly appoint an Authenticating Agent with power to act on its behalf and subject to its direction in the authentication and delivery of the Bonds of each series designated for such authentication by the Company and such appointment shall contain provisions for such authentication in connection with transfers and exchanges under Sections 2.11, 2.12, 2.17, 10.02 and 16.02 or otherwise, as though the Authenticating Agent had been expressly authorized by those Sections or otherwise to authenticate and deliver Bonds of such series. For all purposes of the Indenture, the authentication and delivery of Bonds by the Authenticating Agent pursuant to this Section 17.15 shall be deemed to be the authentication and delivery of Bonds by the Trustee. Such Authenticating Agent shall at all times be a corporate bank or trust company organized and doing business under the laws of the United States or of any of its states, have a combined capital and surplus of at least $5,000,000, be authorized under such laws to exercise corporate trust powers and be subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually pursuant to law or the requirements of such

authority, then for the purposes of this Section 17.15, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent published report of condition.

Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of the Authenticating Agent, if such successor corporation is otherwise eligible under this Section 17.15, without the execution or filing of any paper or further act on the part of the parties hereto, the Authenticating Agent or such successor corporation.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and the Company. The Trustee may at any time and, upon Company Request, shall terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section 17.15, the Trustee, unless otherwise requested in writing by the Company, shall promptly appoint a successor Authenticating Agent, shall give written notice of such appointment to the Company and shall mail notice of such appointment to all Bondholders of the applicable series as the names and addresses of such Bondholders appear on the Bond Register.

The Trustee agrees to pay reasonable compensation to any Authenticating Agent for its services and the Trustee shall be entitled to be reimbursed by the Company for such payments, subject to Section 17.07. The provisions of Sections 15.03, 17.04 and 17.05 shall be applicable to any Authenticating Agent.

SECTION 17.16. Except as herein otherwise provided, any notice or demand which by any provision of the Indenture is required or permitted to be given or served by the Trustee on the Company shall be deemed to have been sufficiently given and served, by being deposited, postage prepaid, in a post office letter box, addressed (until another address is filed by the Company with the Trustee) as follows: to Northern States Power Company, 100 North Barstow Street, Eau Claire, Wisconsin 54702, Attention: Secretary or to the most recent address which shall have been filed by the Company with the Trustee.

The Trustee shall promptly notify the Company in writing of any change of address of the Trustee's principal corporate trust office. Upon receipt of such notice, the Company shall give written notice of each change of address by first-class mail, postage prepaid, to the Bondholders as their names and addresses appear in the Bond Register.

SECTION 17.17. (a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the Bondholders furnished to it as provided in Section 8.17 or received by it in the capacity of Paying Agent or Bond Registrar or filed with it by Bondholders pursuant to paragraph (2) of subdivision (c) of Section 17.18; provided that the Trustee may; (1) destroy any statement furnished to it as provided in Section 8.17, upon receipt of a new statement so furnished to it in substitution therefor, (2) destroy any information received by it as Paying Agent upon delivery to itself as Trustee, not earlier than 45 days after an Interest Payment Date, of a statement containing the

names and addresses of the Bondholders obtained from such information since the delivery of the next previous statement, if any, (3) destroy any statement delivered to itself as Trustee which was compiled from information received by it as Paying Agent upon the receipt of a new statement so delivered and (4) destroy any information received by it from any Bondholder pursuant to paragraph (2) of subdivision (c) of Section 17.18, but not until two years after receipt by the Trustee of such information.

(b) In case three or more Bondholders (hereinafter in this Section 17.17 referred to as "Applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such Applicant has owned a Bond for at least six months preceding the date of such application, and such application states that the Applicants desire to communicate with the other Bondholders with respect to their rights under the Indenture or under the Bonds, and each such application is accompanied by a copy of the form of proxy or other communication which such Applicants proposed to transmit, then the Trustee shall, within five business days after the receipt of such application at its election, either:

(1) afford to such Applicants access to the information preserved at the time by the Trustee in accordance with the provisions of subdivision (a) of this Section 17.17; or

(2) inform such Applicants with the approximate number of Bondholders whose names and addresses appear in the information preserved at the time by the Trustee, in accordance with the provisions of subdivision (a), of this Section 17.17, and the approximate cost of mailing to such Bondholders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such Applicants access to such information, the Trustee shall, upon the written request of such Applicants, mail to each Bondholder whose name and address appears in the information, preserved at the time by the Trustee in accordance with the provisions of subdivision (a) of this Section 17.17, copies of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the materials to be mailed and of payment or provision for the payment of the reasonable expenses of mailing, unless within five days after such tender the Trustee shall mail to such Applicants, and file with the Commission together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the Bondholders, or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. After opportunity for hearing upon the objections specified in the written statements so filed, the Commission may, and if demanded by the Trustee or such Applicants shall, enter an order either sustaining one or more of such objections or refusing to sustain any of them. If the Commission, after opportunity for a hearing upon objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for a hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Bondholders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligations or duty respecting such application.

(c) The Trustee shall not be held accountable by reason of the mailing of any material pursuant to any request made under subsection (b) of this Section 17.17.

SECTION 17.18. (a) Within 60 days after each May 15, the Trustee shall transmit to the Bondholders (as specified in subdivision (c) of this Section 17.18) a brief report, dated not more than 60 days prior to such transmission, with respect to any of the following events which have occurred within the previous 12 months (but if no such event has occurred within such period no report need be transmitted):

(1) any change to the eligibility and the qualifications of the Trustee under Sections 17.08 and 17.09;

(2) the creation of or any material change to a relationship specified in subdivision (b) of Section 17.08;

(3) the character and amount of any advances (and, if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee in its capacity as Trustee which remain unpaid on the date of such report, and for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Bonds, on the mortgaged and pledged property (including property or funds held or collected by it as Trustee) if such remaining unpaid advances aggregate more than 1/2% of the principal amount of the Bonds Outstanding on the date of the report;

(4) any change to the amount, interest rate, and maturity date of all other indebtedness owing by the Company to the Trustee in its individual capacity on the date of the report, with a brief description of any property held as collateral security therefor, but excluding any indebtedness based upon a creditor relationship arising in any manner described in paragraphs (2), (3), (4) or (6) of subdivision (b) of Section 17.13;

(5) any change to the property and funds physically in the possession of the Trustee, in its capacity as Trustee, on the date of such report;

(6) any release, or release and substitutions, of property subject to the Lien of the Indenture (and the consideration therefor, if any) which the Trustee has not previously reported; except that if the aggregate value of such property released from the Lien of the Indenture as shown by the documents delivered to the Trustee in connection with the release or release and substitution does not exceed an amount equal to 1% of the principal amount of the Bonds then Outstanding, the report need indicate only the number of such releases, the total value of property released as shown by said documents, the aggregate amount of cash received and the aggregate value of property received in substitution therefor as shown by said documents;

(7) any additional issue of Bonds which the Trustee had not reported previously; and

(8) any action taken by the Trustee in the performance of its duties under the Indenture which it has not previously reported and which in its opinion materially affects the Bonds or the mortgaged and pledged property; except for action related to a Default,

notice of which has been or is to be withheld by the Trustee in accordance with the provisions of Section 17.02.

For purposes of this subdivision (a), the term "Company" means any obligor under the Bonds.

(b) The Trustee shall transmit to the Bondholders as hereinafter provided, a brief report with respect to:

(1) any release, or release and substitution, of property subject to the Lien Hereof (and the consideration therefor, if any) unless the Fair Value of such property, as set forth in the Engineer's Certificate or Independent Engineer's Certificate delivered pursuant to the requirements of Section 11.03, is less than 10% of the principal amount of Bonds Outstanding as stated in said Engineer's Certificate, at the time of such release or such release and substitution; such report to be transmitted within 90 days after such release or such release and substitution, except that this paragraph (1) shall not require transmission of a separate report with respect to any transaction which shall be reported, within 90 days after its consummation, pursuant to subdivision (a) of this Section 17.18; and

(2) the character and amount of any advances (and, it the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee since the date of the last report transmitted pursuant to the provisions of subdivision (a) of this Section 17.18 (or if no such report has yet been so transmitted, since the date of execution of the Indenture), for the reimbursement of which the Trustee claims or may claim a lien or charge, prior to that of the Bonds on the mortgaged and pledged property (including property or funds held or collected by it as Trustee), and which it has not previously reported pursuant to this paragraph (2), if such advances remaining unpaid, at any time, aggregate more than 10% of the principal amount of Bonds Outstanding at such time. Such report shall be transmitted within 90 days after such time.

(c) Reports, pursuant to this Section 17.18, shall be transmitted by mail:

(1) to all Bondholders, as their names and addresses appear in the Bond Register;

(2) to all Holders of Bonds that have, within two years preceding such transmission, filed their names and addresses with the Trustee for the purpose of receiving such reports; and

(3) except in the case of reports pursuant to subdivision (b) of this Section 17.18, to each Bondholder whose name and address are preserved at the time by the Trustee, as provided in subdivision (a) of Section 17.17.

(d) A copy of each report transmitted to Bondholders under the requirements of subdivision (a) or (b) of this Section 17.18, at the time of such transmission, shall be filed with each stock exchange upon which the Bonds are then listed and with the Commission.

SECTION 17.19. Upon submission of any Application by the Company for the payment of any moneys held by the Trustee, or for the execution by the Trustee of any release, or upon any other Application submitted by the Company to the Trustee, or at any reasonable time, the Trustee, or its agent or attorneys shall be entitled to examine the books, records and premises of the Company.

Unless satisfied, with or without such examination, of the truth and accuracy of the matters stated in any Resolution, certificate, statement, opinion, report or order required to be delivered to the Trustee as a condition precedent to the granting of any Application, it shall be under no obligation to grant such Application.

The reasonable expense of every such examination shall be paid by the Company or, if paid by the Trustee, shall be repaid by the Company upon demand, with interest at the rate of six percent per annum, accruing from the date such expenses are billed by the Trustee unless paid by the Company or before a subsequent due date established by such billing. Until such repayment, the Trustee shall have the benefit of the Lien Hereof in priority to the Bonds.

SECTION 17.20. The Trustee is authorized to deposit, subject to recall, in trust for payment of the principal of, premium, if any, and interest on any Bonds, with any Paying Agent appointed by the Company for that purpose in accordance with the provisions of the Indenture (provided that such Paying Agent shall be a corporation that is engaged in the business of banking or exercising corporate trust powers, shall have a capital and surplus of not less than $5,000,000, and shall be subject to supervision or examination by federal, state, or District of Columbia authorities) such part of any moneys furnished to the Trustee for the purpose as shall, in the opinion of the Trustee, be necessary or desirable to provide for the payment by any such Paying Agent of the principal of, premium, if any, or interest on any of the Bonds. The Trustee, subject to Section 17.01, shall be relieved of responsibility for the safety and application of such moneys while in the possession of the Paying Agent. In the event that part of such moneys is recalled by the Trustee, it shall thereafter be held by the Trustee in trust as in the Indenture provided. Pursuant to an agreement between the Company and Trustee, the Trustee may credit to the Company interest upon any such funds held by or deposited with the Trustee.

SECTION 17.21. Any notice, request or other writing, by or on behalf of the Bondholders, delivered solely to the Trustee shall be deemed to have been delivered to all of the then trustees as if delivered to each of them. Every instrument appointing any trustee or trustees, other than a successor to the Trustee, shall refer to the Indenture and the conditions expressed in this Section 17.21. Upon acceptance in writing by such trustee or trustees, he, they or it shall be vested with the rights, powers, estates or property specified in such instrument, either jointly with the Trustee or separately, as may be provided therein, subject to all the trusts, conditions and provisions of the Indenture. Every such instrument shall be filed with the Trustee in the trust. Any separate trustee or trustees or any co-trustee or co-trustees may at any time by an instrument in writing appoint the Trustee, his, their or its agent, or attorney-in-fact, with full power and authority, to the extent which may be authorized by law, to do all acts and things and exercise all discretion authorized or permitted by him, them or it, for and on behalf of him, them or it, and in his, their or its name. Any co-trustee may, as to the execution of releases or as to any action hereunder, whether discretionary or otherwise, act by attorney-in-fact.

SECTION 17.22. In the case of any receivership, insolvency, bankruptcy, or other judicial proceedings affecting the Company, its creditors, its property or any other obligor on the Bonds, the Trustee shall be entitled to take the actions described in Section 14.04, without prejudice, however, to the right of any Bondholder to file a claim on his own behalf.

SECTION 17.23. Whenever it is provided in the Indenture that the Trustee shall take any action upon the happening of a specified event or upon the fulfillment of any condition or upon the request of the Company or of Bondholders, the Trustee in taking such action shall have full power to give any and all notices and to do any and all acts necessary and incidental to such action.

SECTION 17.24. The Trustee shall execute a written instrument to confirm the existence of a specific Permitted Encumbrance, upon receipt by the Trustee of: (i) a Resolution requesting such written instrument and expressing any required opinions, (ii) an Officer's Certificate stating that no Default has occurred and is continuing, specifying the particular paragraph of the definition of Permitted Encumbrances pursuant to which such written instrument is being requested and stating that the requirements of such paragraph have been satisfied; and (iii) an Opinion of Counsel stating that the subject of the Company's request constitutes a Permitted Encumbrance as described by such paragraph and that the execution by the Trustee of such written instrument is appropriate to confirm the existence of such Permitted Encumbrance.

ARTICLE XVIII.

DEFEASANCE.

SECTION 18.01. Whenever the following conditions shall exist, namely:

(a) all Bonds theretofore authenticated and delivered have been cancelled by the Trustee or delivered to the Trustee for cancellation, excluding:

(1) Bonds for the payment of which money has been previously deposited in trust with the Trustee or a Paying Agent or segregated and held in trust by the Company, and thereafter such money was repaid to the Company or discharged from such trust as provided in Section 21.03,

(2) Bonds alleged to have been destroyed, lost or stolen which have been replaced as provided in Section 2.15, and

(3) Bonds, other than those referred to in the foregoing clauses (1) and (2), for whose payment or redemption (under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company) the Company has deposited or caused to be deposited with the Trustee in trust for the purpose any combination:

(i) of cash and

(ii) of Government Obligations (which shall not contain provisions permitting the redemption thereof at the option of the issuer), maturing as to principal and interest (without any regard to the reinvestment thereof) in such amounts and at such times as will assure the availability of cash

that is necessary to pay and discharge the entire indebtedness of such Bonds for principal, premium, if any, and interest to the date of maturity thereof in the case of Bonds which have become due and payable or to the Stated Maturity or Redemption Date thereof, as the case may be;

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(c) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each of which shall state that all conditions precedent relating to the satisfaction and discharge of the Indenture have been complied with; then, upon Company Request authorized by a Resolution, the Indenture and the Lien Hereof, rights and interests created hereby shall cease and become null and void (except as to any surviving rights of conversion, transfer or exchange of Bonds herein or therein provided for) and the Trustee and each co-trustee and separate trustee, if any, then acting as such, and at the expense of the Company, shall execute and deliver a termination statement and such instruments of satisfaction and discharge as may be necessary and pay, assign, transfer and deliver to the Company all cash, securities and other personal property then held by it as part of the mortgaged and pledged property.

In the absence of a Company Request authorized by a Resolution as aforesaid, the payment of all Outstanding Bonds shall not render the Indenture inoperative or prevent the Company from issuing Bonds thereafter as herein provided.

Notwithstanding the satisfaction and discharge of the Indenture, the obligations of the Company to the Trustee under Section 17.07 shall survive.

SECTION 18.02. Moneys deposited with the Trustee, pursuant to Section 18.01, shall not be a part of the mortgaged and pledged property but shall constitute a separate trust fund for the benefit of the Persons entitled thereto. Subject to the provisions of Section 21.03, such moneys shall be applied by the Trustee for payment (either directly or through any Paying Agent, including the Company acting as its own Paying Agent, as the Trustee may determine) to the Persons entitled thereto, of the principal, premium, if any, and interest for whose payment such moneys have been deposited with the Trustee.

ARTICLE XIX.

SUPPLEMENTAL TRUST INDENTURES; MODIFICATION OF INDENTURE.

SECTION 19.01. Without the consent of the Holders of any Bonds, the Company, when authorized by a Resolution, and the Trustee may enter into one or more Supplemental Trust Indentures, in form satisfactory to the Trustee, for any of the following purposes:

(a) to correct or amplify the description of any property at any time subject to the Lien of the Indenture, or to better assure, convey and confirm unto the Trustee any property subject or required to be subjected to the Lien of the Indenture, or to subject to the Lien of the Indenture, additional property; or

(b) to close the Indenture against the issuance of additional Bonds or to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Bonds or of any series of Bonds, as set forth herein, or to add additional conditions, limitations and restriction to be observed thereafter; or

(c) to create any series of Bonds and make such other provisions as provided in Section 2.01 and 2.02; or

(d) to modify or eliminate any of the terms of the Indenture; provided that:

(1) such Supplemental Trust Indenture shall expressly provide that any such modifications or eliminations shall become effective only when there is no Bond Outstanding of any series created prior to the execution of such Supplemental Trust Indenture or when such modification or elimination are approved in accordance with Section 19.02; and

(2) the Trustee may, in its discretion, decline to enter into any such Supplemental Trust Indenture which, in its opinion, may not afford adequate protection to the Trustee when the same becomes operative; or

(e) to evidence the succession of another corporation to the Company pursuant to Article XVI and the assumption by any such Successor Corporation of the Company's covenants contained herein and in the Bonds; or

(f) to add to the covenants of the Company for the benefit of the Holders of all or any series of Bonds or to surrender any right or power herein conferred upon the Company; or

(g) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein or to make any other provisions, with respect to matters or questions arising under the Indenture, which shall not be inconsistent with the provisions of the Indenture, provided that such action shall not have a material adverse impact on the security afforded by the Indenture; or

(h) to provide for alternative methods or forms for evidencing and recording the ownership of Bonds and matters related thereto; or

(i) to modify, eliminate or add to the provisions of the Indenture:

(1) to such extent as shall be necessary to effect the qualification of the Indenture under the Trust Indenture Act or under any similar federal statute hereafter enacted, or

(2) to conform with any amendments to the Trust Indenture Act enacted after the Date Hereof which, in the Opinion Counsel would permit the provisions of the Indenture to be less restrictive or which would offer the Company greater flexibility or to add to the Indenture (A) such other provisions as may be expressly permitted by the Trust Indenture Act, excluding, however, the provisions referred to in Section 316(a)(2) of the Trust Indenture Act as in effect at the Date Hereof or (B) any corresponding provision in any similar federal statute hereafter enacted; or

(j) to provide for the issuance of coupon Bonds and to permit the exchange of Bonds from fully registered form to coupon form and vice versa; or

(k) to provide the terms and conditions of the exchange or conversion, at the option of the Holders of the Bonds of any series, of the Bonds of such series for or into Bonds of other series or stock or other securities of the Company or any other corporation; or

(l) to reflect changes in generally accepted accounting principles; or

(m) to provide for the joining of an individual trustee in order to comply with any legal requirements respecting trustees under mortgages or deeds of trust of property in any state in which the mortgaged and pledged property is or may be situated in the future.

SECTION 19.02. With the consent of the Holders of not less than 66-2/3% (70% prior to the retirement through payment or redemption of the Bonds of each series created and issued prior to June 1, 1986, including such Bonds "deemed to be paid" within the meaning of that term as used in Article XVIII of the Original Indenture) in principal amount of the Bonds Outstanding (determined as provided in Article XV) which are affected by such Supplemental Trust Indenture, the Company, when authorized by a Resolution, and the Trustee may enter into a Supplemental Trust Indenture for the purpose of (i) adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture, (ii) modifying in any manner the rights of the Holders of the Bonds under the Indenture, or (iii) before any sale of the mortgaged and pledged property has been made under Article XIV or any judgment or decree for payment of money due has been obtained by the Trustee under Article XIV, waiving any Completed Default and its consequences; provided that without the consent of the Holder of each Outstanding Bond affected thereby, no such Supplemental Trust Indenture shall:

(a) change the Stated Maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which, any Bond, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date); or

(b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose Holders is required for (1) any Supplemental Trust Indenture, or (2) any waiver

provided for in the Indenture of compliance with certain provisions of the Indenture or certain Completed Defaults hereunder and their consequences; or

(c) modify any of the provisions of this Section 19.02 except to increase any percentage provided thereby or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby; or

(d) modify, in the case of the Bonds of any series convertible into other securities, any of the provisions of the Indenture in such manner as to affect the conversion rights of the Holders of such Bonds; or

(e) (1) prior to the payment or redemption of the Original Indenture Bonds (including those Original Indenture Bonds "deemed to be paid" within the meaning of that term as used in Article XVIII of the Original Indenture), permit the creation or existence of any Prior Lien with respect to the mortgaged and pledged property or deprive any non-assenting Bondholder of the Lien of the Indenture upon the mortgaged and pledged property for the security of his Bonds; and (2) after the payment or redemption of the Original Indenture Bonds (including those Original Indenture Bonds "deemed to be paid" within the meaning of that term as used in Article XVIII of the Original Indenture), permit the creation or existence of any Prior Lien with respect to more than 50% of the sum of (i) Depreciable Property and (ii) Land after giving effect to the creation of such Prior Lien and the acquisition by the Company of the property subject to such Prior Lien, or terminate the Lien of the Indenture on more than 50% of the sum of (i) Depreciable Property and (ii) Land; or

(f) modify, in the case of Bonds of any series for which a Sinking Fund is provided, any of the provisions of the Indenture in such manner as to affect the rights of the Holders of such Bonds to the benefits of such Sinking Fund.

The Trustee may, in its discretion, determine whether or not any Bonds would be affected by any Supplemental Trust Indenture. Any such determination shall be conclusive upon the Holder of all Bonds, whether theretofore or thereafter authenticated and delivered. Subject to Section 17.01, the Trustee shall not be liable for any such determination made in good faith.

It shall not be necessary for any Bondholders under this Section 19.02 to approve the particular form of any proposed Supplemental Trust Indenture, but it shall be sufficient if they shall approve the substance thereof.

SECTION 19.03. In executing, or accepting the additional trusts created by, any Supplemental Trust Indenture permitted by this Article XIX or the modification thereby of the trusts created by the Indenture, the Trustee shall be entitled to receive, and, subject to Section 17.01, shall be fully protected in relying upon an Opinion of Counsel stating that the execution of such Supplemental Trust Indenture is authorized or permitted by the Indenture. The Trustee may, but except to the extent required in the case of a Supplemental Trust Indenture entered into under subsection (i) of Section 19.01, shall not be obligated to enter into any such Supplemental Trust Indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

SECTION 19.04. Upon the execution of any Supplemental Trust Indenture pursuant to this Article XIX, the Indenture shall be modified in accordance therewith and such Supplemental Trust Indenture shall form a part of the Indenture for all purposes; and every Holder of Bonds theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 19.05. No Supplemental Trust Indenture pursuant to this Article XIX shall be entered into pursuant to any authorization contained in the Indenture which shall not comply with the provisions of the Trust Indenture Act as then in effect unless no Bonds are then Outstanding and all Bonds to be issued under the Indenture as supplemented by such Supplemental Trust Indenture either shall be themselves exempt from the provisions of the Trust Indenture Act or shall be issued in a transaction exempt therefrom.

SECTION 19.06. Bonds authenticated and delivered after the execution of any Supplemental Trust Indenture pursuant to this Article XIX may, and if required by the Trustee shall, bear a notation in form approved by the Trustee as to any matter provided for in such Supplemental Trust Indenture. If the Company shall so determine, new Bonds modified to conform, in the opinion of the Trustee and the Board of Directors, to any such Supplemental Trust Indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Bonds.

ARTICLE XX.

IMMUNITY OF STOCKHOLDERS, OFFICERS AND DIRECTORS.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any Bond, or under or upon any indebtedness hereby secured, or because of the creation of any indebtedness hereby secured, shall be available against any incorporator or past, present, or future stockholder, officer or director of the Company, or of any predecessor or successor company of companies, or of any company or companies which may assume or guarantee the payment of the principal of or interest on any of the Bonds, either directly or through the Company by the enforcement of any assessment, or through any receiver, or assignee, or through any trustee in bankruptcy or by any other legal or equitable proceedings, whether for amounts unpaid on stock subscriptions or for stock liability or any other liability or penalty, or on the ground of any representation, implication or inference, arising from or concerning the capitalization of the Company, or of any predecessor, assignee, grantee, or successor company or companies, or otherwise, and whether by virtue of any statute, constitution, contract, express or implied, rule of law, or otherwise; it being expressly agreed and understood that this Indenture and the obligations hereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, the incorporators or past, present or future stockholders, officers or directors of the Company, or of any predecessor or successor company or companies, or of any company which may assume or guarantee the payment of the principal of or interest on the Bonds because of the incurring of the indebtedness hereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any of the Bonds, or to be implied therefrom; and that any and all personal liability of every name and nature, and any and all rights and claims against every such incorporator and past, present or future stockholder, officer or director, whether arising at common law or in equity, or created or to be created by statute or constitution, are hereby expressly released and waived as a condition of, and as a part of the consideration for, the execution of this Indenture and the issue of the Bonds and interest obligations hereby secured.

ARTICLE XXI.

MISCELLANEOUS.

SECTION 21.01. Nothing in this Indenture, expressed or implied, is intended or shall be construed, to confer upon, or to give to, any Person, other than the parties hereto and the Holders of the Bonds Outstanding, any right, remedy, or claim under or by reason of the Indenture or any covenant, condition or stipulation hereof. All of the covenants, conditions and stipulations, contained in the Indenture, by and on behalf of the Company, shall be for the sole and exclusive benefit of the parties hereto, and of the Holders of the Bonds Outstanding.

SECTION 21.02. Any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Indenture, whether such power, privilege or right is in any way restricted or is unrestricted, may be waived or surrendered, in whole or in part, or subjected to any restriction (if at any time unrestricted) or to additional restriction (if already restricted) by a Resolution and a written instrument executed and acknowledged by the Company in such manner as would be necessary to entitle a conveyance of real estate to be recorded in all of the states in which any real property, at the time subject to the Lien Hereof, shall be situated. Such Resolution and instrument, executed and acknowledged as aforesaid, shall be delivered to the Trustee. Thereupon, any modification of the provisions of these presents therein set forth, authorized by this Section 21.02 shall be binding upon the parties hereto, their successors and assigns, and the Holders of the Bonds.

SECTION 21.03. If any Bond shall not be presented for payment when the principal thereof becomes due, either at Stated Maturity or otherwise, or at the Redemption Date, and the Company, shall have deposited, with the Trustee, in trust for the purpose, or left with it if previously so deposited, any combination:

(i) of cash and

(ii) of Government Obligations (which shall not contain provisions permitting the redemption thereof at the option of the issuer), maturing as to principal and interest (without any regard to the reinvestment thereof) in such amounts and at such times as will assure the availability of cash

that is necessary to pay when due the principal of, premium, if any, and interest due and to become due on such Bond on or prior to the Redemption Date or Stated Maturity thereof, as the case may be, and for the use and benefit of the Holder thereof, then, interest on said Bond, and all liability of the Company to the Holder of said Bond for the payment of the principal of, premium, if any and interest thereon, shall forthwith cease, determine and be completely discharged, subject to the provisions of the last paragraph of this Section 21.03. It shall be the duty of the Trustee to hold such funds, in trust, for the benefit of the Holder of such Bond who, so long as funds remain on deposit with the Trustee shall be restricted exclusively to said funds for any claim of whatsoever nature on the part of such Holder under the Indenture or on said Bond by any Holder of any such Bond.

If the Holder of any such Bond shall not claim, within five years after such Bond shall have become due and payable, such deposited funds, for the payment thereof, the Trustee shall, upon Company Request and if it shall so require upon being furnished indemnity satisfactory to

it, shall pay to the Company such amount so deposited, if no Default has occurred and is continuing. The Trustee thereupon shall be relieved from all responsibility to the Holder thereof and the Company shall be liable to the Holder only to the extent of the funds so returned to it.

SECTION 21.04. If the principal of any of the Bonds shall not be punctually paid when due at Maturity, whether by declaration or a lapse of time, or if any installment of interest thereon shall not be punctually paid when due, then upon deposit with or receipt by the Trustee of moneys sufficient to pay such overdue principal or any such overdue installment or installments of interest thereon, to the extent permitted by law, moneys sufficient to pay interest due and to become due thereon up to the date when interest upon such overdue principal or installment or installments of interest shall cease (as herein provided), then interest on such overdue principal or installment or installments of interest thereon shall cease to accrue 15 days after the date of mailing a notice by the Company by first class mail postage prepaid to each Holder of such Bonds, stating that said moneys have been so deposited or received.

SECTION 21.05. Whenever the Company is required to deposit cash with the Trustee, it shall have the right, at the time of such deposit, to specify that such cash is to be held by the Trustee in trust for the particular purpose for which it is deposited.

SECTION 21.06. Any cash which has been deposited with the Trustee for the purpose of paying the principal of, premium, if any, or interest on Bonds, for the purpose of securing the authentication of Bonds, for the purpose of effecting payment or redemption of any Bonds, or which has been delivered to the Trustee by the Company for any of the purposes provided under the Indenture, upon Company Request, authorized by a Resolution, shall be invested or reinvested by the Trustee, as designated by the Company and not disapproved by the Trustee, in any bonds or other general obligations (excluding revenue bonds) of the United States of America, any state, city or county thereof, which at the time of investment are lawful investments for banks and trust companies under the laws of the state in which the Trustee has its principal corporate trust office and in other types of investments the Trustee has determined to be lawful, secure and efficient for the short-term investment of deposits held in trust under the Indenture, including commingling with deposits under other trusts administered by the Trustee. Until a Completed Default shall have occurred and be continuing, interest on such bonds, obligations and investments which may be received by the Trustee shall be paid forthwith to the Company. The Trustee shall not be required to make any such investment (a) after it has cancelled and discharged the Lien of the Indenture, (b) on or after the Stated Maturity of any Bonds, with respect to any cash held to pay such Bonds, or (c) on or after the Redemption Date of any Bonds, with respect to any cash held for such redemption. In no event, shall the Trustee make any such investment or take any of the actions pursuant to and permitted by this Section 21.06 with any cash or proceeds of any Government Obligations, which, in accordance with Sections 6.03, 10.06, 17.01 and 21.03, would cause Bonds to be deemed paid upon such cash or Governmental Obligations or combination thereof being deposited with the Trustee.

Such bonds and obligations shall be held by the Trustee subject to the same provisions and in the same manner as the cash used to purchase the same, but upon Company Request, the Trustee shall sell all or any designated part of the bonds, obligations and investments and the proceeds of such sale shall be held by the Trustee subject to the same provisions hereof as the cash used by it to purchase the bonds, obligations and investments so sold. If, at any time, by reason of decrease in the market value of such bonds, obligations or investments, or the financial

condition of the issuer, the Trustee shall be of the opinion that there is danger of the fund or funds invested in and represented by such bonds, obligations or investments being impaired, the Trustee may notify the Company of its intention to sell all or certain of the bonds, obligations or investments so held by it and unless, within five days after the date of such notice, the Company shall deliver to the Trustee cash equal to the price paid by the Trustee for such bonds, obligations or investments, the Trustee, without or despite a Company Request, may proceed to sell the bonds, or obligations or investments described in said notice, at public or private sale, for the best price reasonably obtainable. The Trustee shall also be entitled, without request of or notice to the Company, to sell any bonds, or obligations or investments purchased with moneys deposited for the payment or redemption of Bonds and held by it in order that Trustee has the necessary funds available on the day prior to the date on which said Bonds are to be paid or redeemed. If such sale shall produce a sum less than the principal amount invested in the bonds, obligations or investments so sold, the Company covenants that it will pay promptly to the Trustee such amount of cash, which combined with the net proceeds from such sale, will equal the principal amount invested in the bonds, obligations or investments so sold. If such sale shall produce a sum greater than the principal amount invested in the bonds, obligations or investments so sold, the Trustee shall pay promptly to the Company an amount of cash equal to such excess.

SECTION 21.07. The Trustee shall, on Company Request, destroy any Bonds cancelled by the Trustee and make duplicate certificates of such destruction, retaining one such certificate and delivering the other to the Company. Each such certificate shall state the method of destruction and, subject to Section 17.01, shall be conclusive evidence of the payment and cancellation of the Bonds therein mentioned for all purposes.

SECTION 21.08. Each certificate or opinion with respect to compliance with a condition or covenant provided for in the Indenture (other than certificates provided pursuant to subdivision (d) of Section 8.18) shall include: (a) a statement that the Person making such certificate or opinion has read such covenant or condition; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; and (c) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether such condition, provision or covenant has been compiled with; and (d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been compiled with.

SECTION 21.09. (a) Any certificate or opinion of an officer of the Company or an Accountant or Engineer may be based, in so far as it relates to legal matters, upon a certificate or opinion of or upon representations by counsel, unless such officer, employee, Accountant or Engineer knows that the certificates or opinion or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known were erroneous.

(b) Any certificate or Opinion of Counsel may be based, in so far as it relates to factual matters or information which is in possession of the Company, upon the certificate or opinion of or representations by an officer or employee of the Company, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which

his opinion may be based as foresaid are erroneous, or in the exercise of reasonable care should have known were erroneous.

(c) Prior to the Trustee taking of any action under the Indenture upon the request or the submission of an Application by the Company, the Company shall deliver to the Trustee, in addition to or as part of any certificates herein required, an Officer's Certificate and an Opinion of Counsel each stating that, in the opinion of the signer all conditions precedent to such action which are required by the Indenture have been satisfied.

SECTION 21.10. Nothing in this Article XXI is intended or shall be construed as relieving the Company from furnishing any certificate or other evidence required by the Indenture.

SECTION 21.11. Each Holder of a Bond of any series which shall be originally authenticated by the Trustee and originally issued by the Company on or subsequent to the Date Hereof, by the acquisition, holding or ownership of such Bond, thereby consents and agrees to, and shall be bound by, the provisions of this Restated Indenture on and after the Effective Date.

SECTION 21.12. This Restated Indenture shall be construed in connection with and as a part of the 1947 Indenture, as supplemented by Supplemental Trust Indentures dated March 1, 1949; June 1, 1957; August 1, 1964; December 1, 1969; September 1, 1973; February 1, 1982; March 1, 1982; June 1, 1986; and March 1, 1988 and as supplemented prior to the Effective Date.

SECTION 21.13. (a) If any provision of the Indenture limits, qualifies, or conflicts with the duties imposed by Sections 310 through 317 of the Trust Indenture Act, the imposed duties shall control.

(b) In case any one or more of the provisions contained in the Indenture or in the Bonds should be invalid, illegal, or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in anyway be affected, impaired, prejudiced, or disturbed anyway thereby.

SECTION 21.14. (a) This Restated Indenture may be executed simultaneously in several counterparts, and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

(b) The table of contents and the descriptive headings of the several Articles of this Restated Indenture were formulated, used and inserted in this Indenture for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

SECTION 21.15. Whenever in the Indenture either of the parties hereto is named or referred to, such reference shall be deemed to include the successors or assigns of such party, and all the covenants and agreements in the Indenture by or on behalf of the Company or by or on behalf of the Trustee shall bind and inure to the benefit of the respective successors and assigns of such parties, whether so expressed or not.

SECTION 21.16. The amount of obligations to be issued immediately under this Restated Indenture is none.

SECTION 21.17. To the extent permitted by Sections 21.08, and 21.09, any Opinion of Counsel given as to title to property may be based, in whole or in part (a) upon a certified abstract of title or any Torrens certificate, or upon any guaranty policy or certificate or opinion issued or rendered by any reputable Person engaged in the business of examining or insuring or guaranteeing titles to property or upon the opinion of other counsel (provided that in such case such Opinion of Counsel shall state that he signer believes such other counsel giving such certificate or opinion is reputable and one upon whom he may properly rely), (b) upon an Officer's Certificate stating (1) what, if any, conditional sales contracts and chattel mortgages exist against any personal property as to which such Opinion of Counsel is to be rendered, and what, if any, levies of execution or attachment or similar proceedings exist or are pending with respect to any thereof, and describing the property, if any, subject to such contracts or mortgages or as to which such levies or proceedings exist or are pending, and (2) that all personal property as to which such Opinion of Counsel is to be rendered (other than the property, if any, described pursuant to clause (1) above) is owned by the Company free and clear of all liens and encumbrances prior to or on a parity with the Lien of the Indenture (other than Permitted Encumbrances) and, if such property is affixed or attached to real estate, that such real estate has been acquired by the Company and that an Opinion of Counsel as to title in respect thereto has been or is concurrently being furnished to the Trustee, or that such personal property is located on a street, road or highway, or upon other public property pursuant to a franchise, license or permit, or upon private property pursuant to an easement or permit not expiring without the default or consent of the Company within 10 years following the date of such certificate or is so located on property of others under contractual arrangement permitting its removal, (3) the location of any real or personal property of the Company, and (4) whether any Permitted Encumbrances of the kind referred to in paragraph (8) of the definition of Permitted Encumbrances in Section 1.03 interfere with the proper operation of the Company's business or (c) upon a duly executed and recorded deed of real estate or easement or interest therein, where such real estate, easement or interest therein is not required as an integral part of the property of the Company or indispensable to its operations, if an Officer's Certificate also states that no other Person is in possession of such real estate, easement or interest therein and that the loss of the title thereto would not interfere with any of the necessary operations of the Company.

SECTION 21.18. Wherever the Trustee is required to accept or approve, in the exercise of reasonable care, pursuant to subdivision (d) of Section 17.01 or otherwise, an Engineer, appraiser or other expert, counsel or Accountant, who is to furnish evidence of compliance with conditions precedent in the Indenture for the authentication and delivery of additional Bonds, the withdrawal of cash or the release and substitution of property secured by the Lien of the Indenture or who is to furnish an opinion for any other purpose under the Indenture, such approval or acceptance by the Trustee shall be deemed to have been given upon the taking of any action by the Trustee pursuant to and in accordance with the certificate or opinion so furnished by such Engineer, appraiser, expert, counsel or Accountant.

SECTION 21.19. Whenever notice is required to be transmitted to the Bondholders by the Trustee, or by the Company, unless otherwise herein specifically provided for, such notice shall be deemed to have been transmitted, and such requirements for the transmission of notice satisfied, upon the deposit by the transmitter with or in a depository of the United States Postal Service of notice in a sealed envelope with prepaid first-class postage, and addressed to the

Person required to be notified in accordance with the last known address of that Person on the records of the transmitter as required to be kept pursuant to the Indenture.

SECTION 21.20. Whenever in the Indenture provision is made for the delivery to the Trustee of any Officer's Certificate, Engineer's Certificate, Accountant's Certificate (including, where applicable, such certificate by an Independent Engineer or an Independent Accountant) or Opinion of Counsel, such provision may be satisfied by the delivery of more than one certificate or opinion certifying separately to the various matters of fact or opinion required to be included in the certificate or opinion so provided for, and different Persons may certify as to different matters of fact or opinion so shown; provided, that such separate certificates or opinions shall, taken to together, contain all of the statements herein required and be signed by officers or Persons, by whom the certificate or opinions are required and authorized to be signed. Whenever provision is made for the delivery to the Trustee of more than one such certificate or opinion such provision may be satisfied by the delivery of a single certificate or opinion by such Person certifying as to all the matters required to be shown by any particular Section hereof or by separate certificates or opinions by two or more such Persons certifying separately the various matters of fact or opinion so required to be shown.

SECTION 21.21. The Indenture shall be governed exclusively by the applicable laws of the State of Wisconsin.

IN WITNESS WHEREOF, NORTHERN STATES POWER COMPANY, party of the first part, has caused its corporate name and seal to be hereunto affixed and this Supplemental and Restated Trust Indenture to be signed by its President or a Vice President, and attested by its Secretary or an Assistant Secretary, for and in its behalf, and FIRST WISCONSIN TRUST COMPANY, as Trustee, party of the second part, to evidence its acceptance of the trust hereby created, has caused its corporate name and seal to be hereunto affixed, and this Supplemental and Restated Trust Indenture to be signed by its President, a Vice President, and attested by its Secretary or an Assistant Secretary, for and in its behalf, all done as of this ___ day of April , 1991.

NORTHERN STATES POWER COMPANY,

/s/ E.J. McIntyre

By E.J. McIntyre, President

Attest: /s/ J.P. Moore, Jr.

J.P. Moore, Jr. Secretary

Executed by Northern States Power Company
in the presence of:

(CORPORATE SEAL)

FIRST WISCONSIN TRUST COMPANY,

/s/ Eugene R. Lee

By Eugene R. Lee, Assistant Vice President.

Attest: /s/ Robert D. Hertzenberg

Robert D. Hertzenberg, Assistant Secretary

Executed by First Wisconsin Trust
Company in the presence of:

(CORPORATE SEAL)

/s/ Pamela Warner

Pamela Warner.

STATE OF WISCONSIN)

) SS.

EAU CLAIRE COUNTY)

On this 4th day of April, A.D. 1991, before me, Elisabeth L. Grahek, a Notary Public in and for said County in the State aforesaid, personally appeared the within named E.J. McIntyre and J.P. Moore, Jr., to me personally known and to me known to be the President and Secretary, respectively, of Northern States Power Company, one of the corporations described in and which executed the within and foregoing instrument, and who, being by me severally duly sworn, each for himself, did say that he, the said E.J. McIntyre, is the President, and he, the said J.P. Moore, Jr., is the Secretary, of said Northern States Power Company, a corporation; that the seal affixed to the within and foregoing instrument is the corporate seal of said corporation, and that said instrument was executed in behalf of said corporation by authority of its Board of Directors; and said E.J. McIntyre and J.P. Moore, Jr. each acknowledged said instrument to be the free act and deed of said corporation and that such corporation executed the same.

WITNESS my hand and notarial seal this 4th day of April, A.D. 1991.

/s/ Elizabeth L. Grahek

Elizabeth L. Grahek
Notary Public in Eau Claire County,
State of Wisconsin

(Notarial Seal)

My commission expires April 24, 1994.

STATE OF WISCONSIN)
) SS.
MILWAUKEE COUNTY)

On this 4th day of April, A.D. 1991, before me, J.M. Shalk, a Notary Public in and for said County in the State aforesaid, personally appeared the within named EUGENE R. LEE and ROBERT D. HERTZENBERG, to me personally known and to me known to be the Assistant Vice President and Assistant Secretary, respectively, of First Wisconsin Trust Company, one of the corporations described in and which executed the within and foregoing instrument, and who, being by me severally duly sworn, each for himself, did say that he, the said EUGENE R. LEE, is the President, and he, the said ROBERT D. HERTZENBERG is the Assistant Secretary, of said First Wisconsin Trust Company, a corporation; that the seal affixed to the within and foregoing instrument is the corporate seal of said corporation, and that said instrument was executed in behalf of said corporation by authority of its Board of Directors; and said EUGENE R. LEE and ROBERT D. HERTZENBERG each acknowledged said instrument to be the free act and deed of said corporation and that such corporation executed the same.

WITNESS my hand and notarial seal 4th day of April, A.D. 1991.

/s/ J.M. Shalk
Notary Public in and for Milwaukee
County, State of Wisconsin

(Notarial Seal)

My commission expires February 27, 1994.

STATE OF WISCONSIN)
) SS.
EAU CLAIRE COUNTY)

E.J. McIntyre and J.P. Moore, Jr. being severally sworn, each for himself deposes and says that he, the said E.J. McIntyre is President, and he, the said J.P. Moore, Jr. is the Secretary, of Northern States Power Company, the corporation described in and which executed the within and foregoing mortgage or deed of trust; and each for himself further says that said mortgage or deed of trust was executed in good faith, and not for the purpose of hindering, delaying or defrauding any creditor of the said mortgagor.

/s/ E.J. McIntyre
E.J. McIntyre, President

/s/ J.P Moore, Jr.
J.P. Moore, Jr., Secretary

Subscribed and sworn to before me 4th day of April 1, 1991.

/s/ Elizabeth L. Grahek
Elizabeth L. Grahek

Notary Public in and for Eau Claire County,
State of Wisconsin

My commission expires April 24, 1994.
(notarial seal)

STATE OF WISCONSIN)
) SS.
MILWAUKEE COUNTY)

EUGENE R. LEE and ROBERT D. HERTZENBERG being severally sworn, each for himself deposes and says that he, the said EUGENE R. LEE, is Assistant Vice President, and he, the said ROBERT D. HERTZENBERG, as Assistant Secretary of First Wisconsin Trust Company, the corporation that executed the within and foregoing mortgage or deed of trust, as mortgagee and trustee; and each for himself further says the said mortgage or deed of trust was executed in good faith, and not for the purpose of hindering, delaying or defrauding any creditor of the mortgagor.

/s/ Eugene R. Lee

Eugene R. Lee, Assistant Vice President

/s/ Robert D. Hertzenberg

Robert D. Hertzenberg

Subscribed and sworn to before me this 4th day of April 1, 1991.

/s/ J.M. Shalk

Notary Public in and Milwaukee County,
State of Wisconsin

My commission expires February 27, 1994.

(notarial seal)

STATE OF WISCONSIN)
) SS.
EAU CLAIRE COUNTY)

The undersigned, Northern States Power Company, the Mortgagor described in the foregoing instrument, hereby acknowledges that it has this day received from First Wisconsin Trust Company, the Mortgagee described therein, a full, true, complete and correct copy of said instrument with signatures, witnesses and acknowledgments thereon shown.

Dated this 4th day of April, A.D. 1991.

NORTHERN STATES POWER COMPANY,

By /s/ E.J. McIntyre
E.J. McIntyre, President

Attest:
/s/ J.P. Moore, Jr.
J.P. Moore, Jr. Secretary

(Corporate Seal)

9789L

SCHEDULE A

The property referred to in the Granting Clauses in the foregoing Supplemental and Restated Trust Indenture from Northern States Power Company to First Wisconsin Trust Company, as Trustee, dated March 1, 1991, includes parts or parcels of real property and other property hereinafter more specifically described. Such description, however, is not intended to limit or impair the scope or intention of the general description contained in the Granting Clauses or elsewhere in this Restated Indenture.

I.

PROPERTIES IN THE STATE OF WISCONSIN

Site of Melby Centre

A parcel of land in the Northeast Quarter (NE¼) of the Southeast Quarter (SE¼) and the Northwest Quarter (NW¼) of the Southeast Quarter (SE¼) of Section 34 Township 28 North of Range 9 West described as follows:

Commencing at the Northeast corner of the Northeast Quarter (NE¼) of the Southeast Quarter (SE¼), thence North 88 degrees West 724.7 feet; thence South 1 degree West 33 feet to the point of beginning; thence continuing South 1 degree West 733.63 feet; thence North 89 degrees West 660.09 feet; thence North 7 degrees 8 minutes East 362.80 feet; thence North 23 degrees 56 minutes West 198.50 feet; thence North 44 degrees West 145.1 feet; thence North 65 degrees West 114.40 feet to the Easterly line of Highway 53; thence North 44 degrees East along the Highway 110.75 feet to the Southerly line of Melby Street; thence East along Melby Street to the point of beginning.

Together with all rights of grantor pursuant to a Pipeline easement granted by National Presto Industries, Inc., to Phillips of Wisconsin, Inc., dated May 15, 1978 and recorded on June 23, 1978, in volume 474 of Records, page 2, as document number 399526.

9789L

(Back To Top)

Section 7: EX-4.34 (EXHIBIT 4.34)

Exhibit 4.34

PUBLIC SERVICE COMPANY OF COLORADO

TO

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

Trustee

Indenture

Dated as of October 1, 1993

PUBLIC SERVICE COMPANY OF COLORADO

Reconciliation and Tie between Trust Indenture Act of 1939
and Indenture, dated as of October 1, 1993

Trust Indenture Act Section	Indenture Section(s)
§310(a)(1)	1109
(a)(2)	1109
(a)(3)	1114(b)
(a)(4)	Not Applicable
(b)	1108, 1110
§311(a)	1113
(b)	1113
(c)	1113
§312(a)	1201
(b)	1201
(c)	1201
§313(a)	1202
(b)	1202
(c)	1202
(d)	1202
§314(a)	1202, 610
(b)	608
(c)(1)	105
(c)(2)	105
(c)(3)	103
(d)	803, 804, 810
(e)	105
§315(a)	1101, 1103
(b)	1102
(c)	1101
(d)	1101
(e)	1018
§316(a)	1018, 1017
(a)(1)(A)	1002, 1016
(a)(1)(B)	1017
(a)(2)	Not Applicable
(b)	1012
§317(a)(1)	1006
(a)(2)	1009
(b)	603
§318(a)	110

TABLE OF CONTENTS

INDENTURE, dated as of October 1, 1993, between **PUBLIC SERVICE COMPANY OF COLORADO** , a corporation organized and existing under the laws of the State of Colorado (herein called the "Company"), and **MORGAN GUARANTY TRUST COMPANY OF NEW YORK** , a banking corporation organized and existing under the laws of the State of New York, Trustee.

Recital of the Company

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its bonds, notes or other evidences of indebtedness (herein called the "Securities"), to be issued in one or more series as contemplated herein, and to provide security for the payment of the principal of and premium, if any, and interest, if any, on the Securities; and all acts necessary to make this Indenture a valid agreement of the Company have been performed. For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires, capitalized terms used herein shall have the meanings assigned to them in Article One of this Indenture.

Granting Clauses

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that, in consideration of the premises and of the purchase of the Securities by the Holders thereof, and in order to secure the payment of the principal of and premium, if any, and interest, if any, on all Securities from time to time Outstanding and the performance of the covenants therein and herein contained and to declare the terms and conditions on which such Securities are secured, the Company hereby grants, bargains, sells, releases, conveys, assigns, transfers, mortgages, pledges, sets over and confirms to the Trustee, and grants to the Trustee a security interest in, the following:

Granting Clause First

All right, title and interest of the Company, as of the date of the execution and delivery of this Indenture, in and to property (other than Excepted Property), real, personal and mixed and wherever situated, in any case used or to be used in or in connection with the Electric Utility Business (whether or not such use is the sole use of such property), including without limitation (a) all lands and interests in land used or to be used in or in connection with the Electric Utility Business which are subject to the Lien of and described or referred to in the PSCO 1939 Mortgage, which mortgage (including the indentures supplemental thereto) is referred to in Exhibit A to this Indenture, except land and interests in land which have been specifically released from such Lien from time to time or are specifically excepted therefrom, and in any event excluding all lands, interests in land and other properties described or referred to in Part Fifth, Part Sixth, Part Ninth and Part Tenth of the granting clauses of the PSCO 1939 Mortgage (including the indentures supplemental thereto); (b) all other lands, easements, servitudes, licenses, permits, rights of way and other rights and interests in or relating to real property used or to be used in or in connection with the Electric Utility Business or relating to the occupancy or use of such real property, subject,

however, to the exceptions and exclusions set forth in clause (a) above; (c) all plants, generators, turbines, engines, boilers, fuel handling and transportation facilities, air and water pollution control and sewage and solid waste disposal facilities and other machinery and facilities for the generation of electric energy; (d) all switchyards, lines, towers, substations, transformers and other machinery and facilities for the transmission of electric energy; (e) all lines, poles, conduits, conductors, meters, regulators and other machinery and facilities for the distribution of electric energy; (f) all buildings, offices, warehouses and other structures used or to be used in or in connection with the Electric Utility Business; (g) all pipes, cables, insulators, ducts, tools, computers and other data processing and/or storage equipment and other equipment, apparatus and facilities used or to be used in or in connection with the Electric Utility Business; (h) any or all of the foregoing properties in the process of construction; and (i) all other property, of whatever kind and nature, ancillary to or otherwise used or to be used in conjunction with any or all of the foregoing or otherwise, directly or indirectly, in furtherance of the Electric Utility Business;

Granting Clause Second

Subject to the applicable exceptions permitted by Section 810(c), Section 1303 and Section 1305, all property (other than Excepted Property) of the kind and nature described in Granting Clause First which may be hereafter acquired by the Company, it being the intention of the Company that all such property acquired by the Company after the date of the execution and delivery of this Indenture shall be as fully embraced within and subjected to the Lien hereof as if such property were owned by the Company as of the date of the execution and delivery of this Indenture;

Granting Clause Third

Any Excepted Property, and any other property of the Company, real, personal or mixed, not described in Granting Clauses First or Second, which may, from time to time after the date of the execution and delivery of this Indenture, by delivery or by an instrument supplemental to this Indenture, be subjected to the Lien hereof by the Company, the Trustee being hereby authorized to receive the same at any time as additional security hereunder; it being understood that any such subjection to the Lien hereof of any Excepted Property and/or other property as additional security may be made subject to such reservations, limitations or conditions respecting the use and disposition of such property or the proceeds thereof as shall be set forth in such instrument; and

Granting Clause Fourth

All other property of whatever kind and nature subjected or required to be subjected to the Lien of this Indenture by any of the provisions hereof;

Excepted Property

Expressly excepting and excluding, however, from the Lien of this Indenture the following property of the Company, whether now owned or hereafter acquired (herein sometimes called "**Excepted Property**"):

(a) all cash on hand or in banks or other financial institutions, shares of stock, bonds, notes, evidences of indebtedness and other securities not hereafter paid or delivered to, deposited with or held by the Trustee hereunder or required so to be;

(b) all contracts, leases and other agreements of whatsoever kind and nature, contract rights, bills, notes and other instruments, accounts receivable, claims, credits, demands and judgments, governmental and other permits, allowances, licenses and franchises, patents, patent licenses and other patent rights, patent applications, trade names, trademarks, copyrights, claims, credits, chooses in action and other intangibles, including, but not limited to, computer software;

(c) all automobiles, buses, trucks, truck cranes, tractors, trailers and similar vehicles and movable equipment; all rolling stock, rail cars and other railroad equipment, all vessels, boats, barges and other marine equipment, all airplanes, helicopters, aircraft engines and other flight equipment; and all parts, accessories and supplies used in connection with any of the foregoing;

(d) all goods, stock in trade, wares and merchandise held for the purpose of sale or lease in the ordinary course of business; all materials and supplies and other personal property which are consumable (otherwise than by ordinary wear and tear) in their use in operation of the Mortgaged Property; all fuel, including nuclear fuel, whether or not any such fuel is in a form consumable in the operation of the Mortgaged Property, including separate components of any fuel in the forms in which such components exist at any time before, during or after the period of the use thereof as fuel; all hand and other portable tools and equipment; all furniture and furnishings; and all computers, machinery and telecommunication and other equipment used exclusively for corporate administrative or clerical purposes;

(e) all coal, ore, gas, oil and other minerals and all timber, and all rights and interests in any of the foregoing, whether or not such minerals or timber shall have been mined or extracted or otherwise separated from the land; and all electric energy, gas (natural or artificial), steam, water and other products generated, produced, manufactured, purchased or otherwise acquired by the Company;

(f) all leasehold interests held by the Company as lessee;

(g) all property, real, personal and mixed, which is:

(i) located outside the State of Colorado;

(ii) not specifically described or referred to in the Granting Clauses of this Indenture; and

(iii) not specifically subjected or required to be subjected to the Lien of this Indenture by any provision hereof;

provided, however, that (x) if, at any time after the occurrence of an Event of Default, the Trustee, or any separate trustee or co-trustee appointed under Section 1114 or any receiver appointed pursuant to statutory provision or order of court, shall have entered into possession of all or substantially all of the Mortgaged Property, all the Excepted Property described or referred to in the foregoing clauses (b), (c) and (d), then owned or held or thereafter acquired by the Company, to the extent that the same is used in connection with, or otherwise relates or is attributable to, the Mortgaged Property, shall immediately, and, in the case of any Excepted Property described or referred to in clause (f), to the extent that the same is used in connection with, or otherwise relates or is attributable to, the Mortgaged Property, upon demand of the Trustee or such other trustee or receiver, become subject to the Lien of this Indenture to the extent permitted by law, and the Trustee or such other trustee or receiver may, to the extent permitted by law, at the same time likewise take possession thereof, and (y) whenever all Events of Default shall have been cured and the possession of all or substantially all of the Mortgaged Property shall have been restored to the Company, such Excepted Property shall again be excepted and excluded from the Lien hereof to the extent set forth above; it being understood that the Company may, however, pursuant to Granting Clause Third, subject to the Lien of this Indenture any Excepted Property, whereupon the same shall cease to be Excepted Property;

TO HAVE AND TO HOLD all such property, real, personal and mixed, unto the Trustee, its successors in trust and their assigns forever;

SUBJECT, HOWEVER, to (a) Liens existing at the date of the execution and delivery of this Indenture (including, but not limited to, the Lien of the PSCO 1939 Mortgage), (b) as to property acquired by the Company after the date of the execution and delivery of this Indenture, Liens existing or placed thereon at the time of the acquisition thereof (including, but not limited to, the Lien of any Class A Mortgage and purchase money Liens), (c) with respect to any property, real, personal or mixed, which is, at the date of the execution and delivery of this Indenture, used or to be used in or in connection with both (i) the business or businesses in which the Mortgaged Property is used and (ii) any other business or businesses, or is hereafter acquired for or dedicated to such common use, such non-exclusive rights and interests in and to such property, which are hereby retained by the Company and reserved to the Company and its successors and their assigns forever, as shall be requisite to, and commensurate with, the use of such property in or in connection with such other business and as shall not impair in any material respect the use of such property in or in connection with the business or businesses in which the

Mortgaged Property is used, including, but not limited to, in the case of real property, the right to place or retain thereon or thereunder all apparatus, equipment, facilities and other property (including fixtures), of whatever kind and nature, necessary, desirable or appropriate for the conduct of such other business or businesses and the right to enter and remain upon such real property for the purpose of operating, maintaining, repairing, renewing, replacing, improving, storing and/or removing any and all such apparatus, equipment, facilities and other property (such non-exclusive rights and interests, so retained and reserved, being hereinafter called "**Retained Interests**"), and (d) any other Permitted Liens, it being understood that, with respect to any property which is now or hereafter becomes subject to the Lien of any Class A Mortgage, the Lien of this Indenture shall at all times be junior, subject and subordinate to the Lien of such Class A Mortgage;

IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the Holders from time to time of all Outstanding Securities without any priority of any such Security over any other such Security;

PROVIDED, HOWEVER, that the right, title and interest of the Trustee in and to the Mortgaged Property shall cease, terminate and become void in accordance with, and subject to the conditions set forth in, Article Nine hereof, and if, thereafter, the principal of and premium, if any, and interest, if any, on the Securities shall have been paid to the Holders thereof, or shall have been paid to the Company pursuant to Section 603 hereof, then and in that case this Indenture shall terminate, and the Trustee shall execute and deliver to the Company such instruments as the Company shall require to evidence such termination; otherwise this Indenture, and the estate and rights hereby granted, shall be and remain in full force and effect; and

IT IS HEREBY COVENANTED AND AGREED by and between the Company and the Trustee that all the Securities are to be authenticated and delivered, and that the Mortgaged Property is to be held, subject to the further covenants, conditions and trusts hereinafter set forth, and the Company hereby covenants and agrees to and with the Trustee, for the benefit of all Holders of the Securities, as follows:

ARTICLE ONE

Definitions and Other Provisions of General Application

SECTION 101. General Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(b) all terms used herein without definition which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(c) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States; and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States at the date of such computation or, at the election of the Company from time to time, at the date of the execution and delivery of this Indenture; provided, however, that in determining generally accepted accounting principles applicable to the Company, effect shall be given, to the extent required, to any order, rule or regulation of any administrative agency, regulatory authority or other governmental body having jurisdiction over the Company; and

(d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"**Accountant**" means a Person engaged in the accounting profession or otherwise qualified to pass on accounting matters (including, but not limited to, a Person certified or licensed as a public accountant, whether or not then engaged in the public accounting profession).

"**Act**", when used with respect to any Holder of a Security, has the meaning specified in Section 107.

"**Adjusted Net Earnings**" has the meaning specified in Section 103.

"**Affiliate**" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "**control**" when used with respect to any specified Person means the power to direct generally the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Annual Interest Requirements**" has the meaning specified in Section 103.

"**Authenticating Agent**" means any Person (other than the Company or an Affiliate of the Company) authorized by the Trustee to act on behalf of the Trustee to authenticate one or more series of Securities.

"**Authorized Officer**" means the Chairman of the Board, the President, any Vice President, the Treasurer or the Corporate Secretary or any other duly authorized officer, agent or attorney-in-fact of the Company named in an Officer's Certificate signed by any of such corporate officers.

"**Authorized Publication**" means a newspaper or financial journal of general circulation, printed in the English language and customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays; or, in the alternative, shall mean

such form of communication as may have come into general use for the dissemination of information of import similar to that of the information specified to be published by the provisions hereof. In the event that successive weekly publications in an Authorized Publication are required hereunder they may be made (unless otherwise expressly provided herein) on the same or different days of the week and in the same or in different Authorized Publications. In case, by reason of the suspension of publication of any Authorized Publication, or by reason of any other cause, it shall be impractical without unreasonable expense to make publication of any notice in an Authorized Publication as required by this Indenture, then such method of publication or notification as shall be made with the approval of the Trustee shall be deemed the equivalent of the required publication of such notice in an Authorized Publication.

"**Authorized Purposes**" means the authentication and delivery of Securities, the release of property and/or the withdrawal of cash under any of the provisions of this Indenture.

"**Board of Directors**" means either the board of directors of the Company or any committee thereof duly authorized to act in respect of matters relating to this Indenture.

"**Board Resolution**" means a copy of a resolution certified by the Corporate Secretary or an Assistant Corporate Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"**Business Day**", when used with respect to a Place of Payment or any other particular location specified in the Securities or this Indenture, means any day, other than a Saturday or Sunday, which is not a day on which banking institutions or trust companies in such Place of Payment or other location are generally authorized or required by law, regulation or executive order to remain closed, except as may be otherwise specified as contemplated by Section 301.

"**Class A Bondholder's Certificate**" has the meaning specified in Section 705.

"**Class A Bonds**" means bonds or other obligations now or hereafter issued and Outstanding under the PSCO 1939 Mortgage or any other Class A Mortgage or Mortgages.

"**Class A Mortgage**" means the PSCO 1939 Mortgage and each other mortgage or deed of trust or similar indenture (i) to which any corporation that is subsequently merged into or consolidated with the Company was a party at the time of such merger or consolidation or (ii)(A) which constitutes a Lien on property conveyed or otherwise transferred to the Company and (B) the obligations of the mortgagor under which have been duly assumed by the Company, and, in the case of either (i) or (ii) above, which is hereafter designated an additional Class A Mortgage in an indenture supplemental hereto executed and delivered in accordance with Section 706.

"**Commission**" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the date of the execution and delivery of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body, if any, performing such duties at such time.

"**Company**" means the Person named as the "Company" in the first paragraph of this Indenture until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"**Company Request**" or "**Company Order**" means a written request or order signed in the name of the Company by an Authorized Officer and delivered to the Trustee.

"**Corporate Trust Office**" means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date of the execution and delivery of this Indenture is located at 60 Wall Street, New York, New York 10260.

"**corporation**" means a corporation, association, company, joint stock company or business trust.

"**Cost**" with respect to Property Additions has the meaning specified in Section 104.

"**Defaulted Interest**" has the meaning specified in Section 307.

"**Discount Security**" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 1002. "**interest**" with respect to a Discount Security means interest, if any, borne by such Security at a Stated Interest Rate.

"**Dollar**" or "**$**" means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

"**Electric Utility Business**" means the business of generating, purchasing, transmitting, distributing and/or selling electric energy.

"**Eligible Obligations**" means:

(a) with respect to Securities denominated in Dollars, Government Obligations; or

(b) with respect to Securities denominated in a currency other than Dollars or in a composite currency, such other obligations or instruments as shall be specified with respect to such Securities as contemplated by Section 301.

"**Event of Default**" has the meaning specified in Section 1001.

"**Excepted Property**" has the meaning specified in the granting clauses of this Indenture.

"**Expert**" means a Person which is an engineer, appraiser or other expert and which, with respect to any certificate to be signed by such Person and delivered to the Trustee, is

qualified to pass upon the matters set forth in such certificate. For purposes of this definition, (a) "**engineer**" means a Person engaged in the engineering profession or otherwise qualified to pass upon engineering matters (including, but not limited to, a Person licensed as a professional engineer, whether or not then engaged in the engineering profession) and (b) "**appraiser**" means a Person engaged in the business of appraising property or otherwise qualified to pass upon the Fair Value or fair market value of property.

"**Expert's Certificate**" means a certificate signed by an Authorized Officer and by an Expert (which Expert (a) shall be selected either by the Board of Directors or by an Authorized Officer, the execution of such certificate by such Authorized Officer to be conclusive evidence of such selection, and (b) except as otherwise required in Sections 403, 607, 707 and. 810, may be an employee or Affiliate of the Company duly authorized either by the Board of Directors or by an Authorized Officer) and delivered to the Trustee. The amount stated in any Expert's Certificate as to the Cost, Fair Value or fair market value of property shall be conclusive and binding upon the Company, the Trustee and the Holders of the Securities.

"**Fair Value**", with respect to property, means the fair value of such property as may be determined by reference to (a) the amount which would be likely to be obtained in an arm's-length transaction with respect to such property between an informed and willing buyer and an informed and willing seller, under no compulsion, respectively, to buy or sell, (b) the amount of investment with respect to such property which, together with a reasonable return thereon, would, be likely to be recovered through ordinary business operations or otherwise, (c) the Cost, accumulated depreciation and replacement cost with respect to such property and/or (d) any other relevant factors; provided, however, that (x) the Fair Value of property shall be determined without deduction for any Liens on such property prior to the Lien of this Indenture (except as otherwise provided in Section 803) and (y) the Fair Value to the Company of Property Additions shall not reflect any reduction relating to the fact that such Property Additions may be of less value to a Person which is not the owner or operator of the Mortgaged Property or any portion thereof than to a Person which is such owner or operator. Fair Value may be determined, without physical inspection, by the use of accounting and engineering records and other data maintained by the Company or otherwise available to the Expert certifying the same.

"**Funded Cash**" has the meaning specified in Section 102.

"**Funded Property**" has the meaning specified in Section 102.

"**Governmental Authority**" means the government of the United States or of any State or Territory thereof or of the District of Columbia or of any county, municipality or other political subdivision of any thereof, or any department, agency, authority or other instrumentality of any of the foregoing.

"**Government Obligations**" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States entitled to the benefit of the full faith and credit thereof; and

(b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company (which may include the Trustee or any Paying Agent) subject to Federal or State supervision or examination with a combined capital and surplus of at least $50,000,000; and provided, further, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom.

"**Holder**" means a Person in whose name a Security is registered in the Security Register.

"**Indenture**" means this instrument as originally executed and delivered and as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of particular series of Securities established as contemplated by Section 301.

"**Independent**", when applied to any Accountant or Expert, means such a Person who (a) is in fact independent, (b) does not have any direct material financial interest in the Company or in any other obligor upon the Securities or in any Affiliate of the Company or of such other obligor, (c) is not connected with the Company or such other obligor as an officer, employee, promoter, underwriter, trustee, partner, director or any person performing similar functions and (d) is approved by the Trustee in the exercise of reasonable care.

"**Independent Expert's Certificate**" means a certificate signed by an Independent Expert and delivered to the Trustee.

"**Interest Payment Date**", when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"**Investment Securities**" means any of the following obligations or securities on which neither the Company, any other obligor on the Securities nor any Affiliate of either is the obligor: (a) Government Obligations; (b) interest bearing deposit accounts (which may be represented by certificates of deposit) in any national or state bank (which may include the Trustee or any Paying Agent) or savings and loan association which has outstanding securities rated by a nationally recognized rating organization in either of the two highest rating categories (without regard to modifiers) for short term securities or in any of the three highest rating categories (without regard to modifiers) for long term securities; (c) bankers' acceptances drawn on and accepted by any commercial bank (which may include the Trustee or any Paying Agent) which has outstanding securities rated by a nationally recognized rating organization in either of the two highest rating categories (without regard to modifiers) for short term securities or in any of the three highest rating categories (without regard to modifiers) for long term securities; (d) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, any State or Territory of the United States or the District of Columbia, or any

political subdivision of any of the foregoing, which are rated by a nationally recognized rating organization in either of the two highest rating categories (without regard to modifiers) for short term securities or in any of the three highest rating categories (without regard to modifiers) for long term securities; (e) bonds or other obligations of any agency or instrumentality of the United States; (f) corporate debt securities which are rated by a nationally recognized rating organization in either of the two highest rating categories (without regard to modifiers) for short term securities or in any of the three highest rating categories (without regard to modifiers) for long term securities; (g) repurchase agreements with respect to any of the foregoing obligations or securities with any banking or financial institution (which may include the Trustee or any Paying Agent) which has outstanding securities rated by a nationally recognized rating organization in either of the two highest rating categories (without regard to modifiers) for short term securities or in any of the three highest rating categories (without regard to modifiers) for long term securities; (h) securities issued by any regulated investment company (including any investment company for which the Trustee or any Paying Agent is the advisor), as defined in Section 851 of the Internal Revenue Code of 1986, as amended, or any successor section of such Code or successor federal statute, provided that the portfolio of such investment company is limited to obligations or securities of the character and investment quality contemplated in clauses (a) through (f) above and repurchase agreements which are fully collateralized by any of such obligations or securities; and (i) any other obligations or securities which may lawfully be purchased by the Trustee in its capacity as such.

"**Lien**" means any mortgage, deed of trust, pledge, security interest, encumbrance, easement, lease, reservation, restriction, servitude, charge or similar right and any other lien of any kind, including, without limitation, any conditional sale or other title retention agreement, any lease in the nature thereof, any filing of, or agreement to give, any financing statement under the Uniform Commercial Code of any jurisdiction, and any defect, irregularity, exception or limitation in record title.

"**Maturity**", when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as provided in such Security or in this Indenture, whether at the Stated Maturity, by declaration of acceleration, upon call for redemption or otherwise.

"**Mortgaged Property**" means as of any particular time all property which at such time is subject to the Lien of this Indenture.

"**Net Earnings Certificate**" has the meaning specified in Section 103.

"**Officer's Certificate**" means a certificate signed by an Authorized Officer and delivered to the Trustee.

"**Opinion of Counsel**" means a written opinion of counsel, who may be counsel for the Company or other counsel acceptable to the Trustee.

"**Outstanding**", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(a) Securities theretofore canceled or delivered to the Trustee for cancellation;

(b) Securities deemed to have been paid for all purposes of this Indenture in accordance with Section 901 (whether or not the Company's indebtedness in respect thereof shall be satisfied and discharged for any other purpose); and

(c) Securities which have been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it and the Company that such Securities are held by a bona fide purchaser or purchasers in whose hands such Securities are valid obligations of the Company;

provided, however, that in determining whether or not the Holders of the requisite principal amount of the Securities Outstanding under this Indenture, or the Outstanding Securities of any series or Tranche, have given any request, demand, authorization, direction, notice, consent or waiver hereunder or whether or not a quorum is present at a meeting of Holders of Securities,

(x) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor (unless the Company, such Affiliate or such obligor owns all Securities Outstanding under this Indenture, or all Outstanding Securities of each such series and each such Tranche, as the case may be, determined without regard to this clause (x)) shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver or upon any such determination as to the presence of a quorum, only Securities which the Trustee knows to be so owned shall be so disregarded; provided, however, that Securities so owned which have been pledged in good faith may be regarded as Outstanding if it is established to the reasonable satisfaction of the Trustee that the pledgee, and not the Company, any such other obligor or Affiliate of either thereof, has the right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor; and provided, further, that in no event shall any Security which shall have been delivered to evidence or secure, in whole or in part, the Company's obligations in respect of other indebtedness be deemed to be owned by the Company if the principal of such Security is payable, whether at Stated Maturity or upon mandatory redemption, at the same time as the principal of such other indebtedness is payable, whether at Stated Maturity or upon mandatory redemption or acceleration, but only to the extent of such portion of the principal amount of such Security as does not exceed the principal amount of such other indebtedness; and

(y) the principal amount of a Discount Security that shall be deemed to be Outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the Maturity thereof pursuant to Section 1002; and

provided, further, that, in the case of any Security the principal of which is payable from time to time without presentment or surrender, the principal amount of such Security that shall be deemed to be Outstanding at any time for all purposes of this Indenture shall be the original principal amount thereof less the aggregate amount of principal thereof theretofore paid.

"**Outstanding**", when used with respect to Class A Bonds, has the meaning specified in the related Class A Mortgage.

"**Paying Agent**" means any Person, including the Company, authorized by the Company to pay the principal of and premium, if any, or interest, if any, on any Securities on behalf of the Company.

"**Periodic Offering**" means an offering of Securities of a series from time to time any or all of the specific terms of which Securities, including without limitation the rate or rates of interest, if any, thereon, the Stated Maturity or Maturities thereof and the redemption provisions, if any, with respect thereto, are to be determined by the Company or its agents at or about the time of the issuance of such Securities, all as contemplated in Section 301 and clause (b) of Section 401.

"**Permitted Liens**" means, at any time, any of the following:

(a) Liens for taxes, assessments and other governmental charges or requirements which are not delinquent or which are being contested in good faith by appropriate proceedings;

(b) mechanics', workmen's, repairmen's, materialmen's, warehousemen's and carriers' Liens, Liens or privileges of any employees of the Company for salary or wages earned, but not yet payable, and other Liens, including without limitation Liens for worker's compensation awards, arising in the ordinary course of business for charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings;

(c) Liens in respect of attachments, judgments or awards arising out of judicial or administrative proceedings (i) in an amount not exceeding (A) Ten Million Dollars ($10,000,000) or, if greater, (B) three per centum (3%) of the sum of (1) the principal amount of the Securities then Outstanding and (2) the principal amount of Class A Bonds then Outstanding other than Class A Bonds delivered to and held by the Trustee pursuant to Sections 402 and 701 or (ii) with respect to which the Company shall (X) in good faith be prosecuting an appeal or other proceeding for review and with respect to which the Company shall have secured a stay of execution pending such appeal or other proceeding or (Y) have the right to prosecute an appeal or other proceeding for review;

(d) easements, leases, reservations or other rights of others in, on, over, and/or across, and laws, regulations and restrictions affecting, and defects, irregularities, exceptions and limitations in title to, the Mortgaged Property or any part thereof; provided, however, that such easements, leases, reservations, rights, laws, regulations, restrictions, defects, irregularities, exceptions and limitations do not in the aggregate materially impair the use by the Company of the Mortgaged Property considered as a whole for the purposes for which it is held by the Company;

(e) defects, irregularities, exceptions and limitations in title to rights-of-way and/or to real estate used or to be used primarily for right-of-way purposes or held under lease, easement, license or similar right; provided, however, that (i) the Company shall have obtained from the apparent owner or owners of the lands or estates therein covered by any such right-of-way a sufficient right, by the terms of the instrument granting such right-of-way, lease, easement, license or similar right, to the use thereof for the purposes for which the Company acquired the same, (ii) the Company has power under eminent domain or similar statutes to remove such defects or irregularities or (iii) such defects, irregularities, exceptions and limitations may be otherwise remedied without undue effort or expense; and defects, irregularities, exceptions and limitations in title to flood lands;

(f) Liens securing indebtedness neither created, assumed nor guaranteed by the Company, nor on account of which it customarily pays interest, existing at the date of the execution and delivery of this Indenture or, as to property hereafter acquired, at the time of the acquisition thereof by the Company, upon real estate or rights in or relating to real estate acquired by the Company for the purpose of the transmission or distribution of electric energy, for the purpose of telephonic, telegraphic, radio, wireless or other electronic communication or otherwise for the purpose of obtaining rights-of-way;

(g) leases existing at the date of the execution and delivery of this Indenture affecting properties owned by the Company at said date and renewals and extensions thereof and, with respect to leases affecting properties acquired by the Company after such date, leases (i) which have respective terms of not more than ten (10) years (including extensions or renewals at the option of the tenant) or (ii) which do not materially impair the use by the Company of such properties for the respective purposes for which they were acquired;

(h) Liens vested in lessors, licensors or permitters for rent to become due or for other obligations or acts to be performed, the payment of which rent or the performance of which other obligations or acts is required under leases, subleases, licenses or permits, so long as the payment of such rent or the performance of such other obligations or acts is not delinquent or is being contested in good faith and by appropriate proceedings;

(i) controls, restrictions, obligations, duties and/or other burdens imposed by federal, state, municipal or other law, or by rules, regulations or

orders of Governmental Authorities, upon any property of the Company or the operation or use thereof or upon the Company with respect to any of its property or the operation or use thereof or with respect to any franchise, grant, license, permit or public purpose requirement, or any rights reserved to or otherwise vested in Governmental Authorities to impose any such controls, restrictions, obligations, duties and/or other burdens;

(j) rights which Governmental Authorities may have by virtue of franchises, grants, licenses, permits or contracts, or by virtue of law, to purchase, or designate a purchaser of or order the sale of, any property of the Company upon payment of cash or reasonable compensation therefor or to terminate franchises, licenses or other rights or to regulate the property and business of the Company;

(k) rights and interests of Persons other than the Company arising out of contracts, agreements and other instruments to which the Company is a party and which relate to the common ownership or joint use of property; and all Liens on the interests of Persons other than the Company in property owned in common by such Persons and the Company if and to the extent that the enforcement of such Liens would not adversely affect the interests of the Company in such property in any material respect;

(l) any Liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made;

(m) rights and interests granted pursuant to Section 802(c);

(n) Retained Interests; and

(o) Prepaid Liens.

"**Person**" means any individual, corporation, partnership, joint venture, trust or unincorporated organization or any Governmental Authority.

"**Place of Payment**", when used with respect to the Securities of any series, or any Tranche thereof, means the place or places, specified as contemplated by Section 301, at which, subject to Section 602, principal of and premium, if any, and interest, if any, on the Securities of such series or Tranche are payable.

"**Predecessor Security**" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed (to the extent lawful) to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"**Prepaid Lien**" means any Lien securing indebtedness for the payment, prepayment or redemption of which there shall have been irrevocably deposited in trust with the

trustee or other holder of such Lien moneys and/or Investment Securities which (together with the interest reasonably expected to be earned from the investment and reinvestment in Investment Securities of the moneys and/or the principal of and interest on the Investment Securities so deposited) shall be sufficient fr such purpose; provided, however, that if such indebtedness is to be redeemed or otherwise prepaid prior to the stated maturity thereof, any notice requisite to such redemption or prepayment shall have been given in accordance with the instrument creating such Lien or irrevocable instructions to give such notice shall have been given to such trustee or other holder; and provided, further, that no Class A Mortgage shall be deemed to be a Prepaid Lien unless it shall have been satisfied and discharged and all Class A Bonds issued thereunder shall be deemed to have been paid, all in accordance with the provisions thereof.

"**Property Additions**" has the meaning specified in Section 104.

"**PSCO 1939 Mortgage**" means the Indenture, dated as of December 1, 1939, between the Company and Guaranty Trust Company of New York, now Morgan Guaranty Trust Company of New York, trustee, as heretofore and hereafter amended and supplemented.

"**Redemption Date**", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"**Redemption Price**", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"**Regular Record Date**" for the interest payable on any Interest Payment Date on the Securities of any series means the date specified for that purpose as contemplated by Section 301.

"**Required Currency**" has the meaning specified in Section 311.

"**Responsible Officer**", when used with respect to the Trustee, means any officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"**Retained Interests**" has the meaning specified in the Habendum of this Indenture.

"**Retired Securities**" means any Securities authenticated and delivered under this Indenture which (a) no longer remain Outstanding by reason of the applicability of clause (a) or (b) in the definition of "Outstanding" (other than any Predecessor Security of any Security), (b) have not been made the basis under any of the provisions of this Indenture of one or more Authorized Purposes and (c) have not been paid, redeemed, purchased or otherwise retired by the application thereto of Funded Cash.

"**Securities**" means any bonds, notes and other evidences of indebtedness authenticated and delivered under this Indenture.

"**Security Register**" and "**Security Registrar**" have the respective meanings specified in Section 305.

"**Special Record Date**" for the payment of any Defaulted Interest on the Securities of any series means a date fixed by the Trustee pursuant to Section 307.

"**Stated Interest Rate**" means a rate (whether fixed or variable) at which an obligation by its terms is stated to bear simple interest. Any calculation or other determination to be made under this Indenture by reference to the Stated Interest Rate on a Security shall be made without regard to the effective interest cost to the Company of such Security and without regard to the Stated Interest Rate on, or the effective cost to the Company of, any other indebtedness the Company's obligations in respect of which are evidenced or secured in whole or in part by such Security.

"**Stated Maturity**", when used with respect to any obligation or any installment of principal thereof or interest thereon, means the date on which the principal of such obligation or such installment of principal or interest is stated to be due and payable (without regard to any provisions for redemption, prepayment, acceleration, purchase or extension).

"**Successor Corporation**" has the meaning set forth in Section 1301.

"**Tranche**" means a group of Securities which (a) are of the same series and (b) have identical terms except as to principal amount and/or date of issuance.

"**Trust Indenture Act**" means, as of any time, the Trust Indenture Act of 1939, or any successor statute, as in effect at such time.

"**Trustee**" means the Person named as the "Trustee" in the first paragraph of this Indenture until a successor trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee, and, if at any time there is more than one Person acting as trustee hereunder, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of such series.

"**United States**" means the United States of America, its Territories, its possessions and other areas subject to its political jurisdiction.

SECTION 102. Funded Property; Funded Cash.

"**Funded Property**" means:

(a) all Property Additions to the extent that the same shall have been designated in an Expert's Certificate delivered to the Trustee pursuant to Section 707(c) to be deemed to have been made the basis of the authentication and delivery of Securities then Outstanding;

(b) all Property Additions to the extent that the same shall have been made the basis of the authentication and delivery of Securities under this Indenture pursuant to Section 403;

(c) all Property Additions to the extent that the same shall have been made the basis of the release of property from the Lien of this Indenture pursuant to Section 803;

(d) all Property Additions to the extent that the same shall have been substituted for Funded Property retired pursuant to Section 802;

(e) all Property Additions to the extent that the same shall have been made the basis of the withdrawal of cash held by the Trustee pursuant to Section 806; and

(f) all Property Additions to the extent that the same shall have been used as the basis of a credit against, or otherwise in satisfaction of, the requirements of any sinking, improvement, maintenance, replacement or similar fund or analogous provision established with respect to the Securities of any series, or any Tranche thereof, as contemplated by Section 301; provided, however, that any such Property Additions shall cease to be Funded Property when all of the Securities of such series or Tranche shall have been paid.

In the event that in any certificate filed with the Trustee in connection with any of the transactions referred to in clauses (a), (b), (c), (e) and (f) of this Section, only a part of the Cost or Fair Value of the Property Additions described in such certificate shall be required for the purposes of such certificate, then such Property Additions shall be deemed to be Funded Property only to the extent so required for the purpose of such certificate.

All Funded Property that shall be abandoned, destroyed, released or otherwise disposed of shall for the purpose of Section 104 hereof be deemed Funded Property retired and for other purposes of this Indenture shall thereupon cease to be Funded Property but as in this Indenture provided may at any time thereafter again become Funded Property. Neither any reduction in the Cost or book value of property recorded in the plant account of the Company, nor the transfer of any amount appearing in such account to intangible and/or adjustment accounts, otherwise than in connection with actual retirements of physical property abandoned, destroyed, released or disposed of, and otherwise than in connection with the removal of such property in its entirety from plant account, shall be deemed to constitute a retirement of Funded Property.

The Company may make allocations, on a pro-rata or other reasonable basis (including, but not limited to, the designation of specific properties or the designation of all or a specified portion of the properties reflected in one or more generic accounts or subaccounts in the Company's books of account), for the purpose of determining the extent to which fungible properties, or other properties not otherwise identified, reflected in the same generic account or subaccount in the Company's books of account constitute Funded Property or Funded Property retired.

"**Funded Cash**" means:

(a) cash, held by the Trustee hereunder, to the extent that it represents the proceeds of insurance on, or cash deposited in connection with the release of,

property, or the proceeds of the release of obligations secured by purchase money Lien which obligations have been delivered to the Trustee pursuant to Article Eight and used as a credit in any application for the release of property hereunder, or the proceeds of payment to the Trustee on account of the principal of obligations secured by purchase money Lien which obligations have been delivered to it pursuant to Article Eight and used as a credit in any application for the release of property hereunder, all subject, however, to the provisions of Section 607(c) and Section 806;

(b) any cash deposited with the Trustee under Section 405; and

(c) any cash received by the Trustee from the payment of the principal of Class A Bonds issued and delivered to the Trustee hereunder.

SECTION 103. Net Earnings Certificate; Adjusted Net Earnings; Annual Interest Requirements.

"**Net Earnings Certificate**" means a certificate signed by an Accountant who, except as otherwise required in this Section, may be an employee or Affiliate of the Company, stating:

(a) the "**Adjusted Net Earnings**" of the Company for a period of twelve (12) consecutive calendar months within the eighteen (18) calendar months immediately preceding the first day of the month in which the Company Order requesting the authentication and delivery under this Indenture of Securities is delivered to the Trustee, specifying:

(i) its operating revenues (which may include revenues of the Company subject when collected or accrued to possible refund at a future date), with the principal divisions thereof;

(ii) its operating expenses, with the principal divisions thereof, except that there shall not be required to be included in operating expenses (A) expenses for income, profits and other taxes measured by, or dependent on, net income, (B) provisions for reserves for renewals, replacements, depreciation, depletion or retirement of property (or any expenditures therefor), or provisions for amortization of property, (C) expenses or provisions for interest (including the interest component of rent), for the amortization of debt discount, premium, expense or loss on reacquired debt, for any maintenance and replacement, improvement or sinking fund or other device for the retirement of any indebtedness, or for other amortization, (D) expenses or provisions for any non-recurring charge to income or retained earnings of whatever kind or nature (including without limitation the recognition of expense due to the non-recoverability of investment or expense), whether or not recorded as a non-recurring item in the Company's books of account, or (E) provisions

for any refund of revenues previously collected or accrued by the Company subject to possible refund;

(iii) the amount remaining after deducting the amount required to be stated in such certificate by clause (ii) above from the amount required to be stated therein by clause (i) above;

(iv) its other income (net) including, but not limited to, non-utility operating income, net non-operating income and equity in the earnings of subsidiaries, and any allowance for funds used during construction and any allowance for funds used for conservation expenditures (or any amounts analogous to either or both of such allowances, and including any portion of either or both of such allowances, or of any such analogous amounts, not included in "other income" in the Company's books of account);

(v) the sum of the amounts required to be stated in such certificate by clauses (iii) and (iv) above;

(vi) the amount, if any, by which its other income (net) exceeds twenty per centum (20%) of the sum required to be stated by clause (v) above; and

(vii) the Adjusted Net Earnings of the Company for such period of twelve (12) consecutive calendar months (being the amount remaining after deducting in such certificate the amount required to be stated by clause (vi) above from the sum required to be stated by clause (v) above; and

(b) the "**Annual Interest Requirements**", being the interest requirements for one year, at the respective Stated Interest Rates, if any, borne prior to Maturity, upon:

(i) all Securities Outstanding hereunder at the date of such certificate, except any for the payment or redemption of which the Securities applied for are to be issued; provided, however, that, if the Outstanding Securities of any series or Tranche bear interest at a variable rate or rates, then the interest requirement on the Securities of such series or Tranche shall be determined by reference to the rate or rates in effect on the date next preceding the date of such certificate;

(ii) all Securities then applied for in pending Company Orders for new Securities, including the Company Order in connection with which such certificate is made; provided, however, that if the Securities of any series or Tranche are to bear interest at a variable rate or rates, then the interest requirement on the Securities of such series or Tranche shall be determined by reference to the rate or rates to be in effect at the time of the initial authentication and delivery of such Securities; and provided,

further, that the determination of the interest requirement on Securities of a series subject to a Periodic Offering shall be further subject to the provisions of Section 401(d);

(iii) all Class A Bonds Outstanding under Class A Mortgages at the date of such certificate, except any delivered to and held by the Trustee pursuant to Sections 402 and 701 and except any for the payment or redemption of which the Securities applied for are to be issued; provided, however, that, if the Outstanding Class A Bonds of any series bear interest at a variable rate or rates, then the interest requirement on the Class A Bonds of such series shall be determined by reference to the rate or rates in effect on the date next preceding the date of such certificate; and

(iv) the principal amount of all other indebtedness (except (A) Class A Bonds delivered to and held by the Trustee pursuant to Sections 402 and 701 and (B) indebtedness for the payment of which the Securities applied for are to be issued and indebtedness secured by a Prepaid Lien prior to the Lien of this Indenture upon property subject to the Lien of this Indenture) outstanding on the date of such certificate and secured by Lien prior to the Lien of this Indenture upon property subject to the Lien of this Indenture, if such indebtedness has been issued, assumed or guaranteed by the Company or if the Company customarily pays the interest thereon; provided, however, that if any such indebtedness bears interest at a variable rate or rates, then the interest requirement on such indebtedness shall be determined by reference to the rate or rates in effect on the date next preceding the date of such certificate.

Notwithstanding anything herein to the contrary, in calculating Adjusted Net Earnings in accordance with clause (a) above, (a) neither profits from the sale or other disposition of property, nor other non-recurring items of revenue or income of any kind or nature, shall be taken into account and (b) neither losses from the sale or other disposition of property, nor non-recurring items of expense of any kind or nature, shall be required to be taken into account.

If any of the property of the Company owned by it at the time of the making of any Net Earnings Certificate (a) shall have been acquired during or after any period for which Adjusted Net Earnings of the Company are to be computed, (b) shall not have been acquired in exchange or substitution for property the net earnings of which have been included in the Adjusted Net Earnings of the Company and (c) had been operated as a separate unit and items of revenue and expense attributable thereto are readily ascertainable by the Company, then the net earnings of such property (computed in the manner in this Section provided for the computation of the Adjusted Net Earnings of the Company) during such period or such part of such period as shall have preceded the acquisition thereof, to the extent that the same have not otherwise been included in the Adjusted Net Earnings of the Company, shall be so included.

In any case where a Net Earnings Certificate is required as a condition precedent to the authentication and delivery of Securities, such certificate shall also be made and signed by

an Independent public Accountant if the aggregate principal amount of Securities then applied for plus the aggregate principal amount of Securities authenticated and delivered hereunder since the commencement of the then current calendar year (other than those with respect to which a Net Earnings Certificate is not required, or with respect to which a Net Earnings Certificate made and signed by an Independent public Accountant has previously been furnished to the Trustee) is ten per centum (10%) or more of the sum of (a) the aggregate principal amount of the Securities at the time Outstanding and (b) the aggregate principal amount of the Class A Bonds at the time Outstanding other than Class A Bonds delivered to and held by the Trustee pursuant to Sections 402 and 701; but no Net Earnings Certificate shall be required to be made and signed by an Independent public Accountant, and any such certificate may be made and signed by any Accountant, if such certificate relates to dates or periods not covered by annual reports required to be filed by the Company, in the case of conditions precedent which depend upon a state of facts as of a date or dates or for a period or periods different from that required to be covered by such annual reports.

SECTION 104. Property Additions; Cost.

(a) "**Property Additions**" means, as of any particular time, any item, unit or element of property which at such time is owned by the Company and is subject to the Lien of this Indenture; provided, however, that Property Additions shall not include:

(i) goodwill, going concern value rights or intangible property except as provided in subsection (c) of this Section; or

(ii) any property the cost of acquisition or construction of which is, in accordance with generally accepted accounting principles, properly chargeable to an operating expense account of the Company.

(b) When any Property Additions are certified to the Trustee as the basis of any Authorized Purpose (except as otherwise provided in Section 803 and Section 806),

(i) there shall be deducted from the Cost or Fair Value to the Company thereof, as the case may be (as of the date so certified), an amount equal to the Cost (or as to Property Additions of which the Fair Value to the Company at the time the same became Funded Property was less than the Cost as determined pursuant to this Section, then such Fair Value in lieu of Cost) of all Funded Property of the Company retired to the date of such certification (other than the Funded Property, if any, in connection with the application for the release of which such certificate is filed) and not theretofore deducted from the Cost or Fair Value to the Company of Property Additions theretofore certified to the Trustee, and

(ii) there may, at the option of the Company, be added to such Cost or Fair Value, as the case may be, the sum of

(A) the principal amount of any obligations secured by purchase money Lien and any cash (other than proceeds of such purchase money obligations), not theretofore so added and which the Company then elects so to add, received by the Trustee representing the proceeds of

insurance on, or of the release or other disposition of, Funded Property retired;

(B) ten-sevenths (10/7) of the principal amount of any Security or Securities, or portion of such principal amount, not theretofore so added and which the Company then elects so to add, the right to the authentication and delivery of which under the provisions of Section 404 and Section 803(d)(iii) shall at any time theretofore have been waived as the basis of the release of Funded Property retired; and

(C) the Cost to the Company of any Property Additions (including Property Additions subject to the lien of a Class A Mortgage) not theretofore so added and which the Company then elects so to add, to the extent that the same shall have been substituted for Funded Property retired (including Funded Property subject to the lien of a Class A Mortgage);

provided, however, that the aggregate of the amounts added under clause (ii) above shall in no event exceed the amounts deducted under clause (i) above.

(c) Except as otherwise provided in Section 803, the term "Cost" with respect to Property Additions shall mean the sum of (i) any cash delivered in payment therefor or for the acquisition thereof, (ii) an amount equivalent to the fair market value in cash (as of the date of delivery) of any securities or other property delivered in payment therefor or for the acquisition thereof, (iii) the principal amount of any obligations secured by prior Lien (other than a Class A Mortgage) upon such Property Additions outstanding at the time of the acquisition thereof, (iv) the principal amount of any other obligations incurred or assumed in connection with the payment for such Property Additions or for the acquisition thereof and (v) any other amounts which, in accordance with generally accepted accounting principles, are properly charged or chargeable to the plant or other property accounts of the Company with respect to such Property Additions as part of the cost of construction or acquisition thereof, including, but not limited to, any allowance for funds used during construction or any similar or analogous amount; provided, however, that, notwithstanding any other provision of this Indenture,

(x) with respect to Property Additions owned by a successor corporation immediately prior to the time it shall have become such by consolidation or merger or acquired by a successor corporation in or as a-result of a consolidation or merger (excluding, in any case, Property Additions owned by the Company immediately prior to such time), Cost shall mean the amount or amounts at which such Property Additions are recorded in the plant or other property accounts of such successor corporation, or the predecessor corporation from which such Property Additions are acquired, as the case may be, immediately prior to such consolidation or merger;

(y) with respect to Property Additions which shall have been acquired (otherwise than by construction) by the Company without any consideration consisting of cash, securities or other property or the incurring or assumption of

indebtedness, no determination of Cost shall be required, and, wherever in this Indenture provision is made for Cost or Fair Value, Cost with respect to such Property Additions shall mean an amount equal to the Fair Value to the Company thereof or, if greater, the aggregate amount reflected in the Company's books of account with respect thereto upon the acquisition thereof; and

(z) in no event shall the Cost of Property Additions be required to reflect any depreciation or amortization in respect of such Property Additions, or any adjustment to the amount or amounts at which such Property Additions are recorded in plant or other property accounts due to the non-recoverability of investment or otherwise.

If any Property Additions are shown by the Expert's Certificate provided for in Section 403(b)(ii) to include property which has been used or operated by others than the Company in a business similar to that in which it has been or is to be used or operated by the Company, the Cost thereof need not be reduced by any amount in respect of any goodwill, going concern value rights and/or intangible property simultaneously acquired for which no separate or distinct consideration shall have been paid or apportioned, and in such case the term Property Additions as defined herein may include such goodwill, going concern value rights and intangible property.

SECTION 105. Compliance Certificates and Opinions.

Except as otherwise expressly provided in this Indenture, upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, it being understood that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement that each Person signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of each such Person, such Person has made such examination or investigation as is necessary to enable such Person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such Person, such condition or covenant has been complied with.

SECTION 106. Form of Documents Delivered to Trustee.

(a) In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous.

Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer of the Company and/or upon a certificate or opinion of an Accountant or Expert, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous. If, in order to render any Opinion of Counsel provided for herein, the signer thereof shall deem it necessary that additional facts or matters be stated in any Officer's Certificate or Expert's Certificate provided for herein, then such certificate may state all such additional facts or matters as the signer of such Opinion of Counsel may request. In addition, in rendering any Opinion of Counsel provided for herein, counsel may rely upon (i) opinions of other counsel to the Company, copies of which shall have been delivered to the Trustee, (ii) title insurance policies or commitments and reports, lien search certificates and other similar evidences of the existence of Liens on property and (iii) with respect to any opinion regarding the validity or priority of the Lien of this Indenture on any Property Additions, a certificate or opinion of, or representations by, an officer or officers of the Company regarding the title thereto or the existence of any Liens thereon.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

(b) Whenever, subsequent to the receipt by the Trustee of any Board Resolution, Officer's Certificate, Expert's Certificate, Net Earnings Certificate, Opinion of Counsel or other document or instrument, a clerical, typographical or other inadvertent or unintentional error or omission shall be discovered therein, a new document or instrument may be substituted therefor in corrected form with the same force and effect as if originally filed in the corrected form and, irrespective of the date or dates of the actual execution and/or delivery thereof, such substitute document or instrument shall be deemed to have been executed and/or delivered as of the date or dates required with respect to the document or instrument for which it is substituted. Anything in this Indenture to the contrary notwithstanding, if any such corrective

document or instrument indicates that action has been taken by or at the request of the Company which could not have been taken had the original document or instrument not contained such error or omission, the action so taken shall not be invalidated or otherwise rendered ineffective but shall be and remain in full force and effect, except to the extent that such action was a result of willful misconduct or bad faith. Without limiting the generality of the foregoing, any Securities issued under the authority of such defective document or instrument shall nevertheless be the valid obligations of the Company entitled to the benefit of the Lien of this Indenture equally and ratably with all other Outstanding Securities, except as aforesaid.

SECTION 107. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, election, waiver or other action provided by this Indenture to be made, given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing or, alternatively, may be embodied in and evidenced by the record of Holders voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders duly called and held in accordance with the provisions of Article Fifteen, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "**Act**" of the Holders signing such instrument or instruments and so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of a Security, shall be sufficient for any purpose of this Indenture and (subject to Section 1101) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section. The record of any meeting of Holders shall be proved in the manner provided in Section 1506.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof or may be proved in any other manner which the Trustee and the Company deem sufficient. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority.

(c) The principal amount (except as otherwise contemplated in clause (y) of the proviso to the definition, of Outstanding) and serial numbers of Securities held by any Person, and the date of holding the same, shall be proved by the Security Register.

(d) Any request, demand, authorization, direction, notice, consent, election, waiver or other Act of a Holder shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(e) Until such time as written instruments shall have been delivered to the Trustee with respect to the requisite percentage of principal amount of Securities for the action contemplated by such instruments, any such instrument executed and delivered by or on behalf of a Holder may be revoked with respect to any or all of such Securities by written notice by such Holder or any subsequent Holder, proven in the manner in which such instrument was proven.

(f) Securities of any series, or any Tranche thereof, authenticated and delivered after any Act of Holders may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any action taken by such Act of Holders. If the Company shall so determine, new Securities of any series, or any Tranche thereof, so modified as to conform, in the opinion of the Trustee and the Company, to such action may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series or Tranche.

(g) If the Company shall solicit from Holders any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by Company Order, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. Any such record date shall be not less than ten (10), nor more than sixty (60), days prior to the date of the first solicitation by the Company. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on the record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of the Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of the record date.

SECTION 108. Notices, Etc. to Trustee and Company.

Any request, demand, authorization, direction, notice, consent, election, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with, the Trustee by any Holder or by the Company, or the Company by the Trustee or by any Holder, shall be sufficient for every purpose hereunder (unless otherwise expressly provided herein) if the same shall be in writing and delivered personally to an officer or other responsible employee of the addressee, or transmitted by facsimile transmission, telex or other direct written electronic means to such telephone number or other electronic communications address as the parties hereto shall from time to time designate, or transmitted by registered mail, charges prepaid, to the applicable address set opposite such party's name below or to such other address as either party hereto may from time to time designate:

If to the Trustee, to:

Morgan Guaranty Trust Company of New York
60 Wall Street

New York, New York 10260
Attention: Corporate Trust Administration

If to the Company, to:

Public Service Company of Colorado
1225 17th Street
Denver, Colorado 80202
Attention: Treasurer

Any communication contemplated herein shall be deemed to have been made, given, furnished and filed if personally delivered, on the date of delivery, if transmitted by facsimile transmission, telex or other direct written electronic means, on the date of transmission, and if transmitted by registered mail, on the date of receipt.

SECTION 109. Notice to Holders of Securities; Waiver.

Except as otherwise expressly provided herein, where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given, and shall be deemed given, to Holders if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at the address of such Holder as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice to Holders by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders.

Any notice required by this Indenture may be waived in writing by the Person entitled to receive such notice, either before or after the event otherwise to be specified therein, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 110. Conflict with Trust Indenture Act.

If any provision of this Indenture limits, qualifies or conflicts with another provision hereof which is required or deemed to be included in this Indenture by, or is otherwise governed by, any provision of the Trust Indenture Act, such other provision shall control; and if any provision hereof otherwise conflicts with the Trust Indenture Act, the Trust Indenture Act shall control.

SECTION 111. Effect of Headings and Table of Contents.

The Article and Section headings in this Indenture and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 112. Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 113. Separability Clause.

In case any provision in this Indenture or the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 114. Benefits of Indenture.

Nothing in this Indenture or the Securities, express or implied, shall give to any Person, other than the parties hereto, their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 115. Governing Law.

This Indenture and the Securities shall be governed by and construed in accordance with the law of the State of New York (including without limitation Section 5-1401 of the New York General Obligations Law or any successor to such statute), except to the extent that the Trust Indenture Act shall be applicable and except to the extent that the law of any jurisdiction wherein any portion of the Mortgaged Property is located shall mandatorily govern the perfection, priority or enforcement of the Lien of this Indenture with respect to such portion of the Mortgaged Property.

SECTION 116. Legal Holidays.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of the Securities other than a provision in Securities of any series, or any Tranche thereof, or in the indenture supplemental hereto, Board Resolution or Officer's Certificate which establishes the terms of the Securities of such series or Tranche, which specifically states that such provision shall apply in lieu of this Section) payment of interest or principal and premium, if any, need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity, and, if such payment is made or duly provided for on such Business Day, no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, to such Business Day.

SECTION 117. Investment of Cash Held by Trustee.

Any cash held by the Trustee or any Paying Agent under any provision of this Indenture shall, except as otherwise provided in Article Nine, at the request of the Company evidenced by Company Order, be invested or reinvested in Investment Securities designated by the Company, and any interest on such Investment Securities shall be promptly paid over to the

Company as received free and clear of any Lien. Such Investment Securities shall be held subject to the same provisions hereof as the cash used to purchase the same, but upon a like request of the Company shall be sold, in whole or in designated part, and the proceeds of such sale shall be held subject to the same provisions hereof as the cash used to purchase the Investment Securities so sold. If such sale shall produce a net sum less than the cost of the Investment Securities so sold, the Company shall pay to the Trustee or any such Paying Agent, as the case may be, such amount in cash as, together with the net proceeds from such sale, shall equal the cost of the Investment Securities so sold, and if such sale shall produce a net sum greater than the cost of the Investment Securities so sold, the Trustee or any such Paying Agent, as the case may be, shall promptly pay over to the Company an amount in cash equal to such excess, free and clear of any Lien.

Notwithstanding the foregoing, if an Event of Default shall have occurred and be continuing, interest on Investment Securities and any gain upon the sale thereof shall be held as part of the Mortgaged Property until such Event of Default shall have been cured or waived, whereupon such interest and gain shall be promptly paid over to the Company free and clear of any Lien.

ARTICLE TWO

Security Forms

SECTION 201. Forms Generally.

The definitive Securities of each series shall be in substantially the form or forms established in the indenture supplemental hereto establishing such series, or in a Board Resolution establishing such series, or in an Officer's Certificate pursuant to such a supplemental indenture or Board Resolution, in any case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities. If the form or forms of Securities of any series are established in a Board Resolution or in an Officer's Certificate pursuant to a Board Resolution, such Board Resolution and Officer's Certificate, if any, shall be delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 401 for the authentication and delivery of such Securities.

The Securities of each series shall be issuable in registered form without coupons. The definitive Securities shall be produced in such manner as shall be determined by the officers executing such Securities, as evidenced by their execution thereof.

SECTION 202. Form of Trustee's Certificate of Authentication.

The Trustee's certificate of authentication shall be in substantially the form set forth below:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

as Trustee

By: _____
Authorized Signatory

ARTICLE THREE

The Securities

SECTION 301 Amount Unlimited; Issuable in Series.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. Subject to the last paragraph of this Section, prior to the authentication and delivery of Securities of any series there shall be established by specification in a supplemental indenture or in a Board Resolution, or in an Officer's Certificate pursuant to a supplemental indenture or a Board Resolution:

(a) the title of the Securities of such series (which shall distinguish the Securities of such series from Securities of all other series);

(b) any limit upon the aggregate principal amount of the Securities of such series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of such series pursuant to Section 304, 305, 306, 506 or 1406 and except for any Securities which, pursuant to Section 303, are deemed never to have been authenticated and delivered hereunder);

(c) the Persons (without specific identification) to whom interest on Securities of such series, or any Tranche thereof, shall be payable on any Interest Payment Date, if other than the Persons in whose names such Securities (or one or more Predecessor Securities) are registered at the close of business on the Regular Record Date for such interest;

(d) the date or dates on which the principal of the Securities of such series, or any Tranche thereof, is payable or any formulary or other method or other means by which such date or dates shall be determined, by reference or otherwise (without regard to any provisions for redemption, prepayment, acceleration, purchase or extension);

(e) the rate or rates at which the Securities of such series, or any Tranche thereof, shall bear interest, if any (including the rate or rates at which overdue principal shall bear interest, if different from the rate or rates at which such Securities shall bear interest prior to Maturity, and, if applicable, the rate or rates at which overdue premium or interest shall bear interest, if any), or any formulary or other method or other means by which such rate or rates shall be determined, by reference or otherwise; the date or dates from which such interest shall accrue; the Interest Payment Dates on which such interest shall be payable and the Regular Record Date, if any, for the interest payable on such Securities on any Interest Payment Date; and the basis of computation of interest, if other than as provided in Section 310;

(f) the place or places at which (i) the principal of and premium, if any, and interest, if any, on Securities of such series, or any Tranche thereof, shall be payable, (ii) registration of transfer of Securities of such series, or any Tranche thereof, may be effected, (iii) exchanges of Securities of such series, or any Tranche thereof, may be effected and (iv) notices and demands to or upon the Company in respect of the Securities of such series, or any Tranche thereof, and this Indenture may be served; the Security Registrar for such series; and, if such is the case, that the principal of such Securities shall be payable without the presentment or surrender thereof;

(g) the period or periods within which or the date or dates on which, the price or prices at which and the terms and conditions upon which the Securities of such series, or any Tranche thereof, may be redeemed, in whole or in part, at the option of the Company;

(h) the obligation or obligations, if any, of the Company to redeem or purchase the Securities of such series, or any Tranche thereof, pursuant to any sinking fund or other mandatory redemption provisions or at the option of a Holder thereof and the period or periods within which or the date or dates on which, the price or prices at which and the terms and conditions upon which such Securities shall be redeemed or purchased, in whole or in part, pursuant to such obligation, and applicable exceptions to the requirements of Section 504 in the case of mandatory redemption or redemption at the option of the holder;

(i) the denominations in which Securities of such series, or any Tranche thereof, shall be issuable if other than denominations of $1,000 and any integral multiple thereof;

(j) the currency or currencies, including composite currencies, in which payment of the principal of and premium, if any, and interest, if any, on the Securities of such series, or any Tranche thereof, shall be payable (if other than in Dollars); it being understood that, for purposes of calculations under this Indenture (including calculations of Annual Interest Requirements contemplated by Section 103 and calculations of principal amount under Article Four), any amounts denominated in a currency other than Dollars or in a composite currency shall be converted to Dollar equivalents by calculating the amount of Dollars which could have been purchased by the amount of such other currency based (i) on the average of the mean of the buying and selling spot rates quoted by three banks which are members of the New York Clearing House Association selected by the Company in effect at 11:00 A.M. (New York time) in The City of New York on the fifth Business Day preceding the date of such calculation or (ii) on such other quotations or alternative methods of determination as shall be selected by an Authorized Officer;

(k) if the principal of or premium, if any, or interest, if any, on the Securities of such series, or any Tranche thereof, are to be payable, at the election of the Company or a Holder thereof, in a coin or currency other than that in which

the Securities are stated to be payable, the period or periods within which, and the terms and conditions upon which, such election may be made; it being understood that, for purposes of calculations under this Indenture (including calculations of Annual Interest Requirements contemplated by Section 103 and calculations of principal amount under Article Four), any such election shall be required to be taken into account, in the manner contemplated in clause (j) of this paragraph, only after such election shall have been made.

(l) if the principal of or premium, if any, or interest, if any, on the Securities of such series, or any Tranche thereof, are to be payable, or are to be payable at the election of the Company or a Holder thereof, in securities or other property, the type and amount of such securities or other property, or the formulary or other method or other means by which such amount shall be determined, and the period or periods within which, and the terms and conditions upon which, any such election may be made; it being understood that all calculations under this Indenture (including calculations of Annual Interest Requirements contemplated by Section 103 and calculations of principal amount under Article Four) shall be made on the basis of the fair market value of such securities or the Fair Value of such other property, in either case determined as of the most recent practicable date, except that, in the case of any amount of principal or interest that may be so payable at the election of the Company or a Holder, if such election shall not yet have been made, such calculations shall be made on the basis of the amount of principal or interest, as the case may be, that would be payable if no such election were made;

(m) if the amount payable in respect of principal of or premium, if any, or interest, if any, on the Securities of such series, or any Tranche thereof, may be determined with reference to an index or other fact or event ascertainable outside of this Indenture, the manner in which such amounts shall be determined (to the extent not established pursuant to clause (e) of this paragraph); it being understood that all calculations under this Indenture (including calculations of Annual Interest Requirements contemplated by Section 103 and calculations of principal amount under Article Four) shall be made on the basis of the amount that would be payable as principal if such principal were due, or on the basis of the interest rates in effect, as the case may be, on the date next preceding the date of such calculation;

(n) if other than the principal amount thereof, the portion of the principal amount of Securities of such series, or any Tranche thereof, which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 1002;

(o) the terms, if any, pursuant to which the Securities of such series, or any Tranche thereof, may be converted into or exchanged for shares of capital stock or other securities of the Company or any other Person;

(p) the obligations or instruments, if any, which shall be considered to be Eligible Obligations in respect of the Securities of such series, or any Tranche thereof, denominated in a currency other than Dollars or in a composite currency, and any additional or alternative provisions for the reinstatement of the Company's indebtedness in respect of such Securities after the satisfaction and discharge thereof as provided in Section 901;

(q) if the Securities of such series, or any Tranche thereof, are to be issued in global form, (i) any limitations on the rights of the Holder or Holders of such Securities to transfer or exchange the same or to obtain the registration of transfer thereof, (ii) any limitations on the rights of the Holder or Holders thereof to obtain certificates therefor in definitive form in lieu of temporary form and (iii) any and all other matters incidental to such Securities;

(r) if the Securities of such series, or any Tranche thereof, are to be issuable as bearer securities, any and all matters incidental thereto which are not specifically addressed in a supplemental indenture as contemplated by clause (f) of Section 1401;

(s) to the extent not established pursuant to clause (q) of this paragraph, any limitations on the rights of the Holders of the Securities of such Series, or any Tranche thereof, to transfer or exchange such Securities or to obtain the registration of transfer thereof; and if a service charge will be made for the registration of transfer or exchange of Securities of such series, or any Tranche thereof, the amount or terms thereof;

(t) any exceptions to Section 116, or variation in the definition of Business Day, with respect to the Securities of such series, or any Tranche thereof; and

(u) any other terms of the Securities of such series, or any Tranche thereof.

With respect to Securities of a series subject to a Periodic Offering, the indenture supplemental hereto or the Board Resolution which establishes such series, or the Officer's Certificate pursuant to such supplemental indenture or Board Resolution, as the case may be, may provide general terms or parameters for Securities of such series and provide either that the specific terms of Securities of such series, or any Tranche thereof, shall be specified in a Company Order or that such terms shall be determined by the Company or its agents in accordance with procedures specified in a Company Order as contemplated by clause (b) of Section 401.

Anything herein to the contrary notwithstanding, the Trustee shall be under no obligation to authenticate and deliver Securities of any series the terms of which, established as contemplated by this Section, would affect the Trustee's rights, duties, obligations or immunities.

SECTION 302. Denominations.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, or any Tranche thereof, the Securities of each series shall be issuable in denominations of $1,000 and any integral multiple thereof.

SECTION 303. Execution, Dating, Certificate of Authentication.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, or any Tranche thereof, the Securities shall be executed on behalf of the Company by an Authorized Officer, and may have the corporate seal of the Company affixed thereto or reproduced thereon and attested by any other Authorized Officer. The signature of any or all of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at the time of execution Authorized Officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

Unless otherwise specified as contemplated by Section 301 with respect to any series of Securities, or any Tranche thereof, each Security shall be dated the date of its authentication.

Unless otherwise specified as contemplated by Section 301 with respect to any series of Securities, or any Tranche thereof, no Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee or an Authenticating Agent by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder to the Company, or any Person acting on its behalf, but shall never have been issued and sold by the Company, and the Company shall deliver such Security to the Security Registrar for cancellation or shall cancel such Security and deliver evidence of such cancellation to the Trustee, in each case as provided in Section 309, together with a written statement (which need not comply with Section 105 and need not be accompanied by an Officer's Certificate or an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits hereof.

SECTION 304. Temporary Securities.

Pending the preparation of definitive Securities of any series, or any Tranche thereof, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed, photocopied or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued, with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may

determine, as evidenced by their execution of such Securities; provided, however, that temporary Securities need not recite specific redemption, sinking fund, conversion or exchange provisions.

Except as otherwise specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, after the preparation of definitive Securities of such series or Tranche, the temporary Securities of such series or Tranche shall be exchangeable, without charge to the Holder thereof, for definitive Securities of such series or Tranche upon surrender of such temporary Securities at the office or agency of the Company maintained pursuant to Section 602 in a Place of Payment for such Securities. Upon such surrender of temporary Securities, the Company shall, except as aforesaid, execute and the Trustee shall authenticate and deliver in exchange therefor definitive Securities of the same series and Tranche, of authorized denominations and of like tenor and aggregate principal amount.

Until exchanged in full as hereinabove provided, temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of the same series and Tranche and of like tenor authenticated and delivered hereunder.

SECTION 305. Registration, Registration of Transfer and Exchange.

The Company shall cause to be kept in each office designated pursuant to Section 602, with respect to the Securities of each series, or any Tranche thereof, a register (all registers kept in accordance with this Section being collectively referred to herein as the "**Security Register**") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities of such series or Tranche and the registration of transfer thereof. The Company shall designate one Person to maintain the Security Register for the Securities of each series on a consolidated basis, and such Person is referred to herein, with respect to such series, as the "Security Registrar." Anything herein to the contrary notwithstanding, the Company may designate one or more of its offices as an office in which a register with respect to the Securities of one or more series, or any Tranche or Tranches thereof, shall be maintained, and the Company may designate itself the Security Registrar with respect to one or more of such series. The Security Register shall be open for inspection by the Trustee and the Company at all reasonable times.

Except as otherwise specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, upon surrender for registration of transfer of any Security of such series or Tranche at the office or agency of the Company maintained pursuant to Section 602 in a Place of Payment for such series or Tranche, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series and Tranche, of authorized denominations and of like tenor and aggregate principal amount.

Except as otherwise specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, any Security of such series or Tranche may be exchanged at the option of the Holder, for one or more new Securities of the same series and Tranche, of authorized denominations and of like tenor and aggregate principal amount, upon surrender of the Securities to be exchanged at any such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall

authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities delivered upon any registration of transfer or exchange of Securities shall be valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company, the Trustee or the Security Registrar) be duly endorsed or shall be accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Security Registrar, as the case may be, duly executed by the Holder thereof or his attorney duly authorized in writing.

Unless otherwise specified as contemplated by Section 301 with respect to Securities of any series, or any Tranche thereof, no service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 506 or 1406 not involving any transfer.

The Company shall not be required to execute or to provide for the registration of transfer of or the exchange of (a) Securities of any series, or any Tranche thereof, during a period of fifteen (15) days immediately preceding the date notice is to be given identifying the serial numbers of the Securities of such series or Tranche called for redemption or (b) any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

SECTION 306. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same series, and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (a) evidence to their satisfaction of the ownership of and the destruction, loss or theft of any Security and (b) such security or indemnity as may be reasonably required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security is held by a Person purporting to be the owner of such Security, the Company shall execute and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of the same series and Tranche, and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

Notwithstanding the foregoing, in case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed

in relation thereto and any other reasonable expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security of any series issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone other than the Holder of such new Security, and any such new Security shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of such series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 307. Payment of Interest; Interest Rights Preserved.

Unless otherwise specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "**Defaulted Interest**") shall forthwith cease to be payable to the Holder on the related Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (a) or (b) below.

(a) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a date (herein called a "**Special Record Date**") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than thirty (30) days and not less than ten (10) days prior to the date of the proposed payment and not less than twenty-five (25) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record

Date and, in the name and at the expense of the Company, shall, not less than fifteen (15) days prior to such Special Record Date, cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Securities of such series at the address of such Holder as it appears in the Security Register Notice of the proposed payment of such Defaulted Interest and the Special Record. Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date.

(b) The Company may make payment of any Defaulted Interest on the Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable, by the Trustee.

Subject to the foregoing provisions of this Section and Section 305, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 308. Persons Deemed Owners.

The Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name any Security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of and premium, if any, and (subject to Sections 305 and 307) interest, if any, on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 309. Cancellation by Security Registrar.

All Securities surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Security Registrar, be delivered to the Security Registrar and, if not theretofore canceled, shall be promptly canceled by the Security Registrar. The Company may at any time deliver to the Security Registrar for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever or which the Company shall not have issued and sold, and all Securities so delivered shall be promptly canceled by the Security Registrar. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Securities held by the Security Registrar shall be disposed of in accordance with a Company Order delivered to the Security Registrar and the Trustee, and the Security Registrar shall promptly deliver a certificate of disposition to the Trustee and the Company unless, by a Company Order, similarly delivered, the Company shall direct that canceled Securities be returned to it. The Security Registrar shall

promptly deliver evidence of any cancellation of a Security in accordance with this Section 309 to the Trustee and the Company.

SECTION 310. Computation of Interest.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, or any Tranche thereof, interest on the Securities of each series shall be computed on the basis of a three hundred sixty (360) day year consisting of twelve (12) thirty (30) day months and on the basis of the actual number of days elapsed within any month in relation to the deemed thirty (30) days of such month.

SECTION 311. Payment to Be in Proper Currency.

In the case of the Securities of any series, or any Tranche thereof, denominated in any currency other than United States Dollars or in a composite currency (the "Required Currency"), except as otherwise specified with respect to such Securities as contemplated by Section 301, the obligation of the Company to make any payment of the principal thereof, or the premium, if any, or interest, if any, thereon, shall not be discharged or satisfied by any tender by the Company, or recovery by the Trustee, in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the Trustee timely holding the full amount of the Required Currency then due and payable. If any such tender or recovery is in a currency other than the Required Currency, the Trustee may take such actions as it considers appropriate to exchange such currency for the Required Currency. The costs and risks of any such exchange, including without limitation the risks of delay and exchange rate fluctuation, shall be borne by the Company, the Company shall remain fully liable for any shortfall or delinquency in the full amount of Required Currency then due and payable, and in no circumstances shall the Trustee be liable therefor except in the case of its negligence or willful misconduct.

ARTICLE FOUR

Issuance of Securities

SECTION 401. General.

Subject to the provisions of Section 402, 403, 404 or 405, whichever may be applicable, the Trustee shall authenticate and deliver Securities of a series, for original issue, at one time or from time to time in accordance with the Company Order referred to below, upon receipt by the Trustee of:

(a) the instrument or instruments establishing the form or forms and terms of such series, as provided in Sections 201 and 301;

(b) a Company Order requesting the authentication and delivery of such Securities and, to the extent that the terms of such Securities shall not have been established in an indenture supplemental hereto or in a Board Resolution, or in an Officer's Certificate pursuant to a supplemental indenture or Board Resolution, all as contemplated by Sections 201 and 301, either (i) establishing

such terms or (ii) in the case of Securities of a series subject to a Periodic Offering, specifying procedures, acceptable to the Trustee, by which such terms are to be established (which procedures may provide for authentication and delivery pursuant to oral or electronic instructions from the Company or any agent or agents thereof, which oral instructions are to be promptly confirmed electronically or in writing), in either case in accordance with the instrument or instruments delivered pursuant to clause (a) above;

(c) the Securities of such series, executed on behalf of the Company by an Authorized Officer;

(d) a Net Earnings Certificate showing the Adjusted Net Earnings of the Company for the period therein specified to have been not less than an amount equal to twice the Annual Interest Requirements therein specified, all in accordance with the provisions of Section 103; provided, however, that the Trustee shall not be entitled to receive a Net Earnings Certificate hereunder with respect to Securities which are to have no Stated Interest Rate prior to Maturity; and provided, further, that, with respect to Securities of a series subject to a Periodic Offering, other than Securities of such series theretofore authenticated and delivered, as to which no Stated Interest Rate shall then have been established, (i) it shall be assumed in such Net Earnings Certificate that none of such Securities shall have a Stated Interest Rate in excess of a maximum rate to be stated therein, and, in such event, no Securities which would have a Stated Interest Rate at the time of the initial authentication and delivery thereof in excess of such maximum rate shall be authenticated and delivered under the authority of such Net Earnings Certificate and (ii) the Trustee shall be entitled to receive such Net Earnings Certificate only once, at or prior to the time of the first authentication and delivery of such Securities;

(e) an Opinion of Counsel to the effect that:

(i) the form or forms of such Securities have been duly authorized by the Company and have been established in conformity with the provisions of this Indenture;

(ii) the terms of such Securities have been duly authorized by the Company and have been established in conformity with the provisions of this Indenture; and

(iii) such Securities, when authenticated and delivered by the Trustee and issued and delivered by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will have been duly issued under this Indenture and will constitute valid obligations of the Company, entitled to the benefit of the Lien of this Indenture equally and ratably with all other Securities then Outstanding;

provided, however, that, with respect to Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to receive such Opinion of Counsel only once at or prior to the time of the first authentication and delivery of such Securities (provided that such Opinion of Counsel addresses the authentication and delivery of all such Securities) and that, in lieu of the opinions described in clauses (ii) and (iii) above, Counsel may opine that:

(x) when the terms of such Securities shall have been established pursuant to a Company Order or Orders or pursuant to such procedures as may be specified from time to time by a Company Order or Orders, all as contemplated by and in accordance with the instrument or instruments delivered pursuant to clause (a) above, such terms will have been duly authorized by the Company and will have been established in conformity with the provisions of this Indenture; and

(y) such Securities, when authenticated and delivered by the Trustee in accordance with this Indenture and the Company Order or Orders or the specified procedures referred to in paragraph (x) above and issued and delivered by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will have been duly issued under this Indenture and will constitute valid obligations of the Company, entitled to the benefit of the Lien of this Indenture equally and ratably with all other Securities then Outstanding;

(f) an Officer's Certificate to the effect that, to the knowledge of the signer, no Event of Default has occurred and is continuing; provided, however, that with respect to Securities of a series subject to a Periodic Offering, either (i) such an Officer's Certificate shall be delivered at the time of the authentication and delivery of each Security of such series or (ii) the Officer's Certificate delivered at or prior to the time of the first authentication and delivery of the Securities of such series shall state that the statements therein shall be deemed to be made at the time of each, or each subsequent, authentication and delivery of Securities of such series; and

(g) such other Opinions of Counsel, certificates and other documents as may be required under Section 402, 403, 404 or 405, whichever may be applicable to the authentication and delivery of the Securities of such series.

With respect to Securities of a series subject to a Periodic Offering, the Trustee may conclusively rely, as to the authorization by the Company of any of such Securities, the forms and terms thereof, the validity thereof and the compliance of the authentication and delivery thereof with the terms and conditions of this Indenture, upon the Opinion or Opinions of Counsel and the certificates and other documents delivered pursuant to this Article Four at or prior to the time of the first authentication and delivery of Securities of such series until any of such opinions, certificates or other documents have been superseded or revoked or expire by their terms. In connection with the authentication and delivery of Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to assume that the Company's instructions to

authenticate and deliver such Securities do not violate any applicable law or any applicable rule, regulation or order of any Governmental Authority having jurisdiction over the Company.

SECTION 402. Issuance of Securities on the Basis of Class A Bonds.

(a) Securities of any one or more series may be authenticated and delivered on the basis of, and in an aggregate principal amount not exceeding, the aggregate principal amount of Class A Bonds issued and delivered to the Trustee for such purpose.

(b) Securities of any series shall be authenticated and delivered by the Trustee on the basis of the issuance and delivery to the Trustee of Class A Bonds upon receipt by the Trustee of:

(i) Class A Bonds (A) maturing (or being subject to mandatory redemption) on such dates and in such principal amounts that, at each Stated Maturity of the Securities of such series (or the Tranche thereof then to be authenticated and delivered), there shall mature (or be redeemed) Class A Bonds equal in principal amount to the Securities of such series or Tranche then to mature and (B) containing, in addition to any mandatory redemption provisions applicable to all Class A Bonds Outstanding under the related Class A Mortgage and any mandatory redemption provisions contained therein pursuant to clause (A) above, mandatory redemption provisions correlative to the provisions, if any, for the mandatory redemption (pursuant to a sinking fund or otherwise) of the Securities of such series or Tranche or for the redemption thereof at the option of the Holder; it being expressly understood that such Class A Bonds (X) may, but need not, bear interest, any such interest to be payable at the same times as interest on the Securities of such series or Tranche, (Y) may, but need not, contain provisions for the redemption thereof at the option of the Company, any such redemption to be made at a redemption price or prices not less than the principal amount thereof and (Z) shall be held by the Trustee in accordance with Article Seven;

(ii) the documents with respect to the Securities of such series specified in Section 401; provided, however, that no Net Earnings Certificate shall be required to be delivered if there shall be delivered an Officer's Certificate to the effect that such Class A Bonds have been authenticated and delivered under the related Class A Mortgage on the basis of retired Class A Bonds; and

(iii) an Opinion of Counsel to the effect that:

(A) the form or forms of such Class A Bonds have been duly authorized by the Company and have been established in conformity with the provisions of the related Class A Mortgage;

(B) the terms of such Class A Bonds have been duly authorized by the Company and have been established in conformity with the provisions of the related Class A Mortgage; and

(C) such Class A Bonds have been duly issued under the Related Class A Mortgage and constitute valid obligations of the Company, entitled to the benefit of the Lien of such Class A Mortgage equally and ratably with all other Class A Bonds then Outstanding under such Class A Mortgage.

provided, however, that, with respect to Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to receive such Opinion of Counsel only once at or prior to the time of the first authentication and delivery of such Securities and that, in lieu of the opinions described in clauses (B) and (C) above, Counsel may opine that:

(X) when the terms of such Class A Bonds shall have been established in accordance with the instrument or instruments creating the series of which such Class A Bonds are a part, such terms will have been duly authorized by the Company and will have been established in conformity with the provisions of the related Class A Mortgage; and

(Y) such Class A Bonds, when authenticated and delivered by the trustee under the related Class A Mortgage in accordance with such instrument or instruments and issued and delivered by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will have been duly issued under such Class A Mortgage, and will constitute valid obligations of the Company, entitled to the benefit of the Lien of such Class A Mortgage equally and ratably with all other Class A Bonds then Outstanding under such Class A Mortgage.

SECTION 403. Issuance of Securities on the Basis of Property Additions.

(a) Securities of any one or more series may be authenticated and delivered on the basis of Property Additions which do not constitute Funded Property in a principal amount not exceeding seventy per centum (70%) of the balance of the Cost or the Fair Value to the Company of such Property Additions (whichever shall be less) after making any deductions and any additions pursuant to Section 104(b).

(b) Securities of any series shall be authenticated and delivered by the Trustee on the basis of Property Additions upon receipt by the Trustee of:

(i) the documents with respect to the Securities of such series specified in Section 401;

(ii) an Expert's Certificate dated as of a date not more than ninety (90) days prior to the date of the Company Order requesting the authentication and delivery of such Securities,

(A) describing all property constituting Property Additions and designated by the Company, in its discretion, to be made the basis of the authentication and delivery of such Securities (such description to be made by reference, at the election of the Company, either to specified items, units and/or elements of property or portions thereof, on a percentage or Dollar basis, or to properties reflected in specified accounts or subaccounts in the Company's books of account or portions thereof, on a Dollar basis), and stating the Cost thereof;

(B) stating that all such property constitutes Property Additions;

(C) stating that such Property Additions are desirable for use in the conduct of the business of the Company;

(D) stating that such Property Additions, to the extent of the Cost or Fair Value to the Company thereof (whichever is less) to be made the basis of the authentication and delivery of such Securities, do not constitute Funded Property;

(E) stating, except as to Property Additions acquired, made or constructed wholly through the delivery of securities or other property, that the amount of cash forming all or part of the Cost thereof was equal to or more than an amount to be stated therein;

(F) briefly describing, with respect to any Property Additions acquired, made or constructed in whole or in part through the delivery of securities or other property, the securities or other property so delivered and stating the date of such delivery;

(G) stating what part, if any, of such Property Additions includes property which within six months prior to the date of acquisition thereof by the Company had been used or operated by others than the Company in a business similar to that in which it has been or is to be used or operated by the Company and stating whether or not, in the judgment of the signers, the Fair Value thereof to the Company, as of the date of such certificate, is less than Twenty-five Thousand Dollars ($25,000) and whether or not such Fair Value is less than one per centum (1%) of the

sum of (x) the aggregate principal amount of Securities then Outstanding and (y) the aggregate principal amount of Class A Bonds then Outstanding other than Class A Bonds delivered to and then held by the Trustee pursuant to Sections 402 and 701;

(H) stating, in the judgment of the signers, the Fair Value to the Company, as of the date of such certificate, of such Property Additions, except any thereof with respect to the Fair Value to the Company of which a statement is to be made in an Independent Expert's Certificate pursuant to clause (iii) below;

(I) stating the amount required to be deducted under Section 104(b)(i) and the amount elected to be added Under clauses (A), (B) and (C) of Section 104(b)(ii) in respect of Funded Property retired of the Company; and

(J) stating that the Liens, if any, of the character described in clause (d) of the definition of Permitted Liens to which any property included in such Property Additions is subject do not, in the judgment of the signers, materially impair the use by the Company of the Mortgaged Property considered as a whole for the purposes for which it is held by the Company;

(iii) in case any Property Additions are shown by the Expert's Certificate provided for in clause (ii) above to include property which, within six months prior to the date of acquisition thereof by the Company, had been used or operated by others than the Company in a business similar to that in which it has been or is to be used or operated by the Company and such certificate does not show the Fair Value thereof to the Company, as of the date of such certificate, to be less than Twenty-five Thousand Dollars ($25,000) or less than one per centum (1%) of the sum of (A) the aggregate principal amount of Securities then Outstanding and (B) the aggregate principal amount of Class A Bonds then Outstanding other than Class A Bonds delivered to and then held by the Trustee pursuant to Sections 402 and 701, an Independent Expert's Certificate stating, in the judgment of the signer, the Fair Value to the Company, as of the date of such Independent Expert's Certificate, of (X) such Property Additions which have been so used or operated and (at the option of the Company) as to any other Property Additions included in the Expert's Certificate provided for in clause (ii) above and (Y) in case such Independent Expert's Certificate is being delivered in connection with the authentication and delivery of Securities, any property so used or operated which has been subjected to the Lien of this Indenture since the commencement of the then current calendar year as the basis for the authentication and delivery of Securities and as to which an Independent Expert's Certificate has not previously been furnished to the Trustee;

(iv) in case any Property Additions are shown by the Expert's Certificate provided for in clause (ii) above to have been acquired, made or

constructed in whole or in part through the delivery of securities or other property, an Expert's Certificate stating, in the judgment of the signers, the fair market value in cash of such securities or other property at the time of delivery thereof in payment for or for the acquisition of such Property Additions;

(v) an Opinion of Counsel to the effect that:

(A) this Indenture constitutes an effective Lien on all the Property Additions to be made the basis of the authentication and delivery of such Securities, and the Lien of this Indenture on such Property Additions is, or upon the delivery of, and/or the filing and/or recording in the proper places and manner of, the instruments of conveyance, assignment or transfer, if any, specified in said opinion, will be, subject to no Lien thereon prior to the Lien of this Indenture except Permitted Liens; and

(B) the Company has corporate authority to operate such Property Additions; and

(vi) copies of the instruments of conveyance, assignment and transfer, if any, specified in the Opinion of Counsel provided for in clause (v) above.

SECTION 404. Issuance of Securities on the Basis of Retired Securities.

(a) Subject to the provisions of subsection (c) of this Section, Securities of any one or more series may be authenticated and delivered on the basis of, and in an aggregate principal amount not exceeding the aggregate principal amount of, Retired Securities.

(b) Securities of any series shall be authenticated and delivered by the Trustee on the basis of Retired Securities upon receipt by the Trustee of:

(i) the documents with respect to the Securities of such series specified in Section 401; provided, however, that no Net Earnings Certificate shall be required to be delivered; and

(ii) an Officer's Certificate stating that:

(A) Retired Securities, specified by series, in an aggregate principal amount not less than the aggregate principal amount of Securities to be authenticated and delivered, have theretofore been authenticated and delivered and, as of the date of such Officer's Certificate, constitute Retired Securities and are the basis for the authentication and delivery of such Securities; and

(B) either (1) such Retired Securities were not authenticated and delivered on the basis of Class A Bonds pursuant to Section 402 or (2) if such Retired Securities were so authenticated and delivered on the basis of Class A Bonds, such Retired Securities did not become such before the

satisfaction and discharge of the Class A Mortgage under which such Class A. Bonds were issued pursuant to the provisions thereof.

SECTION 405. Issuance of Securities on the Basis of Deposit of Cash.

(a) Securities of any one or more series may be authenticated and delivered on the basis of, and in an aggregate principal not exceeding the amount of, any deposit with the Trustee of cash for such purpose.

(b) Securities of any series shall be authenticated and delivered by the Trustee on the basis of the deposit of cash when the Trustee shall have received, in addition to such deposit, the documents with respect to the Securities of such series specified in Section 401.

(c) All cash deposited with the Trustee under the provisions of this Section, and all cash required by Section 702 (a) to be applied in accordance with the provisions of this Section, shall be held by the Trustee as a part of the Mortgaged Property and may be withdrawn from time to time by the Company, upon application of the Company to the Trustee, in an amount equal to the aggregate principal amount of Securities to the authentication and delivery of which the Company shall be entitled under any of the provisions of this Indenture by virtue of compliance with all applicable provisions of this Indenture (except as hereinafter in this subsection (c) otherwise provided).

Upon any such application for withdrawal, the Company shall comply with all applicable provisions of this Indenture relating to the authentication and delivery of Securities except that the Company shall not in any event be required to deliver the documents specified in Section 401.

Any withdrawal of cash under this subsection (c) shall operate as a waiver by the Company of its right to the authentication and delivery of the Securities on which it is based and such Securities may not thereafter be authenticated and delivered hereunder. Any Property Additions which have been made the basis of any such right to the authentication and delivery of Securities so waived shall have the status of Funded Property and shall be deemed to have been made the basis of the withdrawal of such cash; any Retired Securities which have been made the basis of any such right to the authentication and delivery of Securities so waived shall be deemed to have been made the basis of the withdrawal of such cash; and any Class A Bonds which have been made the basis of any such right to the authentication and delivery of Securities so waived shall be deemed to have been made the basis of the withdrawal of such cash.

(d) If at any time the Company shall so direct, any sums deposited with the Trustee under the provisions of this Section may be used or applied to the purchase, redemption or payment of Securities in the manner and subject to the conditions provided in clauses (d) and (e) of Section 806; provided, however, that, none of such cash shall be applied to the payment of more than the principal amount of any Securities so purchased, redeemed or paid, except to the extent that the aggregate principal amount of all Securities theretofore, and of all Securities then to be, purchased, redeemed and/or paid with cash deposited under this Section is not less than the aggregate cost for principal, premium, if any, interest, if any, and brokerage commission, if any,

on or with respect to all Securities theretofore, and on or with respect to all Securities then to be, purchased, redeemed and/or paid with cash so deposited.

ARTICLE FIVE

Redemption of Securities

SECTION 501. Applicability of Article.

Securities of any series, or any Tranche thereof, which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 301 for Securities of such series or Tranche) in accordance with this Article.

SECTION 502. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Securities shall be evidenced by a Board Resolution or an Officer's Certificate. The Company shall, at least forty-five (45) days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date and of the principal amount of such Securities to be redeemed. In the case of any redemption of Securities (a) prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture or (b) pursuant to an election of the Company which is subject to a condition specified in the terms of such Securities, the Company shall furnish the Trustee with an Officer's Certificate evidencing compliance with such restriction or condition.

SECTION 503. Selection of Securities to Be Redeemed.

If less than all the Securities of any series, or any Tranche thereof, are to be redeemed, the particular Securities to be redeemed shall be selected by the Security Registrar from the Outstanding Securities of such series or Tranche not previously called for redemption, by such method as shall be provided for any particular series, or, in the absence of any such provision, by such method of random selection as the Security Registrar shall deem fair and appropriate and which may, in any case, provide for the selection for redemption of portions (equal to the minimum authorized denomination for Securities of such series or Tranche or any integral multiple thereof) of the principal amount of Securities of such series or Tranche of a denomination larger than the minimum authorized denomination for Securities of such series or Tranche; provided, however, that if, as indicated in an Officer's Certificate, the Company shall have offered to purchase all or any principal amount of the Securities then Outstanding of any series, or any Tranche thereof, and less than all of such Securities as to which such offer was made shall have been tendered to the Company for such purchase, the Security Registrar, if so directed by Company Order, shall select for redemption all or any principal amount of such Securities which have not been so tendered.

The Security Registrar shall promptly notify the Company and the Trustee in writing of the Securities selected for redemption and, in the case of any Securities selected to be redeemed in part, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

SECTION 504. Notice of Redemption.

Notice of redemption shall be given in the manner provided in Section 109 to the Holders of the Securities to be redeemed not less than 30 nor more than 60 days prior to the Redemption Date.

All notices of redemption shall state:

(a) the Redemption Date,

(b) the Redemption Price,

(c) if less than all the Securities of any series or Tranche are to be redeemed, the identification of the particular Securities to be redeemed and the portion of the principal amount of any Security to be redeemed in part,

(d) that on the Redemption Date the Redemption Price, together with accrued interest, if any, to the Redemption Date, will become due and payable upon each such Security to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date,

(e) the place or places where such Securities are to be surrendered for payment of the Redemption Price and accrued interest, if any, unless it shall have been specified as contemplated by Section 301 with respect to such Securities that such surrender shall not be required;

(f) that the redemption is for a sinking or other fund, if such is the case,

(g) such other matters as the Company shall deem desirable or appropriate.

With respect to any notice of redemption of Securities at the election of the Company, unless, upon the giving of such notice, such Securities shall be deemed to have been paid in accordance with Section 901, such notice may state that such redemption shall be conditional upon the receipt by the Paying Agent or Agents for such Securities, on or prior to the date fixed for such redemption, of money sufficient to pay the principal of and premium, if any, and interest, if any, on such Securities and that if such money shall not have been so received such notice shall be of no force or effect and the Company shall not be required to redeem such Securities. In the event that such notice of redemption contains such a condition and such money is not so received, the redemption shall not be made and within a reasonable time thereafter notice shall be given, in the manner in which the notice of redemption was given, that such money was not so received and such redemption was not required to be made, and the Paying

Agent or Agents for the Securities otherwise to have been redeemed shall promptly return to the Holders thereof any of such Securities which had been surrendered for payment upon such redemption.

Notice of redemption of Securities to be redeemed at the election of the Company, and any notice of non-satisfaction of a condition for redemption as aforesaid, shall be given by the Company or, at the Company's request, by the Security Registrar in the name and at the expense of the Company. Notice of mandatory redemption of Securities shall be given by the Security Registrar in the name and at the expense of the Company.

SECTION 505. Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, and the conditions, if any, set forth in such notice having been satisfied, the Securities or portions thereof so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless, in the case of an unconditional notice of redemption, the Company shall default in the payment of the Redemption Price and accrued interest, if any) such Securities or portions thereof, if interest-bearing, shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with such notice, such Security or portion thereof shall be paid by the Company at the Redemption Price, together with accrued interest, if any, to the Redemption Date; provided, however, that no such surrender shall be a condition to such payment if so specified as contemplated by Section 301 with respect to such Security; and provided, further, that, except as otherwise specified as contemplated by Section 301 with respect to such Security, any installment of interest on any Security the Stated. Maturity of which is on or prior to the Redemption Date shall be payable to the Holder of such Security, or one or more Predecessor Securities, registered as such at the close of business on the related Regular Record Date according to the terms of such Security and subject to the provisions of Section 307.

SECTION 506. Securities Redeemed in Part.

Upon the surrender of any Security which is to be redeemed only in part at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge, a new Security or Securities of the same series and Tranche, of any authorized denomination requested by such Holder and of like tenor and in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

ARTICLE SIX

Covenants

SECTION 601. Payment of Securities; Lawful Possession; Maintenance of Lien.

(a) The Company shall pay the principal of and premium, if any, and interest, if any, on the Securities of each series in accordance with the terms of such Securities and this Indenture.

(b) At the date of the execution and delivery of this Indenture, the Company is lawfully possessed of the Mortgaged Property and has good right and lawful authority to mortgage and pledge the Mortgaged Property.

(c) The Company shall maintain and preserve the Lien of this Indenture so long as any Securities shall remain Outstanding.

SECTION 602. Maintenance of Office or Agency.

The Company shall maintain in each Place of Payment for the Securities of each series, or any Tranche thereof, an office or agency where payment of such Securities shall be made, where the registration of transfer or exchange of such Securities may be effected and where notices and demands to or upon the Company in respect of such Securities and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of each such office or agency and prompt notice to the Holders of any such change in the manner specified in Section 109. If at any time the Company shall fail to maintain any such required office or agency in respect of Securities of any series, or any Tranche thereof, or shall fail to furnish the Trustee with the address thereof, payment of such Securities shall be made, registration of transfer or exchange thereof may be effected and notices and demands in respect thereof may be served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent for all such purposes in any such event.

The Company may also from time to time designate one or more other offices or agencies with respect to the Securities of one or more series, or any Tranche thereof, for any or all of the foregoing purposes and may from time to time rescind such designations; provided, however, that, unless otherwise specified as contemplated by Section 301 with respect to the Securities of such series or Tranche, no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency for such purposes in each Place of Payment for such Securities in accordance with the requirements set forth above. The Company shall give prompt written notice to the Trustee, and prompt notice to the Holders in the manner specified in Section 109, of any such designation or rescission and of any change in the location of any such other office or agency.

Anything herein to the contrary notwithstanding, any office or agency required by this Section may be maintained at an office of the Company, in which event the Company shall perform all functions to be performed at such office or agency.

SECTION 603. Money for Securities Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent with respect to the Securities of any series, or any Tranche thereof, it shall, on or before each due date of the principal of and premium, if any, and interest, if any, on any of such Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal and premium or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided. The Company shall promptly notify the Trustee of any failure by the Company (or any other obligor on such Securities) to make any payment of principal of or premium, if any, or interest, if any, on such Securities.

Whenever the Company shall have one or more Paying Agents for the Securities of any series, or any Tranche thereof, it shall, on or before each due date of the principal of and premium, if any, and interest, if any, on such Securities, deposit with such. Paying Agents sums sufficient (without duplication) to pay the principal and premium or interest so becoming due, such sums to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company shall promptly notify the Trustee of any failure by it so to act.

The Company shall cause each Paying Agent for the Securities of any series, or any Tranche thereof, other than the Company or the Trustee, to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent shall:

(a) hold all sums held by it for the payment of the principal of and premium, if any, or interest, if any, on such Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(b) give the Trustee notice of any failure by the Company (or any other obligor upon such Securities) to make any payment of principal of or premium, if any, or interest, if any, on such Securities; and

(c) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent and furnish to the Trustee such information as it possesses regarding the names and addresses of the Persons entitled to such sums.

The Company may at any time pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent and, if so stated in a Company Order delivered to the Trustee, in accordance with the provisions of Article Nine; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be release] from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of and premium, if any, or interest, if any, on

any Security and remaining unclaimed for two years after such principal and premium, if any, or interest, if any, has become due and payable shall be paid to the Company on Company Request, or, if then held by the Company, shall be discharged from such trust; and, upon such payment or discharge, the Holder of such Security shall, as an unsecured general creditor and not as the Holder of an Outstanding Security, look only to the Company for payment of the amount so due and payable and remaining unpaid, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such payment to the Company, may at the expense of the Company cause to be mailed, on one occasion only, notice to such Holder that such money remains unclaimed and that, after a date specified therein, which shall not be less than thirty (30) days from the date of such mailing, any unclaimed balance of such money then remaining will be paid to the Company.

SECTION 604. Corporate Existence.

Subject to the rights of the Company under Article Thirteen, the Company shall do or cause to be done all things necessary to preserve and keep its corporate existence in full force and effect.

SECTION 605. Maintenance of Properties.

The Company shall cause (or, with respect to property owned in common with others, make reasonable effort to cause) the Mortgaged Property, as an operating system or systems, to be maintained and kept in good condition, repair and working order and shall cause (or, with respect to property owned in common with others, make reasonable effort to cause) to be made such repairs, renewals, replacements, betterments and improvements thereof, as, in the judgment of the Company, may be necessary in order that the operation of the Mortgaged Property, considered as an operating system or systems, may be conducted in accordance with common industry practice; provided, however, that nothing in this Section shall prevent the Company from discontinuing, or causing the discontinuance of, the operation and maintenance of any of its properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business.

SECTION 606. Payment of Taxes; Discharge of Liens.

The Company shall pay all taxes and assessments and other governmental charges lawfully levied or assessed upon the Mortgaged Property, or upon any part thereof, or upon the interest of the Trustee in the Mortgaged Property, before the same shall become delinquent, and shall make reasonable effort to observe and conform in all material respects to all valid requirements of any Governmental Authority relative to any of the Mortgaged Property and all covenants, terms and conditions upon or under which any of the Mortgaged Property is held; and the Company shall not suffer any Lien to be hereafter created upon the Mortgaged Property, or any part thereof, prior to the Lien hereof, other than Permitted Liens and other than, in the case of property hereafter acquired, purchase money Liens and any other Liens existing or placed thereon at the time of the acquisition thereof (including, but not limited to, the Lien of any Class A Mortgage); provided, however, that nothing in this Section contained shall require the Company (i) to observe or conform to any requirement of Governmental Authority or to cause to

be paid or discharged, or to make provision for, any such Lien, or to pay any such tax, assessment or governmental charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings, (ii) to pay, discharge or make provisions for any tax, assessment or other governmental charge, the validity of which shall not be so contested if adequate security for the payment of such tax, assessment or other governmental charge and for any penalties or interest which may reasonably be anticipated from failure to pay the same shall be given to the Trustee or (iii) to pay, discharge or make provisions for any Liens existing on the Mortgaged Property at the date of execution and delivery of this Indenture.

SECTION 607. Insurance.

(a) The Company shall (i) keep or cause to be kept all the property subject to the Lien of this Indenture insured against loss by fire, to the extent that property of similar character is usually so insured by companies similarly situated and operating like properties, to a reasonable amount, by reputable insurance companies, the proceeds of such insurance (except as to any loss of materials and supplies and except as to any particular loss less than (A) Ten Million Dollars ($10,000,000) or, if greater, (B) three per centum (3%) of the sum of (1) the principal amount of Securities Outstanding on the date of such particular loss and (2) the principal amount of the Class A Bonds Outstanding on the date of such particular loss, other than Class A Bonds delivered to and held by the Trustee hereunder) to be made payable, subject to applicable law, to the Trustee as the interest of the Trustee may appear, to the trustee of a Class A Mortgage, or to the trustee or other holder of any other Lien prior hereto upon property subject to the Lien hereof, if the terms thereof require such payment or (ii) in lieu of or supplementing such insurance in whole or in part, adopt some other method or plan of protection against loss by fire at least equal in protection to the method or plan of protection against loss by fire of companies similarly situated and operating properties subject to similar fire hazards or properties on which an equal primary fire insurance rate has been set by reputable insurance companies; and if the Company shall adopt such other method or plan of protection, it shall, subject to applicable law (and except as to any loss of materials and supplies and except as to any particular loss less than (X) Ten Million Dollars ($10,000,000) or, if greater, (Y) three per centum (3%) of the sum of (1) the principal amount of Securities Outstanding on the date of such particular loss and (2) the principal amount of the Class A Bonds Outstanding on the date of such particular loss, other than Class A Bonds delivered to and held by the Trustee pursuant to Sections 402 and 701) pay to the Trustee on account of any loss covered by such method or plan an amount in cash equal to the amount of such loss less any amounts otherwise paid to the Trustee, to the trustee of a Class A Mortgage, or to the trustee or other holder of any other Lien prior hereto upon property subject to the Lien hereof, if the terms thereof require such payment. Any cash so required to be paid by the Company pursuant to any such method or plan shall for the purposes of this Indenture be deemed to be proceeds of insurance. In case of the adoption of such other method or plan of protection, the Company shall also furnish to the Trustee a certificate of an actuary or other qualified person appointed by the Company with respect to the adequacy of such method or plan.

Anything herein to the contrary notwithstanding, the Company may have fire insurance policies with (i) a deductible provision in a dollar amount per occurrence not exceeding (A) Ten Million Dollars ($10,000,000) or, if greater, (B) three per centum (3%) of the sum of (1) the principal amount of the Securities Outstanding on the date such policy goes into

effect and (2) the principal amount of the Class A Bonds Outstanding on the date such policy goes into effect, other than Class A Bonds delivered to and held by the Trustee pursuant to Sections 402 and 701, and/or (ii) co-insurance or self insurance provisions with a dollar amount per occurrence not exceeding thirty per centum (30%) of the loss proceeds otherwise payable; provided, however, that the dollar amount described in clause (i) above may be exceeded to the extent such dollar amount per occurrence is below the deductible amount in effect as to fire insurance (X) on property of similar character insured by companies similarly situated and operating like property or (Y) on property as to which an equal primary fire insurance rate has been set by reputable insurance companies.

(b) All moneys paid to the Trustee by the Company in accordance with this Section or received by the Trustee as proceeds of any insurance, in either case on account of a loss on or with respect to Funded Property, shall, subject to the requirements of any Class A Mortgage or other Lien prior hereto upon property subject to the Lien hereof, be held by the Trustee and, subject as aforesaid, shall be paid by it to the Company to reimburse the Company for an equal amount expended or committed for expenditure in the rebuilding, renewal and/or replacement of the property destroyed or damaged, upon receipt by the Trustee of:

(i) a Company Request requesting such payment,

(ii) an Expert's Certificate stating the amounts so expended or committed for expenditure and the nature of such rebuilding, renewal and/or replacement and the Fair Value to the Company of the property rebuilt or renewed or to be rebuilt or renewed, and/or of the replacement property, and if

(A) within six months prior to the date of acquisition thereof by the Company, such property has been used or operated, by a person or persons other than the Company, in a business similar to that in which it has been or is to be used or operated by the Company, and

(B) the Fair Value to the Company of such property as set forth in such Expert's Certificate is not less than Twenty-five Thousand Dollars ($25,000) and not less than one per centum (1%) of the sum of (x) the principal amount of the Securities at the time Outstanding and (y) the principal amount of Class A Bonds Outstanding at the time, other than Class A Bonds delivered to and held by the Trustee pursuant to Sections 402 and 701,

the Expert making such certificate shall be an Independent Expert, and

(iii) an Opinion of Counsel stating that, in the opinion of the signer, the property so rebuilt or renewed or to be rebuilt or renewed, and/or the replacement property, is or will be subject to the Lien hereof to the same extent as was the property so destroyed or damaged.

Any such money not so applied within thirty-six (36) months after its receipt by the Trustee, or in respect of which notice in writing of intention to apply the same to the work of rebuilding or renewal then in progress and uncompleted shall not have been given to the Trustee

by the Company within such thirty-six (36) months, or which the Company shall at any time notify the Trustee is not to be so applied, shall thereafter be withdrawn, used or applied in the manner, to the extent and for the purposes, and subject to the conditions, provided in Section 806.

Anything in this Indenture to the contrary notwithstanding, if property on or with respect to which a loss occurs constitutes Funded Property in part only, the Company may, at its election, obtain the reimbursement of insurance proceeds attributable to the part of such property which constitutes Funded Property under this subsection (b) and obtain the reimbursement of insurance proceeds attributable to the part of such property which does not constitute Funded Property under subsection (c) of this Section 607.

(c) All moneys paid to the Trustee by the Company in accordance with this Section or received by the Trustee as proceeds of any insurance, in either case on account of a loss on or with respect to property which does not constitute Funded Property, shall, subject to the requirements of any Class A Mortgage or other Lien prior hereto upon property subject to the Lien hereof, be held by the Trustee and, subject as aforesaid, shall be paid by it to the Company upon receipt by the Trustee of:

(i) a Company Request requesting such payment;

(ii) an Expert's Certificate stating:

(A) that such moneys were paid to or received by the Trustee on account of a loss on or with respect to property which dins not constitute Funded Property; and

(B) if true, either (I) that the aggregate amount of the Cost or Fair Value to the Company (whichever is less) of all Property Additions which do not constitute Funded Property (excluding, to the extent of such loss, the property on or with respect to which such loss was incurred), after making deductions therefrom and additions thereto of the character contemplated by Section 104, is not less than zero or (II) that the amount of such loss does not exceed the aggregate Cost or Fair Value to the Company (whichever is less) of Property Additions acquired, made or constructed on or after the ninetieth (90th) day prior to the date of the Company Request requesting such payment; or

(C) if neither of the statements contemplated in subclause (B) above can be made, the amount by which zero exceeds the amount referred to in subclause (B)(I) above (showing in reasonable detail the calculation thereof); and

(iii) if the Expert's Certificate required by clause (ii) above contains neither of the statements contemplated in clause (ii)(B) above, an amount in cash, to be held by the Trustee as part of the Mortgaged Property, equal to the amount shown in clause (ii)(C) above.

To the extent that the Company shall be entitled to withdraw proceeds of insurance pursuant to this subsection (c), such proceeds shall be deemed not to constitute Funded Cash.

(d) Whenever under the provisions of this Section the Company is required to deliver moneys to the Trustee and at the same time shall have satisfied the conditions set forth herein for payment of moneys to the Trustee, there shall be paid to or retained by the Trustee or paid to the Company, as the case may be, only the net amount.

SECTION 608. Recording, Filing, etc.

The Company shall cause this Indenture and all indentures and instruments supplemental hereto (or notices, memoranda or financing statements as may be recorded or filed to place third parties on notice thereof) to be promptly recorded and filed and re-recorded and re-filed in such manner and in such places, as may be required by law in order fully to preserve and protect the security of the Holders of the Securities and all rights of the Trustee, and shall furnish to the Trustee:

(a) promptly after the execution and delivery of this Indenture and of each supplemental indenture, an Opinion of Counsel either stating that in the opinion of such counsel this Indenture or such supplemental indenture (or notice, memorandum or financing statement in connection therewith) has been properly recorded and filed, so as to make effective the Lien intended to be created hereby or thereby, and reciting the details of such action, or stating that in the opinion of such counsel no such action is necessary to make such Lien effective. The Company shall be deemed to be in compliance with this subsection (a) if (i) the Opinion of Counsel herein required to be delivered to the Trustee shall state that this Indenture or such supplemental indenture (or notice, memorandum or financing statement in connection therewith) has been received for record or filing in each jurisdiction in which it is required to be recorded or filed and that, in the opinion of counsel (if such is the case), such receipt for record or filing makes effective the Lien intended to be created by this Indenture or such supplemental indenture, and (ii) such opinion is delivered to the Trustee within such time, following the date of the execution and delivery of this Indenture or such supplemental indenture, as shall be practicable having due regard to the number and distance of the jurisdictions in which this Indenture or such supplemental indenture is required to be recorded or filed; and

(b) on or before June 1 of each year, beginning June 1, 1994, an Opinion of Counsel stating either (i) that in the opinion of the signer such action has been taken, since the date of the most recent Opinion of Counsel furnished pursuant to this. subsection (b) or the first Opinion of Counsel furnished pursuant to subsection (a) of this Section, with respect to the recording, filing, re-recording, and re-filing of this instrument and of each indenture supplemental to this Indenture (or notice, memorandum or financing statement in connection therewith), as is necessary to maintain the Lien hereof, and reciting the details of

such action, or (ii) that in the opinion of such counsel no such action is necessary to maintain such Lien.

The Company shall execute and, deliver such supplemental indenture or indentures and such further instruments and do such further acts as may be necessary or proper to carry out the purposes of this Indenture and to make subject to the Lien hereof any property hereafter acquired, made or constructed, intended to be subject to the Lien hereof, and to transfer to any new trustee or trustees or co-trustee or co-trustees, the estate, powers, instruments or funds held in trust hereunder.

SECTION 609. Waiver of Certain Covenants.

The Company may omit in any particular instance to comply with any term, provision or condition set forth in (a) Section 602 or any additional covenant or restriction specified with respect to the Securities of any series, or any Tranche thereof, as contemplated by Section 301 if before the time for such compliance the Holders of at least a majority in aggregate principal amount of the Outstanding Securities of all series and Tranches with respect to which compliance with Section 602 or such additional covenant or restriction is to be omitted, considered as one class, shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition and (b) Section 604, 605, 606, 607 or 608 or Article Thirteen if before the time for such compliance the Holders of at least a majority in principal amount of Securities Outstanding under this Indenture shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition; but, in either case, no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

SECTION 610. Annual Officer's Certificate as to Compliance.

Not later than June 1 in each year, commencing June 1, 1994, the Company shall deliver to the Trustee an Officer's Certificate which need not comply with Section 105, executed by the principal executive officer, the principal financial officer or the principal accounting officer of the Company, as to such officer's knowledge of the Company's compliance with all conditions and covenants under this Indenture, such compliance to be determined without regard to any period of grace or requirement of notice under this Indenture.

ARTICLE SEVEN

Class A Bonds; Additional Class A Mortgages; Discharge of Class A Mortgage

SECTION 701. Registration and Ownership of Class A Bonds.

Class A Bonds issued and delivered to the Trustee pursuant to Section 402 shall be registered in the name of the Trustee or its nominee and shall be owned and held by the Trustee, subject to the provisions of this Indenture, for the benefit of the Holders of all Securities

from time to time Outstanding, and the Company shall have no interest therein. The Trustee shall be entitled to exercise all rights of securityholders under each Class A Mortgage either in its discretion or as otherwise provided in this Article or in Article Ten.

SECTION 702. Payments on Class A Bonds.

(a) Any payment by the Company of principal of or premium or interest on any Class A Bonds held by the Trustee shall be applied by the Trustee to the payment of any principal, premium or interest, as the case may be, in respect of the Securities which is then due, and, to the extent of such application, the obligation of the Company hereunder to make such payment in respect of the Securities shall be deemed to have been satisfied and discharged.

If, at the time of any such payment of principal of Class A Bonds, there shall be no principal then due in respect of the Securities, such payment in respect of the Class A Bonds shall be deemed to constitute Funded Cash and shall be held by the Trustee as part of the Mortgaged Property, to be withdrawn, used or applied in the manner, to the extent and for the purposes, and subject to the conditions, provided in Section 405(c); and thereafter the Securities authenticated and delivered on the basis of such Class A Bonds shall, to the extent of such payment of principal, be deemed to have been authenticated and delivered on the basis of the deposit of cash.

If, at the time of any such payment of premium or interest on Class A Bonds, there shall be no premium or interest, as the case may be, then due in respect of the Securities, such payment in respect of the Class A Bonds shall be remitted to the Company upon receipt by the Trustee of a Company Order requesting the same, together with an Officer's Certificate stating that no Event of Default has occurred and is continuing; provided, however, that, if an Event of Default shall have occurred and be continuing, such proceeds shall be held as part of the Mortgaged Property until such Event of Default shall have been cured or waived.

(b) Any payment by the Company hereunder of principal of or premium or interest on Securities which shall have been authenticated and delivered upon the basis of the issuance and delivery to the Trustee of Class A Bonds (other than by the application of the proceeds of a payment in respect of such Class A Bonds) shall, to the extent thereof, be deemed, for all purposes of this Indenture, to satisfy and discharge the obligation of the Company, if any, to make a payment of principal, premium or interest, as the case may be, in respect of such Class A Bonds which is then due.

SECTION 703. Surrender of Class A Bonds.

At the time any Securities which shall have been authenticated and delivered on the basis of the issuance and delivery to the Trustee of Class A Bonds cease to be Outstanding (other than as a result of the application of the proceeds of the payment or redemption of such Class A Bonds), the Trustee shall surrender to, or upon the order of, the Company an equal principal amount of such Class A Bonds.

SECTION 704. No Transfer of Class A Bonds.

Anything in this Indenture to the contrary notwithstanding, the Trustee shall not sell, assign or otherwise transfer any Class A Bonds issued and delivered to it pursuant to Section 402 except to a successor trustee under this Indenture. The Company may take such actions as it shall deem necessary, desirable or appropriate to effect compliance with such restrictions on transfer, including the placing of a legend on each Class A Bond and the issuance of stop-transfer instructions to the trustee under the related Class A Mortgage or any other transfer agent thereunder.

SECTION 705. Voting of Class A Bonds.

The Trustee shall, as the holder of Class A Bonds Outstanding under each Class A Mortgage, attend such meeting or meetings of bondholders under such Class A Mortgage or, at its option, deliver its proxy in connection therewith, as relate to matters with respect to which it is entitled to vote or consent. So long as no Event of Default hereunder shall have occurred and be continuing, either at any such meeting or meetings, or otherwise when the consent of the holders of the Class A Bonds Outstanding under any Class A Mortgage is sought without a meeting, the Trustee shall vote as holder of such Class A Bonds, or shall consent with respect thereto, as follows:

(a) the Trustee shall vote all Class A Bonds Outstanding under the PSCO 1939 Mortgage then held by it, or consent with respect thereto, in favor of any or all amendments or modifications of the PSCO 1939 Mortgage of substantially the same tenor and effect as any or all of those set forth in Exhibit B to this Indenture; and

(b) with respect to any other amendments or modifications of the PSCO 1939 Mortgage and to any amendments or modifications of any other Class A Mortgage, the Trustee shall vote all Class A Bonds Outstanding under such Class A Mortgage then held by it, or consent with respect thereto, proportionately with the vote or consent of the holders of all other Class A Bonds Outstanding under such Class A Mortgage the holders of which are eligible to vote or consent, as indicated in a Class A Bondholder's Certificate delivered to the Trustee; provided, however, that the Trustee shall not so vote in favor of, or so consent to, any amendment or modification of a Class A Mortgage which, if it were an amendment or modification of this Indenture, would require the consent of Holders, without the prior consent, obtained in the manner prescribed in Section 1402, of Holders of Securities which would be required under said Section 1402 for such an amendment or modification of this Indenture.

For purposes of this Section, "Class A Bondholder's Certificate" means a certificate signed by the temporary chairman, the temporary secretary, the permanent chairman, the permanent secretary, or an inspector of votes at any meeting or meetings of bondholders under a Class A Mortgage, or by the trustee under such Class A Mortgage in the case of consents of such bondholders which are sought without a meeting, which states what the signer thereof reasonably believes will be the proportionate votes or consents of the holders of all Class A

Bonds (other than the Class A Bonds delivered to and held by the Trustee pursuant to Sections 402 and 701) outstanding under such Class A Mortgage and counted for the purposes of determining whether such bondholders have approved or consented to the matter put before them.

SECTION 706. Designation of Additional Class A Mortgages.

(a) In the event that, after the date of the execution and delivery of this Indenture, a corporation which was the mortgagor under a mortgage, deed of trust or similar indenture qualified under the Trust Indenture Act shall have merged into or consolidated with the Company, or shall have conveyed or otherwise transferred property to the Company subject to the Lien of such a mortgage, deed of trust or similar indenture and the Company shall have duly assumed and agreed to perform and pay all the obligations of the mortgagor thereunder, such mortgage, deed of trust or similar indenture may be designated an additional Class A Mortgage upon delivery to the Trustee of the following:

(i) a Company Order authorizing the designation of such mortgage, deed of trust or similar indenture as an additional Class A Mortgage;

(ii) an Officer's Certificate (A) stating that no event has occurred and is continuing which entitles the trustee under such mortgage, deed of trust or similar indenture to accelerate the maturity of the obligations outstanding thereunder, (B) reciting the aggregate principal amount of obligations theretofore issued under such mortgage, deed of trust or similar indenture and the aggregate principal amount of obligations then outstanding thereunder and (C) either (1) stating that all obligations then outstanding under such mortgage, deed of trust or similar indenture that were issued on the basis of property additions were issued in principal amounts that did not exceed seventy per centum (70%) of the balance of the cost or fair value of such property additions to the issuer thereof (whichever was less) after making deductions and additions similar to those provided for in Section 104 hereof or contemplated in Section 4 of Article I and subdivision (3) of Section 6 of Article III of the PSCO 1939 Mortgage, or (2) in the event that the statements contained in clause (1) above cannot be made, stating that the Company has irrevocably waived its right to the authentication and delivery of further obligations under such mortgage, deed of trust or similar indenture (I) on any basis, in a principal amount equal to the excess of (x) the aggregate principal amount of obligations then outstanding under such mortgage, deed of trust or similar indenture which were issued on the basis of property additions or on the basis of the retirement of obligations which were issued (whether directly or indirectly when considered in light of the successive issuance and retirement of obligations) on the basis of property additions over (y) an amount equal to seventy per centum (70%) of the aggregate dollar amount of property additions certified as the basis for the issuance of such obligations then outstanding and (II) on the basis of property additions, in a principal amount exceeding seventy per centum (70%) of the balance of the Cost or Fair Value to the Company thereof (whichever shall be less) after making deductions and. additions similar to those provided for in Section 104; and

(iii) an Opinion or Opinions of Counsel to the effect that (A) the corporation that was the mortgagor under such mortgage, deed of trust or similar indenture has been duly and lawfully merged into or consolidated with the Company or has duly and lawfully conveyed or otherwise transferred property to the Company; (B) such mortgage, deed of trust or similar indenture is qualified under the Trust Indenture Act; (C) the Company has duly assumed and agreed to perform and pay the obligations of the, mortgagor under such mortgage, deed of trust or similar indenture; (D) such mortgage, deed of trust or similar indenture constitutes a Lien upon the property described therein prior to the Lien of this Indenture; (E) this Indenture constitutes an effective Lien on the property described in such mortgage, deed of trust or similar indenture of the character described in Granting Clause First, and in any subsequent generic grant of unspecified property as contemplated in Granting Clause Third, acquired by the Company from such corporation by virtue of such merger, consolidation, conveyance or other transfer, and the Lien of this Indenture upon such property is, or upon the delivery of, and/or the filing and/or the recording in the proper places and manner of, the instruments of conveyance, assignment or transfer, if any, specified in such opinion, will be, subject to no Lien thereon prior to the Lien of this Indenture except the Lien of such mortgage, deed of trust or similar indenture, Permitted Liens, the Lien of the PSCO 1939 Mortgage and Liens of the character permitted to exist or to be hereafter created under Section 606; (F) the terms of such mortgage, deed of trust or similar indenture, as then in effect, do not permit the further issuance of obligations thereunder except on the basis of property additions of a character substantially similar to Property Additions, the retirement of outstanding obligations, the deposit of prior lien obligations or the deposit of cash; (G) either (1) such mortgage, deed of trust or similar indenture does not, by its terms, permit the further issuance of obligations thereunder upon the basis of property additions in a principal amount exceeding seventy per centum (70%) of the balance of the Cost or the Fair Value to the Company thereof (whichever shall be less) after making deductions and additions similar to those provided for in Section 104, or, if such is not the case, (2) that the waivers contemplated by clause (ii)(C)(2) above have been duly made; (H) in the case of a conveyance or other transfer to the Company of property subject to the Lien of such mortgage, deed of trust or similar indenture, no Person (other than the Company) has the right to issue or redeem obligations secured by, or to obtain the release of property from the Lien of, such mortgage, deed of trust or similar indenture; and (I) the indenture supplemental hereto referred to in clause (i) of subsection (b) of this Section complies with the requirements of said clause (i), and the indenture supplemental to such mortgage, deed of trust or similar indenture referred to in clause (ii) of subsection (b) of this Section complies with the requirements of said clause (ii).

(b) At such time as there shall have been executed and delivered and properly recorded and, filed:

(i) an indenture supplemental hereto (A) in which such mortgage, deed of trust or similar indenture has been designated as an additional Class A

Mortgage and (B) by which the Company has specifically imposed the Lien of this Indenture upon properties of the character described in Granting Clause First, and in any subsequent generic grant of unspecified property as contemplated in Granting Clause Third, acquired by the Company from such corporation by virtue of the merger, consolidation, conveyance or other transfer (and later improvements, extensions and additions thereto and renewals and replacements thereof) as contemplated by Section 1305(b) and

(ii) an indenture supplemental to such mortgage, deed of trust or similar indenture by which such mortgage, deed of trust or similar indenture has been amended to provide that a matured event of default thereunder shall include an Event of Default hereunder and/or a matured event of default under any other Class A Mortgage (other than any such matured event of default which (A) is of similar kind or character to the Event of Default described in clause (c) of Section 1001 and (B) has not resulted in the acceleration of Class A Bonds Outstanding under such Class A Mortgage); provided, however, that the waiver or cure of such Event of Default or matured event of default and the rescission and annulment of the consequences thereof shall constitute a waiver of the corresponding event of default under such mortgage, deed of trust or similar indenture and a rescission and annulment of the consequences thereof;

then such mortgage, deed of trust or similar indenture and all obligations issued and outstanding thereunder shall for all purposes hereof be treated as a Class A Mortgage and as Class A Bonds, respectively, to the full and same extent as if specifically identified in Article One.

SECTION 707. Discharge of Class A Mortgage.

The Trustee shall surrender for cancellation to the trustee under any Class A Mortgage all Class A Bonds then held by the Trustee issued under such Class A Mortgage upon receipt by the Trustee of:

(a) a Company Order requesting such surrender for cancellation of such Class A Bonds;

(b) an Officer's Certificate to the effect that no Class A Bonds are Outstanding under such Class A Mortgage other than Class A Bonds held by the Trustee hereunder and that promptly upon such surrender such Class A Mortgage will be satisfied and discharged pursuant to the terms thereof;

(c) an Expert's Certificate

(i) describing all property constituting Property Additions designated by the Company, in its discretion, to be deemed, on and after the date of such surrender for cancellation and for all purposes of this Indenture, to have been made the basis. of the authentication and delivery of all Securities then Outstanding which shall have been authenticated and delivered under Section 402 on the basis of Class A Bonds authenticated and delivered under such Class A Mortgage, such Property Additions to

have, in the aggregate, a Cost (or as to Property Additions of which the Fair Value to the Company specified pursuant to subclause (viii) or clause (d) below is less than the Cost thereof, then such Fair Value in lieu of Cost) not less than ten-sevenths (10/7) of the aggregate principal amount of such Securities (such description to be made by reference, at the election of the Company, either to specified items, units and/or elements of property or portions thereof, on a percentage or Dollar basis, or to properties or portions thereof reflected in specified accounts or subaccounts in the Company's books of account, on a Dollar basis), and stating the Cost thereof;

(ii) stating that all such property constitutes Property Additions;

(iii) stating that such Property Additions are desirable for use in the conduct of the business of the Company;

(iv) stating that such Property Additions, to the extent of the Cost (or as to Property Additions of which the Fair Value to the Company specified pursuant to subclause (viii) or clause (d) below is less than the Cost thereof, then such Fair Value in lieu of Cost) to the Company to be deemed to have been made the basis of the authentication and delivery of such Securities, do not constitute Funded Property;

(v) stating, except as to Property Additions acquired, made or constructed wholly through the delivery of securities or other property, that the amount of cash forming all or part of the Cost thereof was equal to or more than an amount to be stated therein;

(vi) briefly describing, with respect to any Property Additions acquired, made or constructed in whole or in part through the delivery of securities or other property, the securities or other property so delivered and stating the date of such delivery;

(vii) stating what part, if any, of such Property Additions included property which within six months prior to the date of acquisition thereof by the Company had been used or operated by others than the Company in a business similar to that in which it has been or is to be used or operated by the Company and stating whether or not, in the judgment of the signers, the Fair Value to the Company thereof, as of the date of such certificate, is less than Twenty-five Thousand Dollars ($25,000) and whether or not the Fair Value to the Company thereof, as of such date, is less than one per centum (1%) of the sum of (x) the aggregate principal amount of Securities then Outstanding and (y) the aggregate principal amount of Class A Bonds then Outstanding other than Class A Bonds delivered to and then held by the Trustee pursuant to Sections 402 and 701;

(viii) stating, in the judgment of the signers, the Fair Value to the Company, as of the date of such certificate, of such Property Additions, except any thereof with respect to the Fair Value to the Company of which a statement is to be made in an Independent Expert's Certificate pursuant to clause (d) below; provided, however, that if any such Property Additions shall have theretofore been certified to the trustee under such Class A Mortgage in connection with the authentication and delivery of Class A Bonds

(A) which are held by the Trustee as of the date of such certificate; or

(B) the retirement of which shall have theretofore been made the basis (whether directly or indirectly when considered in light of the issuance and retirement of successive issues of Class A Bonds) of the authentication and delivery of Class A Bonds then held by the Trustee,

then there may be stated, in lieu of the Fair Value to the Company of such Property Additions as of the date of such certificate, the Fair Value to the Company thereof as so certified to the trustee under such Class A Mortgage; and

(ix) stating that the Liens, if any, of the character described in clause (d) of the definition of Permitted Liens to which any property included in such Property Additions is subject do not, in the judgment of the signers, materially impair the use by the Company of the Mortgaged Property considered as a whole for the purposes for which it is held by the Company;

(d) in case any Property Additions are shown by the Expert's Certificate provided for in clause (c) above to include property which, within six months prior to the date of acquisition thereof by the Company, had been used or operated by others than the Company in a business similar to that in which it has been or is to be used or operated by the Company and such certificate does not show the Fair Value to the Company thereof, as of the date of such certificate, to be less than Twenty-five Thousand Dollars ($25,000) or less than one per centum (1%) of the sum of (i) the aggregate principal amount of Securities then Outstanding and (ii) the aggregate principal amount of Class A Bonds then Outstanding other than Class A Bonds delivered to and then held by the Trustee pursuant to Sections 402 and 701, an Independent Expert's Certificate stating, in the judgment of the signer, the Fair Value to the Company, as of the date of such Independent Expert's Certificate, of (x) such Property Additions which have been so used or operated and (at the option of the Company) as to any other Property Additions included in the Expert's Certificate provided for in clause (c) above and (y) any property so used or operated which has been subjected to the Lien of this Indenture since the commencement of the then current calendar year as the basis

for the authentication and delivery of Securities and as to which an Independent Expert's Certificate has not previously been furnished to the Trustee;

(e) in case any Property Additions are shown by the Expert's Certificate provided for in clause (c) above to have been acquired, made or constructed in whole or in part through the delivery of securities or other property, an Expert's Certificate stating, in the judgment of the signers, the fair market value in cash of such securities or other property at the time of delivery thereof in payment for or for the acquisition of such Property Additions;

(f) an Opinion of Counsel to the effect that:

(i) this Indenture constitutes an effective Lien on all the Property Additions to be deemed to have been made the basis of the authentication and delivery of Securities then Outstanding which shall have been authenticated and delivered under Section 402 on the basis of Class A Bonds authenticated and delivered under such Class A Mortgage, and the Lien of this Indenture on such Property Additions is, or upon (x) the delivery of, and/or the filing and/or recording in the, proper places and manner of, the instruments of conveyance, assignment or transfer, if any, specified in said opinion and/or (y) the satisfaction and discharge of such Class A Mortgage will be, subject to no Lien thereon prior to the Lien of this Indenture except Permitted Liens; and

(ii) the Company has corporate authority to operate such Property Additions;

(g) an Opinion of Counsel to the effect that upon satisfaction and discharge of such Class A Mortgage the Lien of this Indenture on the property formerly subject to the Lien of such Class A Mortgage, to the extent the same is part of the Mortgaged Property, will be subject to no Lien prior to the Lien of this Indenture except Permitted Liens and Liens of the character permitted to exist or to be hereafter created under Section 606; and

(h) copies of the instruments of conveyance, assignment and transfer, if any, specified in the Opinion of Counsel provided for in clause (f) above.

Upon the surrender by the Trustee of Class A Bonds as contemplated in this Section, the Securities authenticated and delivered on the basis of such Class A Bonds shall be deemed to have been authenticated and delivered upon the basis of Property Additions.

ARTICLE EIGHT

Possession, Use and Release of Mortgaged Property

SECTION 801. Quiet Enjoyment.

Unless one or more Events of Default shall have occurred and be continuing, the Company shall be permitted to possess, use and enjoy the Mortgaged Property (except, to the extent not herein otherwise provided, such cash and securities as are expressly required to be deposited with the Trustee).

SECTION 802. Dispositions without Release.

Unless an Event of Default shall have occurred and be continuing, the Company may at any time and from time to time, without any release or consent by, or report to, the Trustee:

(a) sell or otherwise dispose of, free from the Lien of this Indenture, any machinery, apparatus, equipment, frames, towers, poles, wire, pipe, cable, conduit, mains, tubes, drains, valves, tools, implements or furniture, or any other fixtures or personalty, then subject to the Lien hereof, which shall have become old, inadequate, obsolete, worn out, unfit, unadapted, unserviceable, undesirable or unnecessary for use in the operations of the Company upon replacing the same by, or substituting for the same, similar or analogous property, or other property performing a similar or analogous function or otherwise obviating the need therefor, having a Fair Value at least equal to that of the property sold or otherwise disposed of and subject to the Lien hereof, subject to no Liens prior hereto except Liens to which the property sold or otherwise disposed of was subject and Permitted Liens;

(b) cancel or make changes or alterations in or substitutions for any and all easements, servitudes, rights of way and similar rights and/or interests; and

(c) grant, free from the Lien of this Indenture, easements, ground leases or rights of way in, upon, over and/or across the property or rights of way of the Company for the purpose of roads, pipe lines, transmission lines, distribution lines, communication lines, railways, removal of coal or other minerals or timber, and other like purposes, or for the joint or common use of real property, rights of way, facilities and/or equipment; provided, however, that such grant shall not materially impair the use of the property or rights of way for the purposes for which such property or rights of way are held by the Company.

SECTION 803. Release of Funded Property.

Unless an Event of Default shall have occurred and be continuing, the Company may obtain the release of any part of the Mortgaged Property, or any interest therein, which constitutes Funded Property, except cash then held by the Trustee (provided, however, that obligations secured by purchase money Lien deposited with the Trustee shall not be released except as provided in

Section 806), and the Trustee shall release all its right, title and interest in and to the same from the Lien hereof, upon receipt by the Trustee of:

(a) a Company Order requesting the release of such property;

(b) an Officer's Certificate stating that, to the knowledge of the signer, no Event of Default has occurred and is continuing;

(c) an Expert's Certificate made and dated not more than ninety (90) days prior to the date of such Company Order:

(i) describing the property to be released;

(ii) stating the Fair Value, in the judgment of the signers, of the property to be released;

(iii) stating the Cost of the property to be released (or, if the Fair Value to the Company of such property at the time the same became Funded Property was less than the Cost thereof, then such Fair Value, in the judgment of the signers, in lieu of Cost);

(iv) stating that (except in any case where a Governmental Authority has ordered the Company to divest itself of such property) such release is, in the judgment of the signers, desirable in the conduct of business of the Company; and

(v) stating that, in the judgment of the signers, such release will not impair the security under this Indenture in contravention of the provisions hereof;

(d) an amount in cash to be held by the Trustee as part of the Mortgaged Property, equal to the amount, if any, by which the amount referred to in clause (c)(iii) above exceeds the aggregate of the following items:

(i) the aggregate principal amount, subject to the limitation stated below in this clause (d), of any obligations delivered to the Trustee, to be held as part of the Mortgaged Property, consisting of obligations secured by purchase money Lien upon the property to be released;

(ii) the Cost or Fair Value to the Company (whichever is less), after making any deductions and any additions pursuant to Section 104, of any Property Additions not constituting Funded Property described in an Expert's Certificate, dated not more than ninety (90) days prior to the date of the Company Order requesting such release and complying with Section 403(b)(ii), delivered to the Trustee; provided, however, that the deductions and additions contemplated by Section 104 shall not be required to be made if such Property Additions were acquired, made or

constructed on or after the ninetieth (90th) day preceding the date of such Company Order;

(iii) an amount equal to ten-sevenths (10/7) of the aggregate principal amount of Securities to the authentication and delivery of which the Company shall be entitled under the provisions of Section 404, by virtue of compliance with all applicable provisions of Section 404 (except as hereinafter in this Section otherwise provided); provided, however, that such release shall operate as a waiver by the Company of the right to the authentication and delivery of such Securities and, to such extent, no such Securities may thereafter be authenticated and delivered hereunder; and any Securities which were the basis of such right to the authentication and delivery of Securities so waived shall be deemed to have been made the basis of such release of property;

(iv) the aggregate principal amount, subject to the limitations stated below in this clause (d), of any obligations secured by purchase money Lien upon the property to be released and/or any amount in cash that, in either case, is evidenced to the Trustee by a certificate of the trustee or other holder of a Lien prior to the Lien of this Indenture to have been received by such trustee or other holder in accordance with the provisions of such Lien in consideration for the release of such property or any part thereof from such Lien;

(v) an amount equal to ten-sevenths (10/7) of the aggregate principal amount of any Outstanding Securities delivered to the Trustee; and

(vi) any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released;

provided, however, that (x) no obligations secured by purchase money Lien upon any property being released from the Lien hereof shall be used as a credit in connection with such release unless all obligations secured by such purchase money Lien shall be delivered to the Trustee or to the trustee or other holder of a Lien upon such property prior to the Lien of this Indenture; (y) the aggregate credit which may be used pursuant to subclause (i) and subclause (iv) of this clause (d) in respect of obligations secured by purchase money Lien upon property being released shall not exceed seventy per centum (70%) of the Fair Value of the property to be released, as specified in such Expert's Certificate; and (z) no obligations secured by purchase money Lien shall be used as a credit in connection with the release of property hereunder, if the aggregate credit in respect of such obligations to be used by the Company pursuant to subclause (i) and subclause (iv) of this clause (d) plus the aggregate credits used by the Company pursuant to said subclause (i) and subclause (iv) in connection with all previous releases of property from the Lien hereof on the basis of purchase money obligations theretofore delivered to and then held by the Trustee or the trustee or

other holder of a Lien prior to the Lien of this Indenture shall, immediately after the release then being applied for, exceed twenty-five per centum (25%) of the sum of (A) the aggregate principal amount of Securities then Outstanding and (B) the aggregate principal amount of Class A Bonds then Outstanding other than Class A Bonds delivered to and then held by the Trustee pursuant to Sections 402 and 701;

(e) if the release is on the basis of Property Additions or on the basis of the right to the authentication and delivery of Securities under Section 404, all documents contemplated by the next following full paragraph in this Section; and

(f) if any obligations secured by purchase money Lien upon the property to be released are included in the consideration for such release and are delivered to the Trustee or to the trustee or other holder of a Lien prior to the Lien of this Indenture in connection with such release, an Opinion of Counsel stating that, in the opinion of the signer, such obligations are valid obligations, entitled to the benefit of such Lien equally and ratably with all other obligations then secured thereby, and that the purchase money Lien securing the same constitutes a valid Lien upon the property to be released, subject to no Lien prior thereto except Permitted Liens and such Liens, if any, as shall have existed thereon immediately prior to such release as Liens prior to the Lien of this Indenture.

If and to the extent that the release of property is, in whole or in part, based upon Property Additions (as permitted under the provisions of clause (d)(ii) of this Section), the Company shall, subject to the provisions of said clause (d)(ii) and except as hereafter in this paragraph provided, comply with all applicable provisions of this Indenture as if such Property Additions were to be made the basis of the authentication and delivery of Securities equal in principal amount to seventy per centum (70%) of the Cost (or, as to property of which the Fair Value to the Company at the time the same became Funded Property was less than the Cost thereof, such Fair Value in lieu of Cost) of that portion of the property to be released which is to be released on the basis of such Property Additions, as shown by the Expert's Certificate required by clause (c) of this Section; provided, however, that the Cost of any Property Additions received or to be received by the Company in whole or in part as consideration in exchange for the property to be released shall for all purposes of this Indenture be deemed to be the amount stated in the Expert's Certificate provided for in clause (c) of this Section to be the Fair Value of the property to be released (x) plus the amount of any cash and the fair market value of any other consideration, further to be stated in such Expert's Certificate, paid and/or delivered or to be paid and/or delivered by, and the amount of any obligations assumed or to be assumed by, the Company in connection with such exchange as additional consideration for such Property Additions and/or (y) less the amount of any cash and the fair market value to the Company of any other consideration, which shall also be stated in such Expert's Certificate, received or to be received by the Company in connection with such exchange in addition to such Property Additions. If and to the extent that the release of property is in whole or in part based upon the right to the authentication and delivery of Securities under Section 404 (as permitted under the provisions of clause (d)(iii) of this Section), the Company shall, except as hereafter in this paragraph provided, comply with all applicable provisions of Section 404 relating to such

authentication and delivery. Notwithstanding the foregoing provisions of this paragraph, in no event shall the Company be required to deliver the documents specified in Section 401.

If (a) any property to be released from the Lien of this Indenture under any provision of this Article (other than Section 807) is subject to a Lien prior to the Lien hereof and is to be sold, exchanged, dedicated or otherwise disposed of subject to such prior Lien and (b) after such release, such prior Lien will not be a Lien on any property subject to the Lien hereof, then the Fair Value of such property to be released shall be deemed, for all purposes of this Indenture, to be the value thereof unencumbered by such prior Lien less the principal amount of the indebtedness secured by such prior Lien.

Any Outstanding Securities deposited with the Trustee pursuant to clause (d) of this Section shall forthwith be canceled by the Trustee. Any cash and/or obligations so deposited with the Trustee, and the proceeds of any such obligations, shall be held as part of the Mortgaged Property and shall be withdrawn, released, used or applied in the manner, to the extent and for the purposes, and subject to the conditions, provided in Section 806.

All purchase money obligations and the Liens securing the same delivered to the Trustee pursuant to this Section shall be duly assigned to the Trustee. The Company shall cause any such purchase money Lien and the assignment thereof to be promptly recorded and filed in such place or places as shall be required by law in order fully to preserve and protect the security afforded thereby and shall furnish to the Trustee an Opinion of Counsel stating that, in the opinion of the signer, such purchase money Lien and the assignment thereof have been properly recorded and filed so as to make effective the Lien intended to be created thereby. Should any re-recording or re-filing be necessary at any time or from time to time, the Company shall likewise cause the same to be duly effected and shall, in each case, furnish to the Trustee an Opinion of Counsel similar to the foregoing. The Trustee shall deliver to the Company any purchase money Lien and/or assignment thereof whenever required for the purpose of recording or filing or re-recording or re-filing, as evidenced by an Opinion of Counsel, and the same shall be promptly returned to the Trustee when such purposes shall have been accomplished.

Anything in this Indenture to the contrary notwithstanding, if property to be released constitutes Funded Property in part only, the Company shall obtain the release of the part of such property which constitutes Funded Property under this Section 803 and obtain the release of the part of such property which does not constitute Funded Property under Section 804. In such event, (a) the application of Property Additions in the release under this Section 803 as contemplated in clause (d)(ii) in the first paragraph thereof shall be taken into account in clause (v) or clause (vi), whichever may be applicable, of the Expert's Certificate described in clause (c) in Section 804 and (b) the Trustee shall, at the election of the Company, execute and deliver a separate instrument of release with respect to the property released under each of such Sections or a consolidated instrument of release with respect to the property released under both of such Sections considered as a whole.

SECTION 804. Release of Property Not Constituting Funded Property.

Unless an Event of Default shall have occurred and be continuing, the Company may obtain the release of any part of the Mortgaged Property, or any interest therein, which is

not Funded Property, and the Trustee shall release all its right, title and interest in and to the same from the Lien hereof, upon receipt by the Trustee of:

(a) a Company Order requesting the release of such property;

(b) an Officer's Certificate stating that, to the knowledge of the signer, no Event of Default has occurred and is continuing;

(c) an Expert's Certificate, made and dated not more than ninety (90) days prior to the date of such Company Order:

(i) describing the property to be released;

(ii) stating the Fair Value, in the judgment of the signers, of the property to be released;

(iii) stating the Cost of the property to be released;

(v) stating that the property to be released is not Funded Property;

(vi) if true, stating either (A) that the aggregate amount of the Cost or Fair Value to the Company (whichever is less) of all Property Additions which do not constitute Funded Property (excluding the property to be released), after making deductions therefrom and additions thereto of the character contemplated by Section 104, is not less than zero or (B) that the Cost or Fair Value (whichever is less) of the property to be released does not exceed the aggregate Cost or Fair Value to the Company (whichever is less) of Property Additions acquired, made or constructed on or after the ninetieth (90th) day prior to the date of the Company Order requesting such release;

(vi) if neither of the statements contemplated in subclause (v) above can be made, stating the amount by which zero exceeds the amount referred to in subclause (v)(A) above (showing in reasonable detail the calculation thereof);

(vii) stating that (except in any case where a Governmental Authority has ordered the Company to divest itself of such property) such release is, in the opinion of the signers, desirable in the conduct of the business of the Company;

(viii) stating that, in the judgment of the signers, such release will not impair the security under this Indenture in contravention of the provisions hereof; and

(d) if the Expert's Certificate required by clause (c) above contains neither of the statements contemplated in clause (c)(v) above, an amount in cash,

to be held by the Trustee as part of the Mortgaged Property, equal to the amount, if any, by which the lower of (i) the Cost or Fair Value (whichever is less) of the property to be released and (ii) the amount shown in clause (c)(vi) above exceeds the aggregate of items of the character described in subclauses (iii) and (v) of clause (d) of Section 803 then to be used as a credit under this Section 804 (subject, however, to the same limitations and conditions with respect to such items as are set forth in Section 803).

Any Outstanding Securities deposited with the Trustee pursuant to clause (d) above shall forthwith be canceled by the Trustee.

SECTION 805. Release of Minor Properties.

Notwithstanding the provisions of Sections 803 and 804, unless an Event of Default shall have occurred and be continuing, the Company may obtain the release from the Lien hereof of any part of the Mortgaged Property, or any interest therein, and the Trustee shall whenever from time to time requested by the Company in a Company Order, and without requiring compliance with any of the provisions of Section 803 or 804, release from the Lien hereof all the right, title and interest of the Trustee in and to the same provided that the aggregate Fair Value of the property to be so released on any date in a given calendar year, together with all other property released pursuant to this Section 805 in such calendar year, shall not exceed (a) Ten Million Dollars ($10,000,000) or, if greater, (b) three per centum (3%) of the sum of (i) the aggregate principal amount of Securities then Outstanding and (ii) the aggregate principal amount of Class A Bonds then Outstanding other than Class A Bonds delivered to and then held by the Trustee pursuant to Sections 402 and 701. Prior to the granting of any such release, there shall be delivered to the Trustee (x) an Officer's Certificate stating that, to the knowledge of the signer, no Event of Default has occurred and is continuing and (y) an Expert's Certificate stating, in the judgment of the signers, the Fair Value of the property to be released, the aggregate Fair Value of all other property. theretofore released pursuant to this Section 805 in such calendar year and, as to Funded Property, the Cost thereof (or, if the Fair Value to the Company of such property at the time the same became Funded Property was less than the Cost thereof, then such Fair Value, in the judgment of the signers, in lieu of Cost), and that, in the judgment of the signers, the release thereof will not impair the security under this Indenture in contravention of the provisions hereof. On or before December 31st of each calendar year, the Company shall deposit with the Trustee an amount in cash equal to the aggregate Cost of the properties constituting Funded Property so released during such year (or, if the Fair Value to the Company of any particular property at the time the same became Funded Property was less than the Cost thereof, then such Fair Value in lieu of Cost); provided, however, that no such deposit shall be required to be made hereunder to the extent that cash or other consideration shall, as indicated in an Officer's Certificate delivered to the Trustee, have been deposited with the trustee or other holder of a Class A Mortgage or other Lien prior to the Lien of this Indenture in accordance with the provisions thereof. Any cash deposited with the Trustee under this Section may thereafter be withdrawn, used or applied in the manner, to the extent and for the purposes, and subject to the conditions, provided in Section 806.

SECTION 806. Withdrawal or Other Application of Funded Cash; Purchase Money Obligations.

Subject to the provisions of Section 405 and Section 702(a) and except as hereafter in this Section provided, unless an Event of Default shall have occurred and be continuing, any Funded Cash held by the Trustee, and any other cash which is required to be withdrawn, used or applied as provided in this Section,

(a) may be withdrawn from time to time by the Company to the extent of the Cost or the Fair Value to the Company (whichever is less) of Property Additions not constituting Funded Property, after making any deductions and additions pursuant to Section 104, described in an Expert's Certificate, dated not more than ninety (90) days prior to the date of the Company Order requesting such withdrawal and complying with Section 403(b)(ii), delivered to the Trustee; provided, however, that the deductions and additions contemplated by Section 104 shall not be required to be made if such Property Additions were acquired, made or constructed on or after the ninetieth (90th) day preceding the date of such Company Order;

(b) may be withdrawn from time to time by the Company in an amount equal to ten-sevenths (10/7) of the aggregate principal amount of Securities to the authentication and delivery of which the Company shall be entitled under the provisions of Section 404 hereof, by virtue of compliance with all applicable provisions of Section 404 (except as hereinafter in this Section otherwise provided); provided, however, that such withdrawal of cash shall operate as a waiver by the Company of the right to the authentication and delivery of such Securities and, to such extent, no such Securities may thereafter be authenticated and delivered hereunder; and any such Securities which were the basis of such right to the authentication and delivery of Securities so waived shall be deemed to have been made the basis of such withdrawal of cash;

(c) may be withdrawn from time to time by the Company in an amount equal to ten-sevenths (10/7) of the aggregate principal amount of any Outstanding Securities delivered to the Trustee;

(d) may, upon the request of the Company, be used by the Trustee for the purchase of Securities in the manner, at the time or times, in the amount or amounts, at the price or prices (not exceeding ten-sevenths (10/7) of the principal amount thereof) and otherwise as directed or approved by the Company; or

(e) may, upon the request of the Company, be applied by the Trustee to the payment (or provision therefor pursuant to Article Nine) at Stated Maturity of any Securities or to the redemption (or similar provision therefor) of any Securities which are, by their terms, redeemable, in each case of such series as may be designated by the Company, any such redemption to be in the manner and as provided in Article Five.

Such moneys shall, from time to time, be paid or used or applied by the Trustee, as aforesaid, upon the request of the Company in a Company Order, and upon receipt by the Trustee of an Officer's Certificate stating that, to the knowledge of the signer, no Event of Default has occurred and is continuing. If and to the extent that the withdrawal of cash is based upon Property Additions (as permitted under the provisions of clause (a) above), the Company shall, subject to the provisions of said clause (a) and except as hereafter in this paragraph provided, comply with all applicable provisions of this Indenture as if such Property Additions were made the basis for the authentication and delivery of Securities equal in principal amount to seventy per centum (70%) of the cash so to be withdrawn. If and to the extent that the withdrawal of cash is based upon the right to the authentication and delivery of Securities (as permitted under the provisions of clause (b) above), the Company shall, except as hereafter in this paragraph provided, comply with all applicable provisions of Section 404 relating to such authentication and delivery. Notwithstanding the foregoing provisions of this paragraph, in no event shall the Company be required to deliver the documents specified in Section 401.

All obligations secured by a purchase money Lien delivered to the Trustee in consideration of the release of property from the Lien of this Indenture shall be released from the Lien of this Indenture and delivered to or upon the order of the Company, together with the evidence of such purchase money Lien, upon payment by the Company to the Trustee of an amount in cash equal to the amount of credit used by the Company in respect of such obligations in connection with the release of such property from the Lien of this Indenture less the aggregate amount theretofore paid to the Trustee (by the Company, the obligor or otherwise) in respect of the principal of such obligations.

The principal of and interest on any such obligations secured by purchase money Lien held by the Trustee shall be collected by the Trustee as and when the same become payable. The interest received by the Trustee on any such obligations shall be deemed not to constitute Funded Cash and shall be remitted to the Company, and any payments received by the Trustee on account of the principal of any such obligations in excess of the amount of credit used by the Company in respect of such obligations upon the release of any property from the Lien hereof shall be deemed not to constitute Funded Cash and shall also be remitted to the Company; provided, however, that if an Event of Default shall have occurred and be continuing, such proceeds shall be held as part of the Mortgaged property until such Event of Default shall have been cured or waived.

The Trustee shall have and may exercise all the rights and powers of any owner of such obligations and of all substitutions therefor and, without limiting the generality of the foregoing, may collect and receive all insurance moneys payable to it under any of the provisions thereof and apply the same in accordance with the provisions thereof, may consent to extensions thereof at a higher or lower rate of interest, may join in any plan or plans of voluntary or involuntary reorganization or readjustment or rearrangement and may accept and hold hereunder new obligations, stocks or other securities issued in exchange therefor under any such plan. Any discretionary action which the Trustee may be entitled to take in connection with any such obligations or substitutions therefor shall be taken, so long as no Event of Default shall have occurred and be continuing, in accordance with a Company Order, and, during the continuance of an Event of Default, in its own discretion.

Any Securities received by the Trustee pursuant to the provisions of this Section shall forthwith be canceled by the Trustee.

SECTION 807. Release of Property Taken by Eminent Domain, etc.

Should any of the Mortgaged Property, or any interest therein, be taken by exercise of the power of eminent domain or be sold to an entity possessing the power of eminent domain under a threat to exercise the same, and should the Company elect not to obtain the release of such property pursuant to other provisions of this Article Eight, the Trustee shall, upon request of the Company evidenced by a Company Order, release from the Lien hereof all its right, title and interest in and to the property so taken or sold (or with respect to an interest in property, subordinate the Lien hereof to such interest), upon receiving (a) an Opinion of Counsel to the effect that such property has been taken by exercise of the power of eminent domain or has been sold to an entity possessing the power of eminent domain under threat of an exercise of such power, (b) an Officer's Certificate stating the amount of net proceeds received or to be received for such property so taken or sold, and the amount so stated shall be deemed to be the Fair Value of such property for the purpose of any notice to the Holders of Securities, (c) if any portion of such property constitutes Funded Property, an Expert's Certificate stating the Cost thereof (or, if the Fair Value to the Company of such portion of such property at the time the same became Funded Property was less than the Cost thereof, then such Fair Value, in the judgment of the signers, in lieu of Cost) and (d) if any portion of such property constitutes Funded Property, a deposit by the Company of an amount in cash equal to the amount of the Cost or Fair Value stated in the Expert's Certificate delivered pursuant to clause (c) above; provided, however, that the amount required to be so deposited shall not exceed the portion of the net proceeds received or to be received for such property so taken or sold which is allocable on a pro-rata or other reasonable basis to the portion of such property constituting Funded Property; and provided, further, that no such deposit shall be required to be made hereunder if the proceeds of such taking or sale shall, as indicated in an Officer's Certificate delivered to the Trustee, have been deposited with the trustee or other holder of a Class A Mortgage or other Lien prior to the Lien of this Indenture. Any cash deposited with the Trustee under this Section may thereafter be withdrawn, used or applied in the manner, to the extent and for the purposes, and subject to the conditions, provided in Section 806.

SECTION 808. Alternative Release Provision.

Anything in this Indenture to the contrary notwithstanding, unless an Event of Default shall have occurred and be continuing, the Company may obtain the release of any part of the Mortgaged Property which, is subject to the Lien of a Class A Mortgage (except cash or obligations secured by purchase money Lien), without compliance with any of the provisions of Section 803, 804 or 805, by delivery to the Trustee of an Officer's Certificate stating that, to the knowledge of the signer, no Event of Default has occurred and is continuing, an Expert's Certificate as to the Fair Value of the property to be released and a copy of a release of such part of the Mortgaged Property from the Lien of such Class A Mortgage executed by the trustee thereunder.

SECTION 809. Disclaimer or Quitclaim.

In case the Company has sold, exchanged, dedicated or otherwise disposed of, or has agreed or intends to sell, exchange, dedicate or otherwise dispose of, or a Governmental Authority has ordered the Company to divest itself of, any property of a character excepted from the Lien hereof, or the Company desires to disclaim or quitclaim title to property to which the Company does not purport to have title, the Trustee shall, from time to time, execute such instruments of disclaimer or quitclaim as may be appropriate upon receipt by the Trustee of the following:

(a) an Officer's Certificate describing the property to be disclaimed or quitclaimed; and

(b) an Opinion of Counsel stating the signer's opinion that such property is not subject to the Lien hereof or required to be subject thereto by any of the provisions hereof.

SECTION 810. Miscellaneous.

(a) The Expert's Certificate as to the Fair Value of property to be released from the Lien of this Indenture in accordance with any provision of this Article, and as to the nonimpairment, by reason of such release, of the security under this Indenture in contravention of the provisions hereof, shall be made by an Independent Expert if the Fair Value of such property and of all other property released since the commencement of the then current calendar year, as set forth in the certificates required by this Indenture, is ten per centum (10%) or more of the sum of (a) the principal amount of the Securities at the time Outstanding and (b) the principal amount of the Class A Bonds at the time Outstanding other than Class A Bonds delivered to and held by the Trustee pursuant to Sections 402 and 701; but such Expert's Certificate shall not be required to be made by an Independent Expert in the case of any release of property if the Fair Value thereof, as set forth in the certificates required by this Indenture, is less than Twenty-five Thousand Dollars ($25,000) or less than one per centum (1%) of the sum of (x) the principal amount of the Securities at the time Outstanding and (y) the principal amount of the Class A Bonds at the time Outstanding other than Class A Bonds delivered to and held by the Trustee pursuant to Sections 402 and 701. To the extent that the Fair Value of any property to be released from the Lien of this Indenture shall be stated in an Independent Expert's Certificate, such Fair Value shall not be required to be stated in any other Expert's Certificate delivered in connection with such release.

(b) If the Mortgaged Property shall be in the possession of a receiver or trustee, lawfully appointed, the powers hereinbefore conferred upon the Company with respect to the release of any part of the Mortgaged Property or any interest therein or the withdrawal of cash may be exercised, with the approval of the Trustee, by such receiver or trustee, notwithstanding that an Event of Default may have occurred and be continuing, and any request, certificate, appointment or approval made or signed by such receiver or trustee for such purposes shall be as effective as if made by the Company or any of its officers or appointees in the manner herein provided; and if the Trustee shall be in possession of the Mortgaged Property under any

provision of this Indenture, then such powers may be exercised by the Trustee in its discretion notwithstanding that an Event of Default may have occurred and be continuing.

(c) If any property released from the Lien of this Indenture as provided in Section 803, 804 or 805 shall continue to be owned by the Company after such release, this Indenture shall not become or be, or be required to become or be, a Lien upon such property or any improvement, extension or addition to such property or renewals, replacements or substitutions of or for any part or parts of such property unless the Company shall execute and deliver to the Trustee an indenture supplemental hereto, in recordable form, containing a grant, conveyance, transfer and mortgage thereof.

(d) Notwithstanding the occurrence and continuance of an Event of Default, the Trustee, in its discretion, may release from the Lien hereof any part of the Mortgaged Property or permit the withdrawal of cash, upon compliance with the other conditions specified in this Article in respect thereof.

(e) No purchaser in good faith of property purporting to have been released hereunder shall be bound to ascertain the authority of the Trustee to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of this authority; nor shall any purchaser or grantee of any property or rights permitted by this Article to be sold, granted, exchanged, dedicated or otherwise disposed of, be under obligation to ascertain or inquire into the authority of the Company to make any such sale, grant, exchange, dedication or other disposition.

ARTICLE NINE

Satisfaction and Discharge

SECTION 901. Satisfaction and Discharge of Securities.

Any Security or Securities, or any portion of the principal amount thereof, shall be deemed to have been paid for all purposes of this Indenture, and the entire indebtedness of the Company in respect thereof shall be satisfied and discharged, if there shall have been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust:

(a) money (including Funded Cash not otherwise applied pursuant to Section 806) in an amount which shall be sufficient, or

(b) in the case of a deposit made prior to the Maturity of such Securities or portions thereof, Eligible Obligations, which shall not contain provisions permitting the redemption or other prepayment thereof at the option of the issuer thereof, the principal of and the interest on which when due, without any regard to reinvestment thereof, will provide moneys which, together with the money, if any, deposited with or held by the Trustee, or such Paying Agent, shall be sufficient, or

(c) a combination of (a) or (b) which shall be sufficient,

to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Securities or portions thereof; provided, however, that in the case of the provision for payment or redemption of less than all the Securities of any series or Tranche, such Securities or portions thereof shall have been selected by the Security Registrar as provided herein and, in the case of a redemption, the notice requisite to the validity of such redemption shall have been given or irrevocable authority shall have been given by the Company to the Trustee to give such notice, under arrangements satisfactory to the Trustee; and provided, further, that the Company shall have delivered to the Trustee and such Paying Agent:

(x) if such deposit shall have been made prior to the Maturity of such Securities, a Company Order stating that the money and Eligible Obligations deposited in accordance with this Section shall be held in trust, as provided in Section 903;

(y) if Eligible Obligations shall have been deposited, an Opinion of Counsel to the effect that such obligations constitute Eligible Obligations and do not contain provisions permitting the redemption or other prepayment at the option of the issuer thereof, and an opinion of an Independent public Accountant of nationally recognized standing, selected by the Company, to the effect that the other requirements set forth in clause (b) above have been satisfied; and

(z) if such deposit shall have been made prior to the Maturity of such Securities, an Officer's Certificate stating the Company's intention that upon delivery of such Officer's Certificate, its indebtedness in respect of such Securities or portions thereof will have been satisfied and discharged as contemplated in this Section.

Upon the deposit of money or Eligible Obligations, or both, in accordance with this Section, together with the documents required by clauses (x), (y) and (z) above, the Trustee shall, upon Company Request, acknowledge in writing that such Securities or portions thereof are deemed to have been paid for all purposes of this Indenture and that the entire indebtedness of the Company in respect thereof has been satisfied and discharged as contemplated in this Section. In the event that all of the conditions set forth in the preceding paragraph shall have been satisfied in respect of any Securities or portions thereof except that, for any reason, the Officer's Certificate specified in clause (z) shall not have been delivered, such Securities or portions thereof shall nevertheless be deemed to have been paid for all purposes of this Indenture, and the Holders of such Securities or portions thereof shall nevertheless be no longer entitled to the benefit of the Lien of this Indenture or of any of the covenants of the Company under Article Six (except the covenants contained in Sections 602 and 603) or any other covenants made in respect of such Securities or portions thereof as contemplated by Section 301, but the indebtedness of the Company in respect of such Securities or portions thereof shall not be deemed to have been satisfied and discharged prior to Maturity for any other purpose; and, upon Company Request, the Trustee shall acknowledge in writing that such Securities or portions thereof are deemed to have been paid for all purposes of this Indenture.

If payment at Stated Maturity of less than all of the Securities of any series, or any Tranche thereof, is to be provided for in the manner and with the effect provided in this Section,

the Security Registrar shall select such Securities, or portions of principal amount thereof, in the manner specified by Section 503 for selection for redemption of less than all the Securities of a series or Tranche.

In the event that Securities which shall be deemed to have been paid for purposes of this Indenture, and, if such is the case, in respect of which the Company's indebtedness shall have been satisfied and discharged, all as provided in this Section, do not mature and are not to be redeemed within the sixty (60) day period commencing with the date of the deposit of moneys or Eligible Obligations, as aforesaid, the Company shall, as promptly as practicable, give a notice, in the same manner as a notice of redemption with respect to such Securities, to the Holders of such Securities to the effect that such deposit has been made and the effect thereof.

Notwithstanding that any Securities shall be deemed to have been paid for purposes of this Indenture, as aforesaid, the obligations of the Company and the Trustee in respect of such Securities under Sections 304, 305, 306, 504, 602, 603, 1107 and 1115 and this Article Nine shall survive.

The Company shall pay, and shall indemnify the Trustee or any Paying Agent with which Eligible Obligations shall have been deposited as provided in this Section against, any tax, fee or other charge imposed on or assessed against such Eligible Obligations or the principal or interest received in respect of such Eligible Obligations, including, but not limited to, any such tax payable by any entity deemed, for tax purposes, to have been created as a result of such deposit.

Anything herein to the contrary notwithstanding, (a) if, at any time after a Security would be deemed to have been paid for purposes of this Indenture, and, if such is the case, the Company's indebtedness in respect, thereof would be deemed to have been satisfied and discharged, pursuant to this Section (without regard to the provisions of this paragraph), the Trustee or any Paying Agent, as the case may be, shall be required to return the money or Eligible Obligations, or combination thereof, deposited with it as aforesaid to the Company or its representative under any applicable Federal or State bankruptcy, insolvency or other similar law, such Security shall thereupon be deemed retroactively not to have been paid and any satisfaction and discharge of the Company's indebtedness in respect thereof shall retroactively be deemed not to have been effected, and such Security shall be deemed to remain Outstanding and (b) any satisfaction and discharge of the Company's indebtedness in respect of any Security shall be subject to the provisions of the last paragraph of Section 603.

SECTION 902. Satisfaction and Discharge of Indenture.

This Indenture shall upon Company Request cease to be of further effect (except as hereinafter expressly provided), and the Trustee, at the expense of the Company, shall execute such instruments as the Company shall reasonably request to evidence and acknowledge the satisfaction and discharge of this Indenture, when:

(a) no Securities remain Outstanding hereunder; and

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Company;

provided, however, that if, in accordance with the last paragraph of Section 901, any Security, previously deemed to have been paid for purposes of this Indenture, shall be deemed retroactively not to have been so paid, this Indenture shall thereupon be deemed retroactively not to have been satisfied and discharged, as aforesaid, and to remain in full force and effect, and the Company shall execute and deliver such instruments as the Trustee shall reasonably request to evidence and acknowledge the same.

Notwithstanding the satisfaction and discharge of this Indenture as aforesaid, the obligations of the Company and the Trustee under Sections 304, 305, 306, 504, 602, 603, 1107 and 1115 and this Article Nine shall survive.

Upon satisfaction and discharge of this Indenture as provided in this Section, the Trustee shall release, quit claim and otherwise turn over to the Company the Mortgaged Property (other than money and Eligible Obligations held by the Trustee pursuant to Section 903) and shall execute and deliver to the Company such deeds and other instruments as, in the judgment of the Company, shall be necessary, desirable or appropriate to effect or evidence such release and quitclaim and the satisfaction and discharge of the Lien of this Indenture.

SECTION 903. Application of Trust Money.

Neither the Eligible Obligations nor the money deposited pursuant to Section 901, nor the principal or interest payments on any such Eligible Obligations, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest, if any, on the Securities or portions of principal amount thereof in respect of which such deposit was made, all subject, however, to the provisions of Section 603; provided, however, that any cash received from such principal or interest payments on such Eligible Obligations, if not then needed for such purpose, shall, to the extent practicable, be invested in Eligible Obligations of the type described in clause (b) in the first paragraph of Section 901 maturing at such times and in such amounts as shall be sufficient to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Securities or portions thereof on and prior to the Maturity thereof, and interest earned from such reinvestment shall be paid over to the Company as received, free and clear of the Lien of this Indenture; and provided, further, that any moneys held in accordance with this Section on the Maturity of all such Securities in excess of the amount required to pay the principal of and premium, if any, and interest, if any, then due on such Securities shall be paid over to the Company free and clear of the Lien of this Indenture; and provided, further, that if an Event of Default shall have occurred and be continuing; moneys to be paid over to the Company pursuant to this Section shall be held as part of the Mortgaged Property until such Event of Default shall have been waived or cured.

ARTICLE TEN

Events of Default; Remedies

SECTION 1001. Events of Default.

"Event of Default", wherever used herein with respect to the Securities, means any one of the following events:

(a) failure to pay interest, if any, on any Security within sixty (60) days after the same becomes due and payable; or

(b) failure to pay the principal of or premium, if any, on any Security within three (3) Business Days after its Maturity; or

(c) failure to perform or breach of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in the performance of which or breach of which is elsewhere in this Section specifically dealt with) for a period of ninety (90) days after there has been given, by registered or certified mail, to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least thirty-three per centum (33%) in principal amount of the Securities then Outstanding, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder, unless the Trustee, or the Trustee and the Holders of a principal amount of Securities not less than the principal amount of Securities the Holders of which gave such notice, as the case may be, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee, or the Trustee and the Holders of such principal amount of Securities, as the case may be, shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Company within such period and is being diligently pursued; or

(d) the entry by a court having jurisdiction in the premises of (i) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (ii) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition by one or more Persons other than the Company seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official for the Company or for any substantial part of its property, or ordering the winding up or liquidation of its affairs, and any such decree or order for relief or any such other decree or order shall have remained unstayed and in effect for a period of ninety (90) consecutive days; or

(e) the commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency,

reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in a case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the authorization of such action by the Board of Directors; or

(f) the occurrence of a matured event of default under any Class A Mortgage (other than any such matured event of default which (i) is of similar kind or character to the Event of Default described in clause (c) above and (ii) has not resulted in the acceleration of the Class A Bonds Outstanding under such Class A Mortgage); provided, however, that, anything in this Indenture to the contrary notwithstanding, the waiver or cure of such event of default under such Class A Mortgage and the rescission and annulment of the consequences thereof shall constitute a waiver of the corresponding Event of Default hereunder and a rescission and annulment of the consequences thereof.

SECTION 1002. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default shall have occurred and be continuing, then in every such case the Trustee or the Holders of not less than thirty-three per centum (33%) in principal amount of the Securities then Outstanding may declare the principal amount (or, if any of the Securities are Discount Securities, such portion of the principal amount of such Securities as may be specified in the terms thereof as contemplated by Section 301) of all Securities then Outstanding to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon receipt by the Company of notice of such declaration such principal amount (or specified amount), together with premium, if any, and accrued interest, if any, thereon, shall become immediately due and payable.

At any time after such a declaration of acceleration of the maturity of the Securities then Outstanding shall have been made, but before any sale of any of the Mortgaged Property has been made and before a judgment or decree for payment of the money due shall have been obtained by the Trustee as provided in this Article, the Event or Events of Default giving rise to such declaration of acceleration shall, without further act, be deemed to have been waived, and such declaration and its consequences shall, without further act, be deemed to have been rescinded and annulled, if

(a) the Company shall have paid or deposited with the Trustee a sum sufficient to pay

(i) all overdue interest, if any, on all Securities then Outstanding;

(ii) the principal of and premium, if any, on any Securities then Outstanding which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Securities; and

(iii) all amounts due to the Trustee under Section 1107; and

(b) any other Event or Events of Default, other than the non-payment of the principal of Securities which shall have become due solely by such declaration of acceleration, shall have been cured or waived as provided in Section 1017.

No such rescission shall affect any subsequent Event of Default or impair any right consequent thereon.

SECTION 1003. Entry Upon Mortgaged Property.

If an Event of Default shall have occurred and be continuing, the Company, upon demand of the Trustee and if and to the extent permitted by law, shall forthwith surrender to the Trustee the actual possession of, and the Trustee, by such officers or agents as it may appoint, may enter upon and take possession of, the Mortgaged Property; and the Trustee may hold, operate and manage the Mortgaged Property and make all needful repairs and such renewals, replacements, betterments and improvements as to the Trustee shall seem prudent; and the Trustee may receive the rents, issues, profits, revenues and other income of the Mortgaged Property; and, after deducting the costs and expenses of entering, taking possession, holding, operating and managing the Mortgaged Property, as well as payments for insurance and taxes and other proper charges upon the Mortgaged Property prior to the Lien of this Indenture and reasonable compensation to itself, its agents and counsel, the Trustee may apply the same as provided in Section 1007. Whenever all that is then due in respect of the principal of and premium, if any, and interest, if any, on the Securities and under any of the terms of this Indenture shall have been paid and all defaults hereunder shall have been cured, the Trustee shall surrender possession of the Mortgaged Property to the Company.

SECTION 1004. Power of Sale; Suits for Enforcement.

If an Event of Default shall have occurred and be continuing, the Trustee, by such officers or agents as it shall appoint, with or without entry, in its discretion may, subject to the provisions of Section 1016 and if and to the extent permitted by law:

(a) sell, subject to any mandatory requirements of applicable law, the Mortgaged Property as an entirety, or in such parcels as the Holders of a majority in principal amount of the Securities then Outstanding shall in writing request, or

in the absence of such request, as the Trustee may determine, to the highest bidder at public auction at such place and at such time (which sale may be adjourned by the Trustee from time to time in its discretion by announcement at the time and place fixed for such sale, without further notice) and upon such terms as the Trustee may fix and briefly specify in a notice of sale to be published once in each week for four successive weeks prior to such sale in an Authorized Publication in each Place of Payment for the Securities of each series; or

(b) proceed to protect and enforce its rights and the rights of the Holders of Securities under this Indenture by sale pursuant to judicial proceedings or by a suit, action or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in this Indenture or in aid of the execution of any power granted in this Indenture or for the foreclosure of this Indenture or for the enforcement of any other legal, equitable or other remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or the Holders of Securities.

SECTION 1005. Incidents of Sale.

Upon any sale of any of the Mortgaged Property, whether made under the power of sale hereby given or pursuant to judicial proceedings, to the extent permitted by law:

(a) the principal amount (or, if any of the Securities are Discount Securities, such portion of the principal amount of such Securities as may be specified in the terms thereof as contemplated by Section 301) of all Outstanding Securities, if not previously due, shall at once become and be immediately due and payable, together with premium, if any, and accrued interest, if any, thereon;

(b) any Holder or Holders of Securities or the Trustee may bid for and purchase the property offered for sale, and upon compliance with the terms of sale may hold, retain and possess and dispose of such property, without further accountability, and may, in paying the purchase money therefor, deliver any Outstanding Securities or claims for interest thereon in lieu of cash to the amount which shall, upon distribution of the net proceeds of such sale, be payable thereon, and such Securities, in case the amounts so payable thereon shall be less than the amount due thereon, shall be returned to the Holders thereof after being appropriately stamped to show partial payment;

(c) the Trustee may make and deliver to the purchaser or purchasers a good and sufficient deed, bill of sale and instrument of assignment and transfer of the property sold;

(d) the Trustee is hereby irrevocably appointed the true and lawful attorney of the Company, in its name and stead, to make all necessary deeds, bills of sale and instruments of assignment and transfer bills the property so sold; and for that purpose it may execute all necessary deeds, bills of sale and instruments

of assignment and transfer, and may substitute one or more persons, firms or corporations with like power, the Company hereby ratifying and confirming all that its said attorney or such substitute or substitutes shall lawfully do by virtue hereof; but, if so requested by the Trustee or by any purchaser, the Company shall ratify and confirm any such sale or transfer by executing and delivering to the Trustee or to such purchaser or purchasers all proper deeds, bills of sale, instruments of assignment and transfer and releases as may be designated in any such request;

(e) all right, title, interest, claim and demand whatsoever, either at law or in equity or otherwise, of the Company of, in and to the property so sold shall be divested and such sale shall be a perpetual bar both at law and in equity against the Company, its successors and assigns, and against any and all persons claiming or who may claim the property sold or any part thereof from, through or under the Company; and

(f) the receipt of the Trustee or of the officer making such sale shall be a sufficient discharge to the purchaser or purchasers at such sale, for his or their purchase money and such purchaser or purchasers and his or their assigns or personal representatives shall not after paying such purchase money and receiving such receipt, be obliged to see to the application of such purchase money, or be in anywise answerable for any loss, misapplication or non-application thereof.

SECTION 1006. Collection of Indebtedness and Suits for Enforcement by Trustee.

If an Event of Default described in clause (a) or (b) of Section 1001 shall have occurred and be continuing, the Company shall, upon demand of the Trustee, pay to it, for the benefit of the Holders of the Securities with respect to which such Event of Default shall have occurred, the whole amount then due and payable on such Securities for principal and premium, if any, and interest, if any, and, in addition thereto, such further amount as shall be sufficient to cover any amounts due to the Trustee under Section 1107.

If the Company shall fail to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

The Trustee shall, to the extent permitted by law, be entitled to sue and recover judgment as aforesaid either before, during or after the pendency of any proceedings for the enforcement of the Lien of this Indenture, and in case of a sale of the Mortgaged Property or any part thereof and the application of the proceeds of sale as aforesaid, the Trustee, in its own name and as trustee of an express trust, shall be entitled to enforce payment of, and to receive, all amounts then remaining due and unpaid upon the Securities then Outstanding for principal, premium, if any, and interest, if any, for the benefit of the Holders thereof, and shall be entitled

to recover judgment for any portion of the same remaining unpaid, with interest as aforesaid. No recovery of any such judgment by the Trustee and no levy of any execution upon any such judgment upon any of the Mortgaged Property or any other property of the Company shall affect or impair the Lien of this Indenture upon the Mortgaged Property or any part thereof or any rights, powers or remedies of the Trustee hereunder, or any rights, powers or remedies of the Holders of the Securities.

SECTION 1007. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article, including any rents, profits, revenues and other income collected pursuant to Section 1003 (after the deductions therein provided) and any proceeds of any sale (after deducting the costs and expenses of such sale, including a reasonable compensation to the Trustee, its agents and counsel, and any taxes, assessments or Liens prior to the Lien of this Indenture, except any thereof subject to which such sale shall have been made), whether made under any power of sale herein granted or pursuant to judicial proceedings, and any money collected by the Trustee under Sections 702 and 806, together with, in the case of an entry or sale or as otherwise provided herein, any other sums then held by the Trustee as part of the Mortgaged Property, shall be applied in the following order, to the extent permitted by law, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or premium, if any, or interest, if any, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: To the payment of all undeducted amounts due the Trustee under Section 1107;

Second: To the payment of the whole amount then due and unpaid upon the Outstanding Securities for principal and premium, if any, and interest, if any, in respect of which or for the benefit of which such money has been collected; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Securities, then to the payment of such principal and interest, if any, thereon without any preference or priority, ratably according to the aggregate amount so due and unpaid, with any balance then remaining to the payment of premium, if any, and, if so specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, interest, if any, on overdue premium, if any, and overdue interest, if any, ratably as aforesaid, all to the extent permitted by applicable law; provided, however, that any money collected by the Trustee pursuant to Sections 702 and 806 in respect of interest and Section 1003 shall first be applied to the payment of interest accrued on the principal of Outstanding Securities; and

Third: To the payment of the remainder, if any, to the Company or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

SECTION 1008. Receiver.

If an Event of Default shall have occurred and, during the continuance thereof, the Trustee shall have commenced judicial proceedings to enforce any right under this Indenture, the Trustee shall, to the extent permitted by law, be entitled, as against the Company, without notice or demand and without regard to the adequacy of the security for the Securities or the solvency of the Company, to the appointment of a receiver of the Mortgaged Property.

SECTION 1009. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal, premium, if any, and interest, if any, owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for amounts due to the Trustee under Section 1107) and of the Holders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amounts due it under Section 1107.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 1010. Trustee May Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture or on the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders in respect of which such judgment has been recovered.

SECTION 1011. Limitation on Suits.

No Holder shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(a) such Holder shall have previously given written notice to the Trustee of a continuing Event of Default;

(b) the Holders of not less than a majority in aggregate principal amount of the Securities then Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) such Holder or Holders shall have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceeding; and

(e) no direction inconsistent with such written request shall have been given to the Trustee during such 60-day period by the Holders of a majority in aggregate principal amount of the Securities then Outstanding;

it being understood and intended that no one or more of such Holders shall have any right in any manner. whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

SECTION 1012. Unconditional Right of Holders to Receive Principal, Premium and Interest.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of and premium, if any, and (subject to Section 307) interest, if any, on such Security on the Stated Maturity or Maturities expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 1013. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, and Trustee and such Holder shall be restored severally and respectively to their former positions hereunder and

thereafter all rights and remedies of the Trustee and such Holder shall continue as though no such proceeding had been instituted.

SECTION 1014. Rights and Remedies Cumulative.

Except as otherwise provided in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Anything in this Article to the contrary notwithstanding, the availability of the remedies set forth herein (on an individual or cumulative basis) and the procedures set forth herein relating to the exercise thereof shall be subject to the law of any jurisdiction wherein the Mortgaged Property or any part thereof is located to the extent that such law is mandatorily applicable, and, if and to the extent that any provision of this Article conflicts with any provision of such applicable law, such provision of law shall control.

SECTION 1015. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 1016. Control by Holders of Securities.

If an Event of Default shall have occurred and be continuing, the Holders of a majority in principal amount of the Securities then Outstanding shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee; provided, however, that

(a) such direction shall not be in conflict with any rule of law or with this Indenture, and could not involve the Trustee in personal liability in circumstances where indemnity would not, in the Trustee's sole discretion, be adequate, and

(b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 1017. Waiver of Past Defaults.

Before any sale of any of the Mortgaged Property and before a judgment or decree for payment of the money due shall have been obtained by the Trustee as hereinafter in this Article provided, the Holders of not less than a majority in principal amount of the Securities

then Outstanding may on behalf of the Holders of all the Securities then Outstanding waive any past default hereunder and its consequences, except a default

(a) in the payment of the principal of or premium, if any, or interest, if any, on any Security Outstanding, or

(b) in respect of a covenant or provision hereof which under Section 1402 cannot be modified or amended without the consent of the Holder of each Outstanding Security of any series or Tranche affected.

Upon any such waiver, such default shall cease to exist, and any and all Events of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 1018. Undertaking for Costs.

The Company and the Trustee agree, and each Holder of Securities by its acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an understanding to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in aggregate principal amount of the Securities then Outstanding, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or premium, if any, or interest, if any, on any Security on or after the Stated Maturity or Maturities expressed in such Security (or, in the case of redemption, on or after the Redemption Date).

SECTION 1019. Waiver of Appraisement and Other Laws.

To the full extent that it may lawfully so agree, the Company shall not at any time set up, claim or otherwise seek to take the benefit or advantage of any appraisement, valuation, stay, extension or redemption law now or hereafter in effect, in order to prevent or hinder the enforcement of this Indenture or the absolute sale of the Mortgaged Property, or any part thereof, or the possession thereof, or any part thereof, by any purchaser at any sale under this Article; and the Company, for itself and all who may claim under it, so far as it or they now or hereafter may lawfully do so, hereby waives the benefit of all such laws. The Company, for itself and all who may claim under it, waives, to the extent that it may lawfully do so, all right to have the Mortgaged Property marshalled upon any foreclosure of the Lien hereof, and agrees that any court having jurisdiction to foreclose the Lien of this Indenture may order the sale of the Mortgaged Property as an entirety.

SECTION 1020. Defaults under Class A Mortgages.

In addition to every other right and remedy provided herein, the Trustee may exercise any right or remedy available to the Trustee in its capacity as owner and holder of Class A Bonds which arises as a result of a default or matured event of default under any Class A Mortgage, whether or not an Event of Default shall then have occurred and be continuing.

ARTICLE ELEVEN

The Trustee

SECTION 1101. Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

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

(b) In case an Event of Default shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

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

(1) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by, a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Securities, as

provided herein, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

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

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

SECTION 1102. Notice of Defaults.

The Trustee shall give the Holders notice of any default hereunder in the manner and to the extent required to do so by the Trust Indenture Act, unless such default shall have been cured or waived; provided, however, that in the case of any default of the character specified in Section 1001(c), no such notice to Holders shall be given until at least 75 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time, or both, would become, an Event of Default.

The Trustee shall give to the trustee under each Class A Mortgage a copy of each notice of default given to the Holders pursuant to this Section. In addition, the Trustee shall give to the Holders copies of each notice of default under any Class A Mortgage given to the Trustee in its capacity as owner and holder of Class A Bonds issued and outstanding thereunder.

SECTION 1103. Certain Rights of Trustee.

Subject to the provisions of Section 1101 and to the applicable provisions of the Trust Indenture Act:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order, or as otherwise expressly provided herein, and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence is

specifically prescribed herein) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

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

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

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall (subject to applicable legal requirements) be entitled to examine, during normal business hours, the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(h) the Trustee shall not be charged with knowledge of any Event of Default unless either (i) a Responsible Officer of the Trustee shall have actual knowledge of the Event of Default or (ii) written notice of such Event of Default shall have been given to the Trustee by the Company, any other obligor on the Securities or by any Holder of such Securities or, in the case of an Event of Default described in Section 1001(f), by the trustee under the related Class A Mortgage.

SECTION 1104. Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities (except the Trustee's certificates of authentication) shall be taken as the statements of the Company, and neither the Trustee nor any Authenticating Agent assumes any responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 1105. May Hold Securities.

Each of the Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 1108 and 1113, may otherwise deal with the Company with the same rights it would have if it were not such Trustee, Authenticating Agent, Paying Agent, Security Registrar or other agent.

SECTION 1106. Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds, except to the extent required by law. The Trustee shall be under no liability for interest on or investment of any money received by it hereunder except as expressly provided herein or otherwise agreed with, and for the sole benefit of, the Company.

SECTION 1107. Compensation and Reimbursement.

The Company shall

(a) pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances reasonably incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except to the extent that any such expense, disbursement or advance may be attributable to its negligence, wilful misconduct or bad faith; and

(c) indemnify the Trustee and hold it harmless from and against any loss, liability or expense reasonably incurred by it arising out of or in connection with the acceptance or administration of the trust or trusts hereunder or the performance of its duties hereunder, including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its negligence, wilful misconduct or bad faith.

As security for the performance of the obligations of the Company under this Section, the Trustee shall have a Lien prior to the Securities upon the Mortgaged Property collected by the Trustee as such other than property and funds held in trust under Section 903 (except as otherwise provided in Section 903). "Trustee" for purposes of this Section shall include any predecessor Trustee; provided, however, that the negligence, wilful misconduct or bad faith of any Trustee hereunder shall not affect the rights of any other Trustee hereunder.

SECTION 1108. Disqualification; Conflicting Interests.

If the Trustee shall have or acquire any conflicting interest within the meaning of the Trust Indenture Act, it shall either eliminate such conflicting interest or resign to the extent, in the manner and with the effect, and subject to the conditions, provided in the Trust Indenture Act and this Indenture, For purposes of Section 310(b) (1) of the Trust Indenture Act and to the extent permitted thereby, the Trustee, in its capacity as trustee in respect of the Securities of any series, shall not be deemed to have a conflicting interest arising from its capacity as trustee in respect of the Securities of any other series.

SECTION 1109. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be

(a) a corporation organized and doing business under the laws of the United States of America, any State or Territory thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000 and subject to supervision or examination by Federal or State authority, or

(b) if and to the extent permitted by the Commission by rule, regulation or order upon application, a corporation or other Person organized and doing business under the laws of a foreign government, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000 or the U.S. Dollar equivalent of the applicable foreign currency and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees,

and, in either case, qualified and eligible under this Article and the Trust Indenture Act. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 1110. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 1111.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 1111 shall not have been delivered to the Trustee within 30 days after the giving of such notice of

resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Securities then Outstanding delivered to the Trustee and to the Company.

(d) If at any time:

(i) the Trustee shall fail to comply with Section 1108 after written request therefor by the Company or by any Holder who has been a bona fide Holder for at least six months, or

(ii) the Trustee shall cease to be eligible under Section 1109 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(iii) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (x) the Company by a Board Resolution may remove the Trustee or (y) subject to Section 1018, any Holder who has been a bona fide Holder for at least six months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause (other than as contemplated in clause (y) in subsection (d) of this Section), the Company, by a Board Resolution, shall take prompt steps to appoint a successor Trustee or Trustees and shall comply with the applicable requirements of Section 1111. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Securities then Outstanding delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 1111, become the successor Trustee and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 1111, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) So long as no event which is, or after notice or lapse of time, or both, would become, an Event of Default shall have occurred and be continuing, if the Company shall have delivered to the Trustee (i) a Board Resolution appointing a successor Trustee, effective as of a date specified therein, and (ii) an instrument of acceptance of such appointment, effective as of such date, by such successor Trustee in accordance with Section 1111, the Trustee shall be

deemed to have resigned as contemplated in subsection (b) of this Section, the successor Trustee shall be deemed to have been appointed pursuant to subsection (e) of this Section and such appointment shall be deemed to have been accepted as contemplated in Section 1111, all as of such date, and all other provisions of this Section and Section 1111 shall be applicable to such resignation, appointment and acceptance except to the extent inconsistent with this subsection (f).

(g) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by mailing written notice of such event by first-class mail, postage prepaid, to all Holders as their names and addresses appear in the Security Register. Each notice shall include the name of the successor Trustee and the address of its corporate trust office.

SECTION 1111. Acceptance of Appointment by Successor.

(a) In case of the appointment hereunder of a successor Trustee, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of all sums owed to it, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) Upon request of any such successor Trustee, the Company shall execute any instruments which fully vest in and confirm to such successor Trustee all rights, powers and trusts referred to in subsection (a) of this Section.

(c) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 1112. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 1113. Preferential Collection of Claims Against Company.

If the Trustee shall be or become a creditor of the Company or any other obligor upon the Securities (other than by reason of a relationship described in Section 311(b) of the Trust Indenture Act), the Trustee shall be subject to any and all applicable provisions of the Trust Indenture Act regarding the collection of claims against the Company or such other obligor. For purposes of Section 311(b) of the Trust Indenture Act:

(a) the term "cash transaction" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand;

(b) the term "self-liquidating paper" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation:

SECTION 1114. Co-trustees and Separate Trustees.

At any time or times, for the purpose of meeting the legal requirements of any jurisdiction in which any of the Mortgaged Property may at the time be located, the Company and the Trustee shall have power to appoint, and, upon the written request of the Trustee or of the Holders of at least thirty-three per centum (33%) in principal amount of the Securities then Outstanding, the Company shall for such purpose join with the Trustee in the execution and delivery of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Trustee either to act as co-trustee, jointly with the Trustee, of all or any part of the Mortgaged Property, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons, in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section. If the Company does not join in such appointment within 15 days after the receipt by it of a request so to do, or if an Event of Default shall have occurred and be continuing, the Trustee alone shall have power to make such appointment.

Should any written instrument or instruments from the Company be required by any co-trustee or separate trustee so appointed to more fully confirm to such co-trustee or separate trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Company.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following conditions:

(a) the Securities shall be authenticated and delivered, and all rights, powers, duties and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Trustee hereunder, shall be exercised solely, by the Trustee;

(b) the rights, powers, duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed either by the Trustee or by the Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such co-trustee or separate trustee;

(c) the Trustee at any time, by an instrument in writing executed by it, with the concurrence of the Company, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, if an Event of Default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Company. Upon the written request of the Trustee, the Company shall join with the Trusts, in the execution and delivery of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section;

(d) no co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Trustee, or any other such trustee hereunder; and

(e) any Act of Holders delivered to the Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

SECTION 1115. Appointment of Authenticating Agent.

The Trustee may appoint an Authenticating Agent or Agents with respect to the Securities of one or more series, or any Tranche thereof, which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series or Tranche issued upon original issuance, exchange, registration of transfer or partial redemption thereof or pursuant to Section 306, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a

certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States, any State or Territory thereof or the District of Columbia or the Commonwealth of Puerto Rico, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than $50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Trustee agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section, and the Trustee shall be entitled to be reimbursed for such payments in accordance with, and subject to the provisions of, Section 1107.

The provisions of Sections 308, 1104 and 1105 shall be applicable to each Authenticating Agent.

If an appointment with respect to the Securities of one or more series, or any Tranche thereof, shall be made pursuant to this Section, the Securities of such series or Tranche may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication substantially in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

As Trustee

By

As Authenticating Agent

By

Authorized Signatory

If all of the Securities of a series may not be originally issued at one time, and if the Trustee does not have an office capable of authenticating Securities upon original issuance located in a Place of Payment where the Company wishes to have Securities of such series authenticated upon original issuance, the Trustee, if so requested by the Company in writing (which writing need not comply with Section 105 and need not be accompanied by an Opinion of Counsel), shall appoint, in accordance with this Section and in accordance with such procedures as shall be acceptable to the Trustee, an Authenticating Agent having an office in a Place of Payment designated by the Company with respect to such series of Securities.

ARTICLE TWELVE

Lists of Holders; Reports by Trustee and Company

SECTION 1201. Lists of Holders.

Semiannually, not later than June 30 and December 31 in each year, commencing June 30, 1994, and at such other times as the Trustee may request in writing, the Company shall furnish or cause to be furnished to the Trustee information as to the names and addresses of the Holders, and the Trustee shall preserve such information and similar information received by it in any other capacity and afford to the Holders access to information so preserved by it, all to such extent, if any, and in such manner as shall be required by the Trust Indenture Act; provided, however, that no such list need be furnished so long as the Trustee shall be the Security Registrar.

SECTION 1202. Reports by Trustee and Company.

Not later than July 15 in each year, commencing July 15, 1994, the Trustee shall transmit to the Holders and the Commission a report, dated as of the next preceding May 15, with respect to any events and other matters described in Section 313(a) of the Trust Indenture Act, in such manner and to the extent required by the Trust Indenture Act. The Trustee shall transmit to the Holders and the Commission, and the Company shall file with the Trustee (within thirty (30) days after filing with the Commission in the case of reports which pursuant to the Trust Indenture Act must be filed with the Commission and furnished to the Trustee) and

transmit to the Holders, such other information, reports and other documents, if any, at such times and in such manner, as shall be required by the Trust. Indenture Act.

ARTICLE THIRTEEN

Consolidation, Merger, Conveyance or Other Transfer

SECTION 1301. Company may Consolidate, etc., Only on Certain Terms.

The Company shall not consolidate with or merge into any other corporation, or convey or otherwise transfer or lease, subject to the Lien of this Indenture, the Mortgaged Property as or substantially as an entirety to any Person, unless:

(a) such consolidation, merger, conveyance or other transfer or lease shall be on such terms as shall fully preserve in all material respects the Lien and security of this Indenture and the rights and powers of the Trustee and the Holders of the Securities hereunder;

(b) the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or other transfer, or which leases, the Mortgaged Property as or substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America, any State or Territory thereof or the District of Columbia (such corporation being hereinafter sometimes called the "**Successor Corporation**") and shall execute and deliver to the Trustee an indenture supplemental hereto, in form recordable and satisfactory to the Trustee, which:

(i) in the case of a consolidation, merger, conveyance or other transfer, or in the case of a lease if The term thereof extends beyond the last Stated Maturity of the Securities then Outstanding, contains an assumption by the Successor Corporation of the due and punctual payment of the principal of and premium, if any, and interest, if any, on all the Securities then Outstanding and the performance and observance of every covenant and condition of this Indenture to be performed or observed by the Company, and

(ii) in the case of a consolidation, merger, conveyance or other transfer, contains a grant, conveyance, transfer and mortgage by the Successor Corporation, of the same tenor of the Granting Clauses herein,

(A) confirming the Lien of this Indenture on the Mortgaged Property (as constituted immediately prior to the time such transaction became effective) and subjecting to the Lien of this Indenture all property, real, personal and mixed, thereafter acquired by the Successor Corporation which shall constitute an improvement, extension or addition to the Mortgaged Property (as so constituted) or a renewal, replacement or substitution of or for any part thereof, and, at the election of the Successor Corporation,

(B) subjecting to the Lien of this Indenture such property, real, personal or mixed, in addition to the property described in subclause (A) above, then owned or thereafter acquired by the Successor Corporation as the Successor Corporation shall, in its sole discretion, specify or describe therein,

and the Lien confirmed or created by such grant, conveyance, transfer and mortgage shall have force, effect and standing similar to those which the Lien of this Indenture would have had if the Company had not been a party to such consolidation, merger, conveyance or other transfer or lease and had itself, after the time such transaction became effective, purchased, constructed or otherwise acquired the property subject to such grant, conveyance, transfer and mortgage;

(c) in the case of a lease, such lease shall be made expressly subject to termination by the Company or by the Trustee at any time during the continuance of an Event of Default, and also by the purchaser of the property so leased at any sale thereof hereunder, whether such sale be made under the power of sale hereby conferred or pursuant to judicial proceedings; and

(d) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each of which shall state that such consolidation, merger, conveyance or other transfer or lease, and such supplemental indenture, comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

SECTION 1302. Successor Corporation Substituted.

Upon any consolidation or merger or any conveyance or other transfer, subject to the Lien of this Indenture, of the Mortgaged Property as or substantially as an entirety in accordance with Section 1301, the Successor Corporation shall succeed to, and be substituted for, and may exercise every power and right of, the Company under this Indenture with the same effect as if such Successor Corporation had been named as the "Company" herein. Without limiting the generality of the foregoing:

(a) all property of the Successor Corporation then subject to the Lien of this Indenture, of the character described in Section 104, shall constitute Property Additions;

(b) the Successor Corporation may execute and deliver to the Trustee, and thereupon the Trustee shall, subject to the provisions of Article Four, authenticate and deliver, Securities upon any basis provided in Article Four; and

(c) the Successor Corporation may, subject to the applicable provisions of this Indenture, cause Property Additions to be applied to any other Authorized Purpose.

All Securities so executed by the Successor Corporation, and authenticated and delivered by the Trustee, shall in all respects be entitled to the benefit of the Lien of this Indenture equally and ratably with all Securities executed, authenticated and delivered prior to the time such consolidation, merger, conveyance or other transfer became effective.

SECTION 1303. Extent of Lien Hereof on Property of Successor Corporation.

Unless, in the case of a consolidation, merger, conveyance or other transfer contemplated by Section 1301, the indenture supplemental hereto contemplated in clause (b)(ii) in Section 1301, or any other indenture, contains a grant, conveyance, transfer and mortgage by the Successor Corporation as described in subclause (B) thereof, neither this Indenture nor such supplemental indenture shall become or be, or be required to become or be, a Lien upon any of the properties then owned or thereafter acquired by the Successor Corporation except properties acquired from the Company in or as a result of such transaction and improvements, extensions and additions to such properties and renewals, replacements and substitutions of or for any part or parts of such properties.

SECTION 1304. Release of Company upon Conveyance or Other Transfer.

In the case of a conveyance or other transfer contemplated in Section 1301, upon the satisfaction of all the conditions specified in Section 1301 the Company (such term being used in this Section without giving effect to such transaction) shall be released and discharged from all obligations and covenants under this Indenture and on and under all Securities then Outstanding unless the Company shall have delivered to the Trustee an instrument in which it shall waive such release and discharge.

SECTION 1305. Merger into Company; Extent of Lien Hereof.

(a) Nothing in this Indenture shall be deemed to prevent or restrict any consolidation or merger after the consummation of which the Company would be the surviving or resulting corporation or any conveyance or other transfer or lease, subject to the Lien of this Indenture, of any part of the Mortgaged Property which does not constitute the entirety, or substantially the entirety, thereof.

(b) Unless, in the case of a consolidation or merger described in subsection (a) of this Section, an indenture supplemental hereto shall otherwise provide, this Indenture shall not become or be, or be required to become or be, a Lien upon any of the properties acquired by the Company in or as a result of such transaction or any improvements, extensions or additions to such properties or any renewals, replacements or substitutions of or for any part or parts of such properties.

ARTICLE FOURTEEN

Supplemental Indentures

SECTION 1401. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Company and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(a) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities, all as provided in Article Thirteen; or

(b) to add one or more covenants of the Company or other provisions for the benefit of all Holders or for the benefit of the Holders of, or to remain in effect only so long as there shall be Outstanding, Securities of one or more specified series, or one or more specified Tranches thereof, or to surrender any right or power herein conferred upon the Company; or

(c) to correct or amplify the description of any property at any time subject to the Lien of this Indenture; or better to assure, convey and confirm unto the Trustee any property subject or required to be subjected to the Lien of this Indenture; or to subject to the Lien of this Indenture additional property (including property of Persons other than the Company), to specify any additional Permitted Liens with respect to such additional property and to modify Section 802 in order to specify therein any additional items with respect to such additional property; or.

(d) to change or eliminate any provision of this Indenture or to add any new provision to this Indenture; provided, however, that if such change, elimination or addition shall adversely affect the interests of the Holders of Securities of any series or Tranche in any material respect, such change, elimination or addition shall become effective with respect to such series or Tranche only when no Security of such series or Tranche remains Outstanding; or

(e) to establish the form or terms of Securities of any series or Tranche as contemplated by Sections 201 and 301; or

(f) to provide for the authentication and delivery of bearer securities and coupons appertaining thereto representing interest, if any, thereon and for the procedures for the registration, exchange and replacement thereof and for the giving of notice to, and, the solicitation of the vote or consent of, the holders thereof, and for any and all other matters incidental thereto; or

(g) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee or by a co-trustee or separate trustee; or

(h) to provide for the procedures required to permit the Company to utilize, at its option, a non-certificated system of registration for all, or any series or Tranche of, the Securities; or

(i) to change any place or places where (1) the principal of and premium, if any, and interest, if any, on all or any series of Securities, or any Tranche thereof, shall be payable, (2) all or any series of Securities, or any Tranche thereof, may be surrendered for registration of transfer, (3) all or any series of Securities, or any Tranche thereof, may be surrendered for exchange and (4) notices and demands to or upon the Company in respect of all or any series of Securities, or any Tranche thereof, and this Indenture may be served; or

(j) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein; or to make any other changes to the provisions hereof or to add other provisions with respect to matters or questions arising under this Indenture, provided that such other changes or additions shall not adversely affect the interests of the Holders of Securities of any series or Tranche in any material respect.

Without limiting the generality of the foregoing, if the Trust Indenture Act as in effect at the date of the execution and delivery of this Indenture or at any time thereafter shall be amended and

(x) if any such amendment shall require one or more changes to any provisions hereof or the inclusion herein of any additional provisions, or shall by operation of law be deemed to effect such changes or incorporate such provisions by reference or otherwise, this Indenture shall be deemed to have been amended so as to conform to such amendment to the Trust Indenture Act, and the Company and the Trustee may, without the consent of any Holders, enter into an indenture supplemental hereto to evidence such amendment hereof; or

(y) if any such amendment shall permit one or more changes to, or the elimination of, any provisions hereof which, at the date of the execution and delivery hereof or at any time thereafter, are required by the Trust Indenture Act to be contained herein or are contained herein to reflect any provisions of the Trust Indenture Act as in effect at such date, this Indenture shall be deemed to have been amended to effect such changes or elimination, and the Company and the Trustee may, without the consent of any Holders, enter into an indenture supplemental hereto to evidence such amendment hereof.

SECTION 1402. Supplemental Indentures With Consent of Holders.

With the consent of the Holders of not less than a majority in aggregate principal amount of the Securities of all series then Outstanding under this Indenture, considered as one class, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or

eliminating any of the provisions of, this Indenture; provided, however, that if there shall be Securities of more than one series Outstanding hereunder and if a proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series so directly affected, considered as one class, shall be required; and provided, further, that if the Securities of any series shall have been issued in more than one Tranche and if the proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that no such supplemental indenture shall:

(a) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon (or the amount of any installment of interest thereon) or change the method of calculating such rate or reduce any premium payable upon the redemption thereof, or reduce the amount of the principal of any Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 1002, or change the coin or currency (or other property), in which any Security or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity of any Security (or, in the case of redemption, on or after the Redemption Date), without, in any such case, the consent of the Holder of such Security; or

(b) permit the creation of any Lien (not otherwise permitted hereby) ranking prior to the Lien of this Indenture with respect to all or substantially all of the Mortgaged Property or terminate the Lien of this Indenture on all or substantially all of the Mortgaged Property, or deprive the Holders of the benefit of the Lien of this Indenture, without, in any such case, the consent of the Holders of all Securities then Outstanding; or

(c) reduce the percentage in principal amount of the Outstanding Securities of any series, or any Tranche thereof, the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with any provision of this Indenture or of any default hereunder and its consequences, or reduce the requirements of Section 1504 for quorum or voting, without, in any such case, the consent of the Holder of each Outstanding Security of such series or Tranche; or

(d) modify any of the provisions of this Section, Section 609 or Section 1017 with respect to the Securities of any series, or any Tranche thereof (except to increase the percentages in principal amount referred to in this Section or such other Sections or to provide that other provisions of this Indenture cannot be modified or waived), without, in any such case, the consent of the Holder of each Outstanding Security of such series or Tranche; provided, however, that this clause shall not be deemed to require the consent of any Holder with respect to

changes in the references to "the Trustee" and concomitant changes in this Section, or the deletion of this proviso, in accordance with the requirements of Section 1401(g).

A supplemental indenture which (x) changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of the Holders of, or which is to remain in effect only so long as there shall be Outstanding, Securities of one or more specified series, or one or more Tranches thereof, or (y) modifies the rights of the Holders of Securities of such series or Tranches with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series or Tranche.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 1403. Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 1101) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties, immunities or liabilities under this Indenture or otherwise.

SECTION 1404. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby. Any supplemental indenture permitted by this Article may restate this Indenture in its entirety, and, upon the execution and delivery thereof, any such restatement shall supersede this Indenture as theretofore in effect for all purposes.

SECTION 1405. Conformity With Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

SECTION 1406. Reference in Securities to Supplemental Indentures.

Securities of any series, or any Tranche thereof, authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series, or any Tranche thereof, so modified as to conform, in the opinion of the Trustee and the Company,

to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series or Tranche.

ARTICLE FIFTEEN

Meetings of Holders; Action Without Meeting

SECTION 1501. Purposes for Which Meetings May Be Called.

A meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by Holders of Securities of such series or Tranches.

SECTION 1502. Call, Notice and Place of Meetings.

(a) The Trustee may at any time call a meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, for any purpose specified in Section 1501, to be held at such time and (except as provided in subsection (b) of this Section) at such place in the Borough of Manhattan, The City of New York, as the Trustee shall determine, or, with the approval of the Company, at any other place. Notice of every such meeting, setting forth the time and the place of such meeting and in general terms the, action proposed to be taken at such meeting, shall be given, in the manner provided in Section 109, not less than 21 nor more than 180 days prior to the date fixed for the meeting.

(b) The Trustee may be asked to call a meeting of the Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, by the Company or by the Holders of thirty-three per centum (33%) in aggregate principal amount of all of such series and Tranches, considered as one class, for any purpose specified in Section 1501, by written request setting forth in reasonable detail the action proposed to be taken at the meeting. If the Trustee shall have been asked by the Company to call such a meeting, the Company shall determine the time and place for such meeting and may call such meeting by giving notice thereof in the manner provided in subsection (a) of this Section, or shall direct the Trustee, in the name and at the expense of the Company, to give such notice. If the Trustee shall have been asked to call such a meeting by Holders in accordance with this subsection (b), and the Trustee shall not have given the notice of such meeting within 21 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Holders of Securities of such series and Tranches in the amount above specified, may determine the time and the place in the Borough of Manhattan, The City of New York, or in such other place as shall be determined or approved by the Company, for such meeting and may call such meeting for such purposes by giving notice thereof as provided in subsection (a) of this Section.

(c) Any meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, shall be valid without notice if the Holders of all Outstanding Securities of such series or Tranches are present in person or by proxy and if representatives of the Company and the Trustee are present, or if notice is waived in writing before or after the

meeting by the Holders of all Outstanding Securities of such series, or any Tranche or Tranches thereof, or by such of them as are not present at the meeting in person or by proxy, and by the Company and the Trustee.

SECTION 1503. Persons Entitled to Vote at Meetings.

To be entitled to vote at any meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, a Person shall be (a) a Holder of one or more Outstanding Securities of such series or Tranches, or (b) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities of such series or Tranches by such Holder or Holders. The only Persons who shall be entitled to attend any meeting of Holders of Securities of any series or Tranche shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 1504. Quorum; Action.

The Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of the series and Tranches with respect to which a meeting shall have been called as hereinbefore provided, considered as one class, shall constitute a quorum for a meeting of Holders of Securities of such series and Tranches; provided, however, that if any action is to be taken at such meeting which this Indenture expressly provides may be taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of such series and Tranches, considered as one class, the Persons entitled to vote such specified percentage in principal amount of the Outstanding Securities of such series and Tranches, considered as one class, shall constitute a quorum. In the absence of a quorum within one hour of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities of such series and Tranches, be dissolved. In any other case the meeting may be adjourned for such period as may be determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for such period as may be determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Except as provided by Section 1505(e), notice of the reconvening of any meeting adjourned for more than 30 days shall be given as provided in Section 109 not less than ten days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly the percentage, as provided above, of the principal amount of the Outstanding Securities of such series and Tranches which shall constitute a quorum.

Except as limited by Section 1402, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted only by the affirmative vote of the Holders of a majority in aggregate principal amount of the Outstanding Securities of the series and Tranches with respect to which such meeting shall have been called, considered as one class; provided, however, that, except as so limited, any resolution with respect to any action which this Indenture expressly provides may be taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of such series and Tranches, considered as one class, may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the

affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Securities of such series and Tranches, considered as one class.

Any resolution passed or decision taken at any meeting of Holders of Securities duly held in accordance with this Section shall be binding on all the Holders of Securities of the series and Tranches with respect to which such meeting shall have been held, whether or not present or represented at the meeting.

SECTION 1505. Attendance at Meetings; Determination of Voting Rights; Conduct and Adjournment of Meetings.

(a) Attendance at meetings of Holders of Securities may be in person or by proxy; and, to the extent permitted by law, any such proxy shall remain in effect and be binding upon any future Holder of the Securities with respect to which it was given unless and until specifically revoked by the Holder or future Holder of such Securities before being voted.

(b) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities in regard to proof of the holding of such Securities and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 107 and the appointment of any proxy shall be proved in the manner specified in Section 107. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 107 or other proof.

(c) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders as provided in Section 1502(b), in which case the Company or the Holders of Securities of the series and Tranches calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of all series and Tranches represented at the meeting, considered as one class.

(d) At any meeting each Holder or proxy shall be entitled to one vote for each $1,000 principal amount of Outstanding Securities held or represented by such Holder; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Security or proxy.

(e) Any meeting duly called pursuant to Section 1502 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of all series and Tranches represented at the

meeting, considered as one class; and the meeting may be held as so adjourned without further notice.

SECTION 1506. Counting Votes and Recording Action of Meetings.

The vote upon any resolution submitted to any meeting of Holders shall be by written ballots on which shall be subscribed the signatures of the Holders or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Securities, of the series and Tranches with respect to which the meeting shall have been called, held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports of all votes cast at the meeting. A record of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 1502 and, if applicable, Section 1504. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

SECTION 1507. Action Without Meeting.

In lieu of a vote of Holders at a meeting as hereinbefore contemplated in this Article, any request, demand, authorization, direction, notice, consent, waiver or other action may be made, given or taken by Holders by written instruments as provided in Section 107.

ARTICLE SIXTEEN

Immunity of Incorporators, Stockholders, Officers and Directors

SECTION 1601. Liability Solely Corporate.

No recourse shall be had for the payment of the principal of or premium, if any, or interest, if any, on any Securities, or any part thereof, or for any claim based thereon or otherwise in respect thereof, or of the indebtedness represented thereby, or upon any obligation, covenant or agreement under this Indenture, against any incorporator, shareholder, officer or director, as such, past, present or future of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that this Indenture and all the Securities are solely corporate obligations, and that no personal liability whatsoever shall attach to, or be incurred by, any incorporator, shareholder, officer or director, past, present or future, of the Company or of any predecessor or successor corporation, either directly or indirectly through the Company or any predecessor or successor corporation, because of the indebtedness hereby authorized or under or by reason of any of the obligations, covenants or agreements contained in this Indenture or in any of the Securities or to be implied herefrom or

therefrom, and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of this Indenture and the issuance of the Securities.

This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Indenture.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

PUBLIC SERVICE COMPANY OF COLORADO

By: /s/ Ralph Sargent III

Ralph Sargent III
Vice President Finance
Planning and Communication, and Treasurer

MORGAN GURANTY TRUST COMPANY OF NEW YORK, Trustee

By: /s/ Norma R. Pane

Norma R. Pane
Vice President

STATE OF COLORADO)

) ss.:

CITY AND COUNTY OF DENVER)

On the 30th day of September, 1993 before me personally came Ralph Sargent III, to me known, who, being by me duly sworn, did depose and say that he is the Vice President Finance, Planning and Communication, and Treasurer of Public Service Company of Colorado, one of the corporations described in and which executed the foregoing instrument and that he signed his name thereto by authority of the Board of Directors of said corporation.

/s/ Jo Lynn Rife

Notary Public

Jo Lynn Rife
Notary Public, State of Colorado
Commission Expires April 12, 1994

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 30th day of September, 1993, before me personally came Norma R. Pane, to me known, who, being by me duly sworn, did depose and say that she is a Vice President of Morgan Guaranty Trust Company of New York, the banking corporation described in and which executed the foregoing instrument and that she signed her name thereto by authority of the Board of Directors of said corporation.

/s/ Thomas Courtney
Notary Public

Thomas J. Courtney
Notary Public, State of New York
No. 24-4996233
Qualified in Kings County
Commission Expires May 11, 1994

Exhibit A

RECORDING INFORMATION RELATING TO PSCO 1939 MORTGAGE

By the Indenture, dated as of October 1, 1993 (the "Indenture"), and subject to the terms and provisions thereof, Public Service Company of Colorado (the "Company") has granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over and confirmed to Morgan Guaranty Trust Company of New York, the trustee thereunder, among other things, all right, title and interest of the Company in and to lands and interests in land used or to be used in or in connection with the business of generating, purchasing, transmitting, distributing and/or selling electric energy (whether or not such is the sole use of such property) which are subject to the lien of the Indenture, dated as of December 1, 1939, of the Company to Guaranty Trust Company of New York (now Morgan Guaranty Trust Company of New York), as amended and supplemented by various indentures supplemental thereto (as so amended and supplemented; the "PSCO 1939 Mortgage"), except land and interests in land which have been specifically released from the lien of the PSCO 1939 Mortgage from time to time or are specifically excepted therefrom, and in any event excluding all lands, interests in land and other properties described or referred to in Part Fifth, Part Sixth, Part Ninth and Part Tenth of the granting clauses of the PSCO 1939 Mortgage (including the aforesaid supplemental indentures); and except to the extent, if any, that such lands and interests in land constitute Excepted Property (as defused in the Indenture), and subject to such prior Liens as are described or referred to in the Indenture.

The PSCO 1939 Mortgage (including the indentures supplemental thereto) has been heretofore recorded and filed on the respective dates and in the respective places in the State of Colorado set forth on the following pages:

County	Indenture	Yr	Mo	Day	Reference: Book	Page	Reception No
Adams	Original	39	11	29	259	390	
	Supplemental	43	5	27	288	254	
	Supplemental	44	5	29	298	192	
	Supplemental	45	5	14	306	313	
	Supplemental	47	4	18	334	502	
	Supplemental	47	7	11	340	1	
	Supplemental	48	6	11	358	457	
	Supplemental	50	5	10	394	523	
	Supplemental	51	4	25	418	465	
	Supplemental	51	10	5	428	461	
	Supplemental	52	4	29	441	113	
	Supplemental	53	4	29	464	29	
	Supplemental	54	5	4	496	266	
	Supplemental	54	10	6	516	394	
	Supplemental	55	5	3	547	468	
	Supplemental	56	5	1	606	142	
	Supplemental	57	5	23	659	369	
	Supplemental.	58	4	25	707	428	
	Supplemental	59	4	30	775	166	
	Supplemental	60	5	9	843	448	
	Supplemental	61	5	11	908	278	
	Supplemental	61	10	6	940	378	
	Supplemental	62	3	20	972	500	
	Supplemental	64	6	22	1158	384	
	Supplemental	66	5	25	1297	110	
	Supplemental	67	7	27	1378	62	
	Supplemental	68	7	25	1451	375	
	Supplemental	69	5	16	1516	265	
	Supplemental	70	5	11	1596	275	
	Supplemental	70	9	10	1627	219	
	Supplemental	72	8	8	1811	473	
	Supplemental	73	6	18	1870	365	
	Supplemental	74	4	23	1925	672	
	Supplemental	75	11	6	2027	886	
	Supplemental	77	6	7	2148	373	
	Supplemental	77	12	16	2198	890	
	Supplemental	81	7	1	2567	89	
	Supplemental	82	5	18	2644	806	
	Supplemental	82	5	18	2644	831	
	Supplemental	82	6	7	2650	540	
	Supplemental	83	6	9	2755	2	
	Supplemental	84	6	19	2885	508	
	Supplemental	85	6	3	3007	390	
	Supplemental	87	3	27	3292	955	
	Supplemental	87	6	25	3334	672	
	Supplemental	90	9	12	3710	587	
	Supplemental	91	2	11	3750	292	
	Supplemental	92	5	1	3898	260	
	Supplemental	93	6	16	4092	117	
	Supplemental	93	8	31	4140	1	
Alamosa	2nd Supplemental	41	6	25	84	60	
	7th Supplemental	46	5	21	92	475	
	8th Supplemental	47	4	16	96	16	

County	Indenture	Yr	Mo	Day	Reference: Book	Page	Reception No
	Original	39	12	4	81	321	
	Supplemental	47	6	30	98	187	
	Supplemental	50	5	10	104	340	
	Supplemental	51	10	6	110	287	
	Supplemental	54	10	7	123	361	
	Supplemental	58	4	23	135	277	
	Supplemental	59	5	8	146	172	
	Supplemental	61	10	6	159	266	
	Supplemental	64	6	25	172	108	
	Supplemental	66	5	27	183	156	
	Supplemental	67	8	1	188	294	
	Supplemental	74	4	23	227	215	
	Supplemental	82	5	20	289	58	
	Supplemental	82	5	20	289	81	
	Supplemental	82	6	8	289	321	
	Supplemental	83	6	10	297	2	
	Supplemental	84	6	19	304	759	
	Supplemental	85	6	4	312	1	
	Supplemental	87	3	30	346	13	
	Supplemental	87	6	26	350	277	
	Supplemental	90	9	13	404	127	
	Supplemental	91	2	12	411	119	
	Supplemental	92	5	4	437	305	
	Supplemental	93	6	16	466	48	
	Supplemental.	93	9	1	471	248	
Arapahoe	2nd Supplemental	41	6	26	451	409	
	3rd Supplemental	42	6	11	466	156	
	6th Supplemental	45	5	16	519	86	
	8th Supplemental	47	4	21	575	363	
	Original	39	12	1	425	288	
	Supplemental	47	6	26	581	29	
	Supplemental	48	6	12	611	280	
	Supplemental	48	10	25	621	380	
	Supplemental	49	5	20	637	181	
	Supplemental	50	5	17	675	222	
	Supplemental	51	5	7	717	318	
	Supplemental	51	10	5	735	1	
	Supplemental	52	4	29	755	280	
	Supplemental	53	5	5	803	161	
	Supplemental	54	5	13	857	558	
	Supplemental	54	10	6	880	274	
	Supplemental	56	5	8	966	19	
	Supplemental	57	5	23	1016	205	
	Supplemental	58	4	25	1061	1	
	Supplemental	59	4	30	1125	137	
	Supplemental	60	5	9	1189	19	
	Supplemental	61	5	11	1258	374	
	Supplemental	61	10	6	1293	66	
	Supplemental	62	3	21	1326	365	
	Supplemental	64	6	22	1525	427	
	Supplemental	66	5	23	1666	585	
	Supplemental	67	7	27	1719	546	
	Supplemental	68	7	25	1769	184	

County	Indenture	Yr	Mo	Day	Reference: Book	Page	Reception No
	Supplemental	70	5	11	1863	738	
	Supplemental	70	9	10	1884	129	
	Supplemental	71	2	18	1909	337	
	Supplemental	72	8	8	2044	692	
	Supplemental	73	6	18	2138	260	
	Supplemental	75	11	6	2390	126	
	Supplemental	76	6	9	2456	221	
	Supplemental	77	6	7	2598	202	
	Supplemental	77	12	16	2697	433	
	Supplemental	79	11	19	3121	477	
	Supplemental	82	5	19	3627	266	
	Supplemental	82	5	19	3627	291	
	Supplemental	82	6	7	3637	645	
	Supplemental	83	6	19	3918	94	
	Supplemental	84	6	20	4189	299	
	Supplemental	85	6	3	4454	124	
	Supplemental	87	3	27	5090	678	
	Supplemental	87	6	10	5205	552	
	Supplemental	90	9	12	6005	656	
	Supplemental	91	2	13	6096	326	
	Supplemental	92	5	1	6458	165	
	Supplemental	93	6	18	6988	223	
	Supplemental	93	8	31			93-116232
Archuletta	Original	93	9	3			93004967
	Supplemental	93	9	3			93004971
	Supplemental	93	9	3			93004969
Bent	Supplemental	81	7	1	360	572	
	Supplemental	82	5	20	366	308	
	Supplemental	82	5	20	366	333	
	Supplemental	82	6	7	366	511	
	Supplemental	83	6	10	370	771	
	Supplemental	84	6	21	374	635	
	Supplemental	85	6	3	378	489	
	Supplemental	87	3	27	384	504	
	Supplemental	87	6	25	385	347	
	Supplemental	90	9	12	408	339	
	Supplemental	91	2	11	411	243	
	Supplemental	92	5	1	422	181	
	Supplemental	93	6	16	430	157	
	Supplemental	93	9	1	432	83	
	Original	93	9	22	434	1	
	Supplemental	93	9	22	433	1	
Boulder	2nd Supplemental	41	6	27	705	335	
	3rd Supplemental	42	6	25	716	457	
	4th Supplemental	43	5	25	729	290	
	5th Supplemental	44	5	31	744	267	
	Original	39	11	29	679	1	
	Supplemental	47	6	30	811	207	
	Supplemental	48	6	10	828	228	
	Supplemental	48	40	25	836	416	
	Supplemental	49	5	23	847	74	
	Supplemental	50	5	11	868	13	
	Supplemental	51	4	25	886	359	

County	Indenture	Yr	Mo	Day	Reference: Book	Page	Reception No
	Supplemental	53	4	29	926	363	
	Supplemental	54	10	6	961	129	
	Supplemental	57	5	23	1045	45	
	Supplemental	58	4	25	1072	526	
	Supplemental	59	4	30	1108	34	
	Supplemental	60	5	9	1143	27	
	Supplemental	61	5	11	1182	263	
	Supplemental	61	10	5	1202	122	
	Supplemental	62	3	21	1223	117	
	Supplemental	64	6	22	Film 505		758886
	Supplemental	66	5	23	Film 570		815947
	Supplemental	67	8	1	Film 609		853735
	Supplemental	68	7	25	641		885546
	Supplemental	69	5	16	Film 668		913274
	Supplemental	70	5	12	Film 698		942958
	Supplemental	70	9	15	Film 709		954421
	Supplemental	72	8	9	Film 783		29676
	Supplemental	74	4	23	Film 851		100506
	Supplemental	76	6	8	Film 926		179322
	Supplemental	77	6	8	Film 965		226467
	Supplemental	77	12	20	Film 989		257222
	Supplemental	79	11	19	Film 1092		371001
	Supplemental	80	3	26	Film 1110		389173
	Supplemental	82	5	18	Film 1207		494980
	Supplemental	82	5	18	Film 1207		494981
	Supplemental	82	6	7	Film 1209		497496
	Supplemental	83	6	9	Film 1256		554662
	Supplemental	84	6	20	Film 1308		628636
	Supplemental	85	6	3	Film 1356		691564
	Supplemental	87	3	30	Film 1465		837031
	Supplemental	87	6	26	Film 1482		859443
	Supplemental	90	9	13	Film 1643		1063929
	Supplemental	91	2	11	Film 1661		1087294
	Supplemental	92	5	1			1181150
	Supplemental	93	6	16		1	1304329
	Supplemental	93	9	1		1	1332731
Chaffee	3rd Supplemental	42	7	7	242	72	
	Original	39	12	4	238	85	
	Supplemental	47	6	30	254	169	
	Supplemental	51	4	28	267	50	
	Supplemental	52	4	29	273	45	
	Supplemental	57	5	24	292	54	
	Supplemental	59	5	4	305	241	
	Supplemental	67	7	31	358	750	
	Supplemental	77	6	8	409	375	
	Supplemental	78	5	18	416	337	
	Supplemental	82	5	18	449	502	
	Supplemental	82	5	18	449	527	
	Supplemental	82	6	7	449	832	
	Supplemental	83	6	9	457	485	
	Supplemental	84	6	19	465	674	
	Supplemental	85	6	3	472	182	
	Supplemental	87	3	30	487	496	

County	Indenture	Yr	Mo	Day	Reference: Book	Page	Reception No
	Supplemental	87	6	26	489	435	
	Supplemental	90	9	13	512	976	
	Supplemental	91	2	11	515	568	
	Supplemental	92	5	4	524	549	
	Supplemental	93	6	16	535	221	
	Supplemental	93	9	1	538	1	
Clear Creek	4th Supplemental	43	5	25	222	591	
	6th Supplemental	45	5	14	230	179	
	Original	39	11	29	222	238	
	Supplemental	41	3	31	222	430	
	Supplemental	47	6	28	240.	1	
	Supplemental	56	5	4	251	414	
	Supplemental	57	5	24	257	1	
	Supplemental	66	5	26	294	218	
	Supplemental	67	7	27	300	31	
	Supplemental	69	5	16	312	642	
	Supplemental	70	9	10	320	445	
	Supplemental	72	8	8	333	683	
	Supplemental	74	4	23	346	539	
	Supplemental	77	12	16	372	384	
	Supplemental	82	5	18	415	568	
	Supplemental	82	5	18	415	593	
	Supplemental	82	6	8	415	969	
	Supplemental	83	6	8	422	854	
	Supplemental	84	6	19	430	909	
	Supplemental	85	6	3	438	391	
	Supplemental	87	3	27	452	953	
	Supplemental	87	6	25	454	923	
	Supplemental	90	9	12	477	49	
	Supplemental	91	2	11	480	71	
	Supplemental	92	5	1	489	263	
	Supplemental	93	6	16	501	256	
	Supplemental	93	8	31			162997
Conejos	Original	39	12	4	164	222	
	Supplemental	47	7	9	182	475	
	Supplemental	51	10	8	191	596	
	Supplemental	54	5	5	196	261	
	Supplemental	54	10	7	196	384	
	Supplemental	59	5	5	205	538	
	Supplemental	64	6	25	222	81	
	Supplemental	66	5	26	227	101	
	Supplemental	67	8	1	231	413	
	Supplemental	68	7	26	237	11	
	Supplemental	82	5	19	305	293	
	Supplemental	82	5	19	305	318	
	Supplemental	82	6	10	305	500	
	Supplemental	83	6	10	311	184	
	Supplemental	84	6	19	316	305	
	Supplemental	85	6	3		467	188925
	Supplemental	87	3	31	332	164	
	Supplemental	87	6	26	333	1	
	Supplemental	90	9	12	344	118	
	Supplemental	91	2	11	345	204	

County	Indenture	Yr	Mo	Day	Reference: Book	Page	Reception No
	Supplemental	92	5	4	349	179	
	Supplemental	93	6	17	353	456	
	Supplemental	93	9	1	354	249	
Costilla	Original	39	12	4	145	67	
	Supplemental	47	7	2	150	420	
	Supplemental	64	6	25	184	407	
	Supplemental	66	5	26	187	229	
	Supplemental	82	5	19	225	773	
	Supplemental	82	5	19	225	798	
	Supplemental	82	6	10	226	212	
	Supplemental	83	6	10	233	11	
	Supplemental	84	6	19	237	966	
	Supplemental	85	6	3	241	802	
	Supplemental	87	3	30	249	281	
	Supplemental	87	6	26	250	326	
	Supplemental	90	9	13	262	971	
	Supplemental	91	2	11	264	497	
	Supplemental	92	5	4	270	209	
	Supplemental	93	6	16	285	269	
	Supplemental	93	9	1	289	305	
Crowley	Original	92	6	18	241	795	
	Supplemental	92	6	18	242	1	
	Supplemental	93	6	16	243	586	
	Supplemental	93	8	31	243	927	
Delta	Original	92	6	19	686	348	
	Supplemental	92	6	19	686	648	
	Supplemental	93	6	17	703	192	
	Supplemental	93	9	1	707	95	
Denver	3rd Supplemental	42	5	27	5635	292	
	4th Supplemental	43	5	24	5735	88	
	5th Supplemental	44	5	23	5778	108	
	6th Supplemental	45	5	12	5902	569	
	7th Supplemental	46	5	20	6045	217	
	8th Supplemental	47	4	16	6195	285	
	Original	39	11	29	5370	1	
	Supplemental	47	6	27	6233	235	
	Supplemental	48	6	9	6399	236	
	Supplemental	48	10	25	6459	462	
	Supplemental	49	5	16	6544	564	
	Supplemental	50	5	9	6719	523	
	Supplemental	51	4	24	6913	192	
	Supplemental	51	10	5	6998	439	
	Supplemental	52	4	29	7105	99	
	Supplemental	53	1	9	7239	3	
	Supplemental	53	4	28	7290	198	
	Supplemental	54	5	3	7467	432	
	Supplemental	54	10	6	7549	247	
	Supplemental	55	5	3	7669	2	
	Supplemental	56	5	1	7864	483	
	Supplemental	57	5	23	8040	547	
	Supplemental	58	4	25	8176	367	
	Supplemental	59	4	30	8346	268	
	Supplemental	60	5	9	8508	363	

County	Indenture	Yr	Mo	Day	Reference: Book	Page	Reception No
	Supplemental	61	5	11	8671	455	
	Supplemental	61	10	5	8745	12	
	Supplemental	62	3	20	8818	61	
	Supplemental	64	6	22	9256	262	
	Supplemental	66	5	23	9602	417	
	Supplemental	67	7	26	9762	487	
	Supplemental	68	7	26	9908	459	
	Supplemental	69	5	15	32	403	
	Supplemental	70	5	8	173	632	
	Supplemental	70	9	9	222	288	
	Supplemental	72	8	3	541	597	
	Supplemental	73	6	15	714	75	
	Supplemental	74	4	23	868	204	
	Supplemental	75	1	10	996	314	
	Supplemental	75	11	4	1148	18	
	Supplemental	76	6	9	1260	280	
	Supplemental	77	6	7	1452	684	
	Supplemental	78	5	19	1667	670	
	Supplemental	80	3	25	2129	10.	
	Supplemental	82	5	18	2586	124	
	Supplemental	82	5	18	2586	149	
	Supplemental	82	6	8	2598	329	
	Supplemental	83	6	8	2829	279	
	Supplemental	84	6	22	3130	346	
	Supplemental	85	6	4		467	22091
	Supplemental	87	3	27	Film 0148		109778
	Supplemental	87	7	7	Film 0215		155736
	Supplemental	90	9	14			R-90-0084791
	Supplemental	91	2	11			R-91-0010640
	Supplemental	92	5	11			R-92-0051383
	Supplemental	93	6	17			93-0077115
	Supplemental	93	9	2			93-00119030
Dolores	Original	92	6	19	254	92	
	Supplemental	92	6	19	254	390	
	Supplemental	93	6	16	259	1	
	Supplemental	93	9	1	259	450	
Douglas	Original	57	4	18	120	199	
	Supplemental	57	4	18	120	342	
	Supplemental	57	5	24	121	65	
	Supplemental	58	4	23	124	143	
	Supplemental	59	5	4	128	232	
	Supplemental	60	5	9	132	19	
	Supplemental	61	5	11	137	237	
	Supplemental	61	10	6	140	102	
	Supplemental	62	3	21	142	316	
	Supplemental	64	6	22	157	441	
	Supplemental	66	5	23	170	99	
	Supplemental	67	7	27	177	356	
	Supplemental	68	7	25	185	264	
	Supplemental	70	5	11	204	159	
	Supplemental	72	8	9	234	84	
	Supplemental	73	6	18	248	149	
	Supplemental	77	12	19	321	245	

County	Indenture	Yr	Mo	Day	Reference: Book	Page	Reception No
	Supplemental	82	5	19	441	956	
	Supplemental	82	5	19	441	981	
	Supplemental	82	6	8	443	435	
	Supplemental	83	6	8	477	1049	
	Supplemental	84	6	19	525	869	
	Supplemental	85	6	3	576	936	
	Supplemental	87	3	27	709	42	
	Supplemental	87	6	26	730	1	
	Supplemental.	90	9	12	930	833	
	Supplemental	91	2	11	954	30	
	Supplemental	92	5	1	1050	50	
	Supplemental	93	6	16	1131	1075	
	Supplemental	93	8	31	1145	1318	
Eagle	3rd Supplemental	42	8	18	128	292	
	6th Supplemental	45	5	14	132	1	
	8th Supplemental	47	4	16	132	545	
	Original	39	12	1	124	411	
	Supplemental	47	6	30	134	173	
	Supplemental	64	6	24	183	47	
	Supplemental	66	5	27	197	37	
	Supplemental	67	7	31	205	205	
	Supplemental	70	5	11	217	607	
	Supplemental	74	4	23	234	319	
	Supplemental	75	11	6	242	889	
	Supplemental	82	5	19	340	657	
	Supplemental	82	5	19	340	658	
	Supplemental	82	6	9	341	427	
	Supplemental	83	6	9	361	271	
	Supplemental	84	6	20	387	777	
	Supplemental	85	6	3	415	900	
	Supplemental	87	3	30	459	932	
	Supplemental	87	6	26	465	91	
	Supplemental	90	9	13	537	496	
	Supplemental	91	2	11	547	77	
	Supplemental	92	5	1	579	87	
	Supplemental	93	6	17	611	173	
	Supplemental	93	9	1	618	342	
El Paso	Original	66	4	6	2125	686	
	Supplemental	66	5	26	2133	323	
	Supplemental	68	7	26	2245	531	
	Supplemental	77	12	16	2990	805	
	Supplemental	82	5	20	3567	1	
	Supplemental	82	5	20	3567	26	
	Supplemental	82	6	9	3573	893	
	Supplemental	83	6	22	3743	661	
	Supplemental	84	6	19	3884	901	
	Supplemental	85	6	3	5016	903	
	Supplemental	87	3	27	5338	669	
	Supplemental	87	7	15	5395	474	
	Supplemental	90	9	13	5773	142	
	Supplemental	91	2	11	5812	751	
	Supplemental	92	5	1	5971	631	
	Supplemental	93	6	16	6195	169	

County	Indenture	Yr	Mo	Day	Reference: Book	Page	Reception No
	Supplemental	93	8	31	6248	51	
Elbert	Original	66	4	19	259	1	
	Supplemental	66	5	23	259	452	
	Supplemental	77	12	16	311	350	
	Supplemental	82	5	18	347	390	
	Supplemental	82	5	18	347	415	
	Supplemental	82	6	8	347	912	
	Supplemental	83	6	8	357	122	
	Supplemental	84	6	19	369	235	
	Supplemental	85	6	3	381	223	
	Supplemental	87	3	27	404	530	
	Supplemental	87	7	10	408	26	
	Supplemental	90	9	12	439	324	
	Supplemental	91	2	11	442	849	
	Supplemental	92	5	1	455	747	
	Supplemental	93	6	16	472	852	
	Supplemental	93	8	31	477	365	
Fremont	Original	59	3	28	403	99	
	Supplemental	59	5	4	404	334	
	Supplemental	59	5	28	403	241	
Garfield	8th Supplemental	47	4	17	218	525	
	Original	39	12	1	196	197	
	Supplemental	47	6	27	227	255	
	Supplemental	51	5	12	258	340	
	Supplemental	56	5	3	292	474	
	Supplemental	57	5	28	301	19	
	Supplemental	58	4	29	308	341	
	Supplemental	61	5	15	334	121	
	Supplemental	61	10	6	337	82	
	Supplemental	62	3	23	340	143	
	Supplemental	64	6	24	359	9	
	Supplemental	66	6	3	376	453	
	Supplemental	67	7	28	386	397	
	Supplemental	70	5	11	410	212	
	Supplemental	70	9	10	413	95	
	Supplemental	74	4	24	458	360	
	Supplemental	75	11	7	480	434	
	Supplemental	77	12	16	503	846	
	Supplemental.	82	5	19	599	715	
	Supplemental	82	5	19	599	740	
	Supplemental	82	6	7	600	718	
	Supplemental	83	6	9	628	646	
	Supplemental	84	6	20	651	731	
	Supplemental	85	6	5	670	21	
	Supplemental	87	3	30	708	316	
	Supplemental	87	7	23	717	14	
	Supplemental	90	9	13	788	803	
	Supplemental	91	2	11	798	534	
	Supplemental	92	5	1	830	594	
	Supplemental	93	6	18	866	137	
	Supplemental	93	9	1	874	188	
Gilpin	Original	39	11	29	214	110	
	Supplemental	41	4	3	214	405	

County	Indenture	Yr	Mo	Day	Reference: Book	Page	Reception No
	Supplemental	47	6	28	220	231	
	Supplemental	68	10	14	260	370	
	Supplemental	77	12	16	309	40	
	Supplemental	82	5	18	345	32	
	Supplemental	82	5	18	345	57	
	Supplemental	82	6	7	345	254	
	Supplemental	83	6	8	353	119	
	Supplemental	84	6	19	361	143	
	Supplemental	85	6	3	368	345	
	Supplemental	87	3	27	383	39	
	Supplemental	87	6	25	385	42	
	Supplemental	90	9	12	506	363	
	Supplemental	91	7	9	513	322	
	Supplemental	92	5	5	525	160	
	Supplemental	93	6	16	544	343	
	Supplemental	93	8	31	549	320	
Grand	Original	39	11	30	88	55	
	Supplemental	47	6	28	96	496	
	Supplemental	77	12	16	241	512	
Gunnison	Original	39	12	5	262	1	
	Supplemental	47	7	2	276	389	
Huerfano	Original	92	3	17	14M	670	
	Supplemental	92	3	17	14M	669	
	Supplemental	92	5	1	15M	203	
	Supplemental	93	6	16	19M	542	
	Supplemental	93	8	31	20M	680	
Jefferson	2nd Supplemental	41	6	26	440	424	
	3rd Supplemental	42	6	4	457	102	
	5th Supplemental	44	5	23	489	74	
	Original	39	12	11	415	175	
	Supplemental	47	6	30	570	153	
	Supplemental	48	6	12	604	20	
	Supplemental	48	10	25	617	119	
	Supplemental	49	5	20	636	88	
	Supplemental	51	5	7	717	333	
	Supplemental	51	10	5	736	105	
	Supplemental	52	4	29	759	24	
	Supplemental	53	5	6	806	254	
	Supplemental	54	10	6	880	244	
	Supplemental	56	5	7	993	538	
	Supplemental	57	5	23	1062	40	
	Supplemental	58	4	25	1116	357	
	Supplemental	59	4	30	1190	216	
	Supplemental	60	5	9	1271	380	
	Supplemental	61	5	11	1367	256	
	Supplemental	61	10	5	1411	423	
	Supplemental	62	3	21	1458	416	
	Supplemental	64	6	22	1720	369	
	Supplemental	66	5	23	1873	682	
	Supplemental	67	7	28	1955	375	
	Supplemental	68	7	25	2035	289	
	Supplemental	69	5	16	2103	747	
	Supplemental	70	5	8	2179	234	

County	Indenture	Yr	Mo	Day	Reference: Book	Page	Reception No
	Supplemental	70	9	3	2205	897	
	Supplemental	71	2	17	2238	854	
	Supplemental	72	8	8	2407	730	
	Supplemental	73	6	18	2517	694	
	Supplemental	74	4	23	2614	842	
	Supplemental	75	11	5	2787	261	
	Supplemental	76	6	8	2861	199	
	Supplemental	77	6	7	3014	381	
	Supplemental	77	12	16	3117	765	
	Supplemental	78	5	18			78044373
	Supplemental.	78	10	24			78097779
	Supplemental	79	11	19			79105148
	Supplemental	82	5	18			82033499
	Supplemental	82	5	18			82033500
	Supplemental	82	6	7			82038276
	Supplemental	83	7	5			83061932
	Supplemental	84	6	20			84057410
	Supplemental.	85	6	3			85051093
	Supplemental	87	3	27			87039522
	Supplemental	87	6	25			87082901
	Supplemental	90	9	13			90078782
	Supplemental	91	2	15			91013342
	Supplemental	92	5	1			92050398
	Supplemental	93	6	16		1	93085511
	Supplemental	93	8	31			93133337
Kiowa	Original	92	6	18	403	655	
	Supplemental	92	6	18	403	502	
	Supplemental	93	6	16	407	647	
	Supplemental	93	8	31	408	408	
La Plata	Original	92	3	17		453	624311
	Supplemental	92	3	17		453	624311
	Supplemental	92	5	11			627022
	Supplemental	93	6	16		1	648129
	Supplemental	93	9	1			653012
Lake	6th Supplemental	45	5	14	299	8	
	Original	39	12	4	284	1	
	Supplemental	47	6	28	296	279	
	Supplemental	50	5	10	307	149	
	Supplemental	51	4	26	312	6	
	Supplemental	64	6	30	355	387	
	Supplemental	66	5	25	366	49	
	Supplemental	67	7	31	372	154	
	Supplemental	68	7	26	376	299	
	Supplemental	69	5	16	380	124	
	Supplemental	82	5	18	459	420	
	Supplemental	82	5	18	459	445	
	Supplemental	82	6	7	459	637	
	Supplemental	83	6	8	464	466	
	Supplemental	84	6	19	469	365	
	Supplemental	85	6	3	472	824	
	Supplemental	87	3	27	480	831	
	Supplemental	87	6	25	481	825	
	Supplemental	90	9	12	494	44	

County	Indenture	Yr	Mo	Day	Reference: Book	Page	Reception No
	Supplemental	91	7	9	497	87	
	Supplemental	92	5	1	500	247	
	Supplemental	93	6	16	505	12	
	Supplemental	93	8	31	505	850	
Larimer	3rd Supplemental	42	8	4	742	148	
	Original	39	12	1	705	99	
	Supplemental	47	7	1	836	447	
	Supplemental	48	6	9	854	29	
	Supplemental	51	4	25	911	132	
	Supplemental	57	5	24	1044	333	
	Supplemental	59	5	4	1091	527	
	Supplemental	61	5	11	1141	45	
	Supplemental	61	10	6	1153	343	
	Supplemental	64	6	22	1253	25	
	Supplemental	66	5	25	1329	578	
	Supplemental	67	7	27	1367	697	
	Supplemental	68	7	26	1390	21	
	Supplemental	70	5	11	1432	427	
	Supplemental	71	2	17	1453	220	
	Supplemental	72	8	9	1515	737	
	Supplemental	75	11	6	1671	591	
	Supplemental	76	6	10	1704	12	
	Supplemental	78	10	24	1901	56	
	Supplemental	79	11	19	2006	81	
	Supplemental	82	5	18	2167	1263	
	Supplemental	82	5	18	2167	1288	
	Supplemental	87	6	7	2170	1399	
	Supplemental	83	6	8	2223	258	
	Supplemental	84	6	20	2277	476	
	Supplemental	85	6	3			85026195
	Supplemental	87	3	27			87017223
	Supplemental	87	6	25			87037038
	Supplemental	90	9	12			90041914
	Supplemental	91	2	15			91006463
	Supplemental	92	5	1			92023919
	Supplemental	93	6	16			93040059
	Supplemental	93	8	31			93063091
Logan	6th Supplemental	45	5	12	348	58	
	Original	39	12	1	330	1	
	Supplemental	47	6	30	365	144	
	Supplemental	48	6	9	370	485	
	Supplemental	51	10	5	410	72	
	Supplemental	56	5	1	478	336	
	Supplemental	57	5	24	491	550	
	Supplemental	66	5	25	607	1	
	Supplemental	67	7	27	619	177	
	Supplemental	68	7	29	628	140	
	Supplemental	69	5	16	637	369	
	Supplemental	82	5	19	765	766	
	Supplemental	82	5	19	765	791	
	Supplemental	82	6	7	766	270	
	Supplemental	83	6	9	775	980	
	Supplemental	84	6	19	787	106	

County	Indenture	Yr	Mo	Day	Reference: Book	Page	Reception No
	Supplemental	85	6	3	798	383	
	Supplemental	87	3	27	817	117	
	Supplemental	87	6	26	819	482	
	Supplemental	90	9	13	846	692	
	Supplemental	91	7	9	852	805	
	Supplemental	92	5	1	859	519	
	Supplemental	93	6	16	870	809	
	Supplemental	93	8	31	873	196	
	8th Supplemental	47	4	17	462	256	
	Original	39	12	1	383	292	
	Supplemental	47	6	30	476	169	
	Supplemental	48	6	9	488	492	
	Supplemental	50	5	10	525	149	
	Supplemental	51	4	25	546	368	
	Supplemental	51	10	8	555	50	
	Supplemental	53	5	2	582	569	
	Supplemental	54	10	7	620	366	
	Supplemental	55	5	3	642	262	
	Supplemental	57	5	27	710	39	
	Supplemental	58	4	25	731	149	
	Supplemental	59	5	2	755	460	
	Supplemental	60	5	9	779	311	
	Supplemental	61	5	12	803	101	
	Supplemental	61	10	6	812	19	
	Supplemental	62	3	22	821	309	
	Supplemental	66	5	27	897	1	
	Supplemental	67	7	28	911	533	
	Supplemental	68	7	26	925	150	
	Supplemental	73	6	18	998	294	
	Supplemental	75	11	12	1051	704	
	Supplemental	77	12	19	1130	921	
	Supplemental	79	11	19	1230	573	
	Supplemental	82	5	19	1373	106	
	Supplemental	82	5	19	1373	81	
	Supplemental	82	6	11	1377	99	
	Supplemental	83	6	30	1442	227	
	Supplemental	84	6	20	1498	607	
	Supplemental	85	6	3	1541	315	
	Supplemental	87	3	30	1634	920	
	Supplemental	87	7	23	1653	610	
	Supplemental	90	9	13	1803	653	
	Supplemental	91	7	10	1846	1167	
	Supplemental	92	5	4	1897	560	
	Supplemental	93	6	16	1984	381	
	Supplemental	93	9	1	2003	879	
Moffat	Original	92	3	18	649	521	
	Supplemental	92	3	18	649	822	
	Supplemental	92	5	1	653	287	
	Supplemental	93	6	17	670	8	
	Supplemental	93	.09	1	672	916	
Montezuma	Original	92	6	19	658	612	
	Supplemental	92	6	19	659	1	
	Supplemental	93	6	16	674	203	

County	Indenture	Yr	Mo	Day	Reference: Book	Page	Reception No
	Supplemental	93	9	1	677	726	
Montrose	Original	92	3	17	831	271	
	Supplemental	92	3	17	831	572	
	Supplemental	92	5	1	834	311	
	Supplemental	93	6	17	855	85	
	Supplemental	93	9	1	859	820	
Morgan	Original	39	12	1	380	28	
	Supplemental	47	7	5	448	50	
	Supplemental	54	10	13	540	470	
	Supplemental	55	5	7	555	157	
	Supplemental	56	5	2	574	187	
	Supplemental	62	3	23	660	167	
	Supplemental	64	7	2	684	916	
	Supplemental	66	5	27	696	202	
	Supplemental	68	7	26	709	121	
	Supplemental	75	11	6	755	360	
	Supplemental	77	6	7	772	204	
	Supplemental	78	10	24	785	963	
	Supplemental	79	11	19	798	561	
	Supplemental	80	3	26	801	661	
	Supplemental	81	7	1	817	606	
	Supplemental	82	5	19	830	1	
	Supplemental	82	5	19	830	26	
	Supplemental	82	6	9	830	942	
	Supplemental	83	6	8	843	876	
	Supplemental	84	6	19	856	923	
	Supplemental	85	6	3	868	887	
	Supplemental	87	3	27	889	587	
	Supplemental	87	6	26	892	752	
	Supplemental	90	9	13	925	433	
	Supplemental	91	7	10	934	362	
	Supplemental	92	5	1	942	907	
	Supplemental	93	6	16	955	702	
	Supplemental	93	8	31	958	349	
Ouray	Original	92	3	18	221	83	
	Supplemental	92	3	18	221	233	
	Supplemental	92	5	1	221	368	
	Supplemental	93	6	17	221	402	
	Supplemental	93	9	1	221	429	
Park	Original	39	12	4	126	159	
	Supplemental	47	6	27	138	153	
	Supplemental	68	7	26	200	702	
	Supplemental	71	2	17	209	911	
	Supplemental	82	5	18	339	515	
	Supplemental	82	5	18	339	540	
	Supplemental	82	6	8	340	248	
	Supplemental	83	6	8	354	313	
	Supplemental	84	6	22	369	608	
	Supplemental	85	6	3	382	158	
	Supplemental	87	3	27	409	447	
	Supplemental	87	7	13	413	600	
	Supplemental	90	9	12	453	543	
	Supplemental	91	7	9	464	2	

County	Indenture	Yr	Mo	Day	Reference: Book	Page	Reception No
	Supplemental	92	5	1	476	327	
	Supplemental	93	6	16	496	446	
	Supplemental	93	8	31	501	471	
Pitkin	Original	39	12	2	167	165	
	Supplemental	47	6	27	175	1	
	Supplemental	57	5	28	181	348	
	Supplemental	64	6	24	207	447	
	Supplemental	70	5	11	248	390	
	Supplemental	82	5	19	426	628	
	Supplemental	82	5	19	426	653	
	Supplemental	82	6	9	427	681	
	Supplemental	83	6	9	446	614	
	Supplemental	84	6	28	468	739	
	Supplemental	85	6	3	487	57	
	Supplemental	87	3	30	532	394	
	Supplemental	87	6	26	540	256	
	Supplemental	90	9	13	629	440	
	Supplemental	91	7	10	651	99	
	Supplemental	92	5	1	676	412	
	Supplemental	93	6	18	715	374	
	Supplemental	93	9	2	723	52	
Prowers	Original	92	3	18			456758
	Supplemental	92	3	18			456759
	Supplemental	92	5	1			457365
	Supplemental	93	6	16		1	461535
	Supplemental	93	8	31			462324
Pueblo	Original	66	3	16	1590	911	
	Supplemental	66	5	27	1694	317	
	Supplemental	71	2	18	1685	820	
	Supplemental	73	6	18	1752	556	
	Supplemental	74	4	23	1779	489	
	Supplemental	75	11	6	1829	8	
	Supplemental	77	12	19	1914	503	
	Supplemental	78	5	18	1935	64	
	Supplemental	82	5	20	2115	520	
	Supplemental	82	5	20	2115	545	
	Supplemental	82	6	9	2117	838	
	Supplemental	83	6	8	2159	11	
	Supplemental	84	6	20	2203	913	
	Supplemental	85	6	3	2244	407	
	Supplemental	87	3	27	2339	500	
	Supplemental	87	6	25	2353	887	
	Supplemental	90	9	12	2514	781	
	Supplemental	91	2	11	2531	216	
	Supplemental	92	5	1	2590	655	
	Supplemental	93	6	17	2662	717	
	Supplemental	93	9	1	2677	883	
Rio Blanco	Original	92	6	19	497	1	
	Supplemental	92	6	19	497	302	
	Supplemental	93	6	17	504	274	
	Supplemental	93	9	1	505	850	
	Original	39	12	4	200	175	
	Supplemental	42	7	20	203	191	

County	Indenture	Yr	Mo	Day	Reference: Book	Page	Reception No
	Supplemental	47	7	2	217	247	
	Supplemental	51	4	27	225	223	
	Supplemental	53	5	1	225	475	
	Supplemental	54	10	7	234	75	
	Supplemental	57	5	24	247	405	
	Supplemental	60	5	10	263	90	
	Supplemental	66	5	26	302	1	
	Supplemental	69	5	16	316	962	
	Supplemental	70	5	11	319	466	
	Supplemental	70	9	10	320	439	
	Supplemental	71	2	18	322	322	
	Supplemental	82	5	19	375	487	
	Supplemental	82	5	19	375	512	
	Supplemental	82	6	10	375	846	
	Supplemental	83	6	10	381	902	
	Supplemental	84	6	19	389	4	
	Supplemental	85	6	3	396	634	
	Supplemental	87	3	30	409	94	
	Supplemental	87	7	9	411	138	
	Supplemental	90	9	13	431	88	
	Supplemental	91	2	11	433	443	
	Supplemental	92	5	5	440	353	
	Supplemental	93	6	16	447	820	
	Supplemental	93	9	1	449	10	
Routt	Original	92	5	4	673	1287	
	Supplemental	78	10	24	463	84A	
	Supplemental	82	5	10	563	745	
	Supplemental	82	5	19	563	770	
	Supplemental	82	6	8	564	807	
	Supplemental	83	6	9	585	66	
	Supplemental	84	6	19	597	1469	
	Supplemental	85	6	3	606	1642	
	Supplemental	87	3	27	624	1561	
	Supplemental	87	6	26	627	515	
	Supplemental	90	9	14	657	1147	
	Supplemental	91	2	12	661	278	
	Supplemental	92	5	4	673	1287	
	Supplemental	92	5	4	673	1287	
	Supplemental	93	6	17	686	410	
	Supplemental	93	8	31	688	1161	
Saguache	Original	39	12	11	209	33	
	Supplemental	47	7	2	220	37	
	Supplemental	49	5	20	220	359	
	Supplemental	55	5	3	242	429	
	Supplemental	56	5	4	277	318	
	Supplemental	57	5	29	280	490	
	Supplemental	66	5	25	332	95	
	Supplemental	81	7	2	400	779	
	Supplemental	82	5	19	405	219	
	Supplemental	82	5	19	405	244	
	Supplemental	82	6	10	405	511	
	Supplemental	83	6	10	410	868	
	Supplemental	84	6	19	417	400	

County	Indenture	Yr	Mo	Day	Reference: Book	Page	Reception No
	Supplemental	85	6	3	422	880	
	Supplemental	87	3	30	435	15	
	Supplemental	87	6	29	436	794	
	Supplemental	90	9	13	464	439	
	Supplemental	91	2	11	467	222	
	Supplemental	92	5	4	475	403	
	Supplemental	93	6	16	483	768	
	Supplemental	93	9	1	485	877	
San Juan	Original	92	3	18	239	637	
	Supplemental	92	3	18	239	938	
	Supplemental	92	5	4	240	20	
	Supplemental	93	6	17	240	442	
	Supplemental	93	9	1	240	554	
	Original	92	3	17	489	180	
	Supplemental	92	3	17	489	28	
	Supplemental	92	5	4	491	644	
	Supplemental	93	6	17	512	704	
	Supplemental	93	9	1	516	776	
Sedgwick	Original	39	12	1	77	195	
Summit.	2nd Supplemental	41	6	25	127	404	
	Original	39	12	4	127	96	
	Supplemental	47	6	27	138	1	
	Supplemental	53	5	1	144	365	
	Supplemental	54	5	4	145	319	
	Supplemental	56	5	1	150	40	
	Supplemental	64	6	24	174	132	
	Supplemental	66	5	26	185	29	
	Supplemental	67	7	28	187	101	
	Supplemental	68	7	26	190	851	
	Supplemental	72	8	8	223	125	
	Supplemental	74	4	23	252	381	
	Supplemental	75	11	6	271	426	
	Supplemental	78	5	18			176169
	Supplemental	79	11	19			199744
	Supplemental	82	5	18			239902
	Supplemental	82	5	18			239903
	Supplemental	82	6	8			240794
	Supplemental	83	6	8			257651
	Supplemental	84	6	19			279471
	Supplemental	85	6	3			297850
	Supplemental	87	3	27			334692
	Supplemental	87	6	25			338670
	Supplemental	90	9	12			392394
	Supplemental	91	2	11			399604
	Supplemental	92	5	1			421242
	Supplemental	93	6	16			444981
	Supplemental	93	8	31			449816
Teller	Original	68	5	24	318		
	Supplemental	68	7	26	320	132	
Washington	Original	39	12	1	273	46	
	Supplemental	47	6	27	325	367	
Weld	4th Supplemental	43	5	27	1111	134	
	6th Supplemental	45	5	17	1154	543	

County	Indenture	Yr	Mo	Day	Reference: Book	Page	Reception No
	Original	39	12	1	1053	272	
	Supplemental	47	6	27	1207	1	
	Supplemental	50	5	10	1270	215	
	Supplemental	51	5	5	1302	185	
	Supplemental	54	10	13	1401	499	
	Supplemental	59	5	6	1531	47	
	Supplemental	60	5	12	1557	586	
	Supplemental	61	5	17	1584	585	
	Supplemental	62	3	28	1610	88	
	Supplemental	64	6	29	518		1439543
	Supplemental	66	5	25	568		1489835
	Supplemental	67	7	27	584		1506105
	Supplemental	68	7	26	597		1519072
	Supplemental	69	5	16	609		1531461
	Supplemental	70	5	11	625		1547001
	Supplemental	70	9	10	632		1554411
	Supplemental	71	2	17	640		1562332
	Supplemental	72	8	8	673		1595081
	Supplemental	73	6	18	693		1615478
	Supplemental	74	4	23	713		1634907
	Supplemental	75	11	6	752		1674032
	Supplemental	77	12	23	818		1739612
	Supplemental	78	5	18	832		1753851
	Supplemental	79	11	19	887		1809486
	Supplemental	82	5	19	968	744	
	Supplemental	82	5	19	968	769	
	Supplemental	82	6	7	969	1577	
	Supplemental	83	6	28	1000	1337	
	Supplemental	84	6	19	1034		1971026
	Supplemental	85	6	3	1071	1648	
	Supplemental	87	3	27	1151	39	
	Supplemental	87	6	25	1161	1096	
	Supplemental	90	9	13	1276	1258	
	Supplemental	91	2	11	1290	430	
	Supplemental	92	5	1	1334	1742	
	Supplemental	93	6	16	13 87	1832	
	Supplemental	93	8	31	1399	1539	

PSCO UCC FINANCING STATEMENTS
COLORADO SECRETARY OF STATE

File No.	File Date	Indenture/ Supplement Date
872015237	4/24/67	12/1/39
872015238	4/24/67	3/14/41
872015239	4/24/67	5/14/41
872015240	4/24/67	4/28/42
872015241	4/24/67	4/14/43
872015242	4/24/67	4/27/44
872015243	4/24/67	4/12/45 (or 4/18/45)
872015244	4/24/67	4/23/46
872015245	4/24/67	4/9/47
872015246	4/24/67	6/1/47
872015247	4/24/67	4/1/48
872015248	4/24/67	4/20/48
872015249	4/24/67	10/1/48
872015250	4/24/67	4/20/49
872015251	4/24/67	4/24/50
872015252	4/24/67	4/18/51
872015253	4/24/67	10/14/51
872015254	4/24/67	4/21/52
872015255	4/24/67	12/1/52
872015256	4/24/67	4/15/53
872015757	4/24/67	4/19/54
872015258	4/24/67	10/1/54
872015259	4/24/67	4/18/55
872015260	4/24/67	4/24/56
872015261	4/24/67	5/1/57
872015262	4/24/67	4/10/58

File No.	File Date	Indenture/ Supplement Date
872015263	4/24/67	5/1/59
872015264	4/24/67	4/18/60
872015265	4/24/67	4/18/61 (or 4/19/61)
872015266	4/24/67	10/1/61
872015267	4/24/67	3/1/62
872015268	4/24/67	6/1/64
872015269	4/24/67	5/1/66
872019516	7/24/67	7/1/67
872035860	7/23/68	7/1/68
872048980	5/13/69	4/25/69
872068249	5/28/70	4/21/70
872076896	10/27/70	9/9/70
872084496	3/12/71	2/1/71
872121425	8/3/72	8/1/72
148491	6/15/73	6/1/73
174424	4/10/74	3/1/74
872198180	1/10/75	12/1/74
148491	10/31/75	10/1/75
214803	5/28/76	4/28/76
281789	7/29/77	4/28/77
872302833	2/2/78	11/1/77
872314333	5/12/78	4/28/78
872334109	10/17/78	10/1/78
872397891	11/8/79	10/1/79
425757	4/29/80	3/1/80
512889	9/9/81	4/28/81
554019	5/6/82	9/1/81
554020	5/6/82	12/1/81
557959	5/26/82	4/29/82

File No.	File Date	Indenture/ Supplement Date
629716	6/1/83	5/1/83
717495	6/14/84	4/30/84
801194	5/15/85	5/1/85
989452	5/13/87	11/1/86
997157	6/10/87	5/1/87
922063863.	9/4/92	7/11/90
922063862	9/4/92	12/1/90
932027993	4/14/93	3/1/92
932070223	9/23/93	4/1/93
932070222	9/23/93	6/1/93

Exhibit B

MODIFICATIONS OF PSCO 1939 MORTGAGE

1. (a) The modification of the definition of "property additions" contained in Section 4 of Article I of the PSCO 1939 Mortgage to read as follows:

"'Property additions' shall mean any new or additional property (including separate and distinct units, plants, systems and properties and undivided interests therein), and improvements, extensions, additions or betterments to or about the plants or properties of the Company, purchased, constructed or otherwise acquired by the Company and in every case used or useful or to be used in the business of producing, generating, manufacturing, transporting, transmitting, distributing or supplying energy or fuel in any form, including without limitation electricity, gas (either natural or artificial) or solar or geothermal energy, or water or steam, for any and all purposes; provided, however, that

1. Property additions, as so defined, without limitation of the general import of such term, shall include:

a. Improvements, extensions, additions or betterments to or about the properties of the Company, in the process of construction or erection insofar as actually constructed or erected by the Company;

b. Property purchased, constructed or otherwise acquired by the Company, to renew, replace or in substitution for old, worn out, retired, discontinued or abandoned property;

c. Property acquired by the Company subject to prior liens;

2. Property additions, as so defined, shall not include:

a. Any shares of stock, bonds, evidences of indebtedness, other securities, contracts, leases or chooses in action;

b. Going concern value or goodwill acquired by the Company [, except when acquired simultaneously with a public utility system and without payment or apportionment of any separate or distinct consideration therefor];[1]

c. Any natural gas wells or natural gas leases or natural gas gathering and transmission lines or pipes or other works on property used in the production distribution system owned by the Company, except any natural gas transmission line used for the transmission of natural gas for distribution by the Company when such natural gas transmission line connects any distribution system owned by the Company with a source of supply of natural gas (either gas wells or

[1]The bracketed language would be included only if the modifications described in paragraph 13 herein were adopted.

gathering lines or another transmission line) or when such natural gas transmission line connects two or more municipalities served or to be served with natural gas by the Company;

d. Any plant or system in which the Company shall acquire only a leasehold interest, or any improvements, extensions or additions upon or to any plant or system in which the Company shall own only a leasehold interest; provided, however, that with respect to any plant or system purchased, constructed or otherwise acquired by the Company which is located on real property in which the Company shall have acquired only a leasehold interest, any part of such plant or system which is personal property under the laws of the jurisdiction in which such real property is located shall be a property addition, and that any part of such plant or system which is a fixture or other accession to land under the laws of such jurisdiction shall be a property addition if the term of such leasehold or the term of any extension or extensions thereof at the option of the Company shall extend beyond the last maturity date of any bonds then outstanding under this Indenture and also beyond the last maturity date of any bonds then being issued in whole or in part on the basis of the certification to the Trustee of such part of such plant or system;

e. Any property acquired, made or constructed by the Company in keeping or maintaining the mortgaged property in good repair, working order and condition, whose cost is not properly chargeable to plant or plant addition account;

f. Any goods, wares, merchandise, equipment, materials or supplies acquired for the purpose of sale or resale in the usual course of business or for the purpose of consumption in the operation of any of the properties of the Company;

g. Any property (other than space satellites) which is located outside the territorial limits of the United States of America or its coastal waters or the Dominion of Canada or its coastal waters [or the United Mexican States or its coastal waters].[2]

'Space satellites' shall mean any form of space satellites, space stations and other analogous facilities (including without limitation solar power satellites, stations and other analogous facilities), whether or not in the Earth's atmosphere."

; and

[2]The Trustee shall vote in favor of, or consent to, the modification described in this paragraph whether or not the bracketed language is contained therein.

(b) The modification of the introduction to Clause (B) of subdivision (3) of Section 6 of Article III of the PSCO 1939 Mortgage to read as follows:

"(B) specifying the property additions purchased, constructed or otherwise acquired by the Company since the date of the most recent certificate referred to in the preceding Clause (A) and stating whether, and if so to what extent, such property additions consist of funded property; and as to such property additions:".

2. (a) The further modification of Section 4 of Article I of the PSCO 1939 Mortgage by inserting the following immediately before the definition of "net property additions":

"Anything in this Indenture to the contrary notwithstanding, the term 'property additions' shall include nuclear fuel. 'Nuclear fuel' shall mean (a) any fuel element, including nuclear fuel and associated means (and any similar or analogous device or substance), whether or not classified as fuel and whether or not chargeable to operating expenses, comprising or intended to comprise, or formerly comprising, the core, or other part, of a nuclear reactor or any similar or analogous device, (b) any fuel element, including nuclear fuel and associated means (and any similar or analogous device or substance) while in the process of fabrication or preparation and special nuclear or other materials held for use in such fabrication or preparation, (c) any substances or materials formerly comprising such nuclear fuel and associated means (or any similar or analogous device or substance) and which substances or materials are undergoing or have undergone reprocessing and (d) uranium, thorium, plutonium, and any other substance or material from time to time used or selected for use by the Company as fuel material, or as potential fuel material, in a nuclear reactor or any similar or analogous device.";

(b) The modification of Section 3 of Article of the PSCO 1939 Mortgage to insert the following at the end of, and as a part of, the definition of "permitted encumbrances":

"(j) Any controls, liens, restrictions, regulations, easements, exceptions or reservations of any governmental authority applying particularly to nuclear fuel."

; and

(c) The modification of subdivision (1) of Section 5 of Article VII of the PSCO 1939 Mortgage by inserting after the word "implements" each time it appears in said subdivision (1) the words "nuclear fuel" preceded by a comma in the first instance and followed by a comma in the third instance.

3. The modification of Sections 2 and 5 of Article I of the PSCO 1939 Mortgage by deleting the words "and verified" following the word "signed" from the definitions of "engineer's certificate", "independent engineer's certificate", "Treasurer's certificate" and "net earnings certificate".

4. The modification of Section 2 of Article I of the PSCO 1939 Mortgage by deleting therefrom the definitions of "authorized Denver newspaper" and "authorized New York newspaper" and substituting in lieu thereof the following:

> "'Authorized Denver newspaper' shall mean a newspaper or financial journal of general circulation in the City and County of Denver, Colorado, and 'authorized New York newspaper' shall mean a newspaper or financial journal of general circulation in the Borough of Manhattan, The City of New York, and which, in either case, is printed in the English language and is customarily published on each business day. Any successive weekly publication of notice required hereunder may be made, unless otherwise expressly provided herein, on the same or different days of the week and in the same or different newspapers or financial journals. If publication of any notice in the manner herein described is not available upon reasonable terms, then such publication in lieu thereof as shall be made with the approval of the Trustee (or, if there be no trustee hereunder, the Company) shall constitute a sufficient publication of notice.".

5. (a) The deletion of all of the following, and any and all references thereto, which shall be in force and effect at the date of any meeting or meetings of bondholders under the PSCO 1939 Mortgage: Section 8 of Article IV of the PSCO 1939 Mortgage and Article Two of the supplemental indentures to the PSCO 1939 Mortgage, dated, respectively, as of October 1, 1948, October 1, 1951, October 1, 1954, May 1, 1957, May 1, 1959, October 1, 1961, March 1, 1962, June 1, 1964, May 1, 1966, July 1, 1967, July 1, 1968, September 1, 1970, February 1, 1971, August 1, 1972, June 1, 1973, October 1, 1975, and November 1, 1977;

or, in the alternative

(b)(i) The modification of the first paragraph of Section 8 of Article IV of the PSCO 1939 Mortgage, prior to the enumeration therein of certain credits, to read as follows:

> "SECTION 8.--That, so long as any of the Bonds of the 1977 Series shall remain outstanding, the Company will, for each calendar year, beginning January 1, 1948 (hereinafter sometimes called the 'accounting period'), pay to the Trustee on or before the 1st day of May next succeeding the close of each accounting period, as a Maintenance and Replacement Fund, an amount in cash (hereinafter sometimes called the 'Standard of Expenditure') not less than the lower of (a) ten per centum (10%) of the gross operating revenues (as hereinafter defined) of the Company derived from the mortgaged property during such accounting period or (b) two per centum (2%) of the cost of the depreciable property of the Company subject to the lien of this Indenture, less the accumulated provision for depreciation, at the end of such accounting period, provided, however, that the amount of such payment shall be reduced by the following credits, to the extent that the Company desires to take the same, stated in the Treasurer's certificate hereinafter in this Section provided for:"

; and

(ii) the modification of the penultimate paragraph of Section 8 of Article IV of the PSCO 1939 Mortgage to read as follows:

"The term 'gross operating revenues' for the purposes of this Section is hereby defined as the amounts received or accrued from the sale of electric, gas and steam services, after deducting amounts equal to the cost to the Company of fuel in any form used or to be used to provide such services and charged to operating expenses, including the cost of acquisition and transportation thereof, and amounts equal to the cost of electric current or gas or steam purchased for exchange or resale and rentals paid or incurred for electric or gas generating, transmitting and/or distributing properties leased, and adding thereto the amounts received or accrued as rentals or fixed charges for the use by others (or the use by the Company for the account of others) of generating, transmission and distribution facilities owned by the Company (with all interdepartmental items eliminated); provided, however, that there shall be excluded from such operating revenues any revenue derived from the sale of goods, wares and merchandise, equipment, materials or supplies acquired by the Company for the purpose of sale or resale or leasing to its customers in the ordinary course and conduct of its business; and further provided, that any such operating revenues which are in controversy as a result of any litigation, or which have been impounded in such litigation, shall be included in the gross operating revenues for the purpose of this computation only after, and in the year in which, any such operating revenues in controversy or impounded are recovered or, at the option of the Company, after, and in the year in which, it shall have been finally determined that such operating revenues belong to the Company.".

6. The modification of clause (e) of subdivision (7) of Section 6 of Article III of the PSCO 1939 Mortgage to read as follows:

"(e) that the Company has corporate authority and all necessary permission from governmental authorities to acquire and own such property additions;".

7. The modification of subdivision (9) of Section 6 of Article III of the PSCO 1939 Mortgage to read as follows:

"(9) An engineer's certificate, made and dated not more than 30 days prior to the date of such application, stating that the signers have no knowledge of and do not believe that there have been, since the date of the engineer's certificate specified in subdivision (3) above, property retirements in an amount in excess of the cost to the Company of property additions purchased, constructed or otherwise acquired since said date;".

8. (a) The modification of Clause (A)(1). of Section 5 of Article I of the PSCO 1939 Mortgage to read as follows:

"(1) The aggregate of the gross operating revenues derived from the electric, gas and steam business of the Company, whether or not collected by the Company subject to possible refund at a future date;"

; and

(b) The modification of Clause (A)(4) of Section 5 of Article I of the PSCO 1939 Mortgage to read as follows:

"(4) The net operating revenue derived by the Company from all sources other than the electric, gas and steam businesses, whether or not collected by the Company subject to possible refund at a future date.".

9. The modification of Clause (A)(3) of Section 5 of Article I of the PSCO 1939 Mortgage to read as follows:

"(3) The net non-operating income of the Company, which shall be deemed to include, without limitation, an amount equal to the total amount of the allowance for funds used during construction, or any similar or analogous amount, included in the utility plant accounts of the Company as part of the cost of construction; and".

10. (a) The modification of Section 5 of Article III of the PSCO 1939 Mortgage to read as follows:

"SECTION 5.--No bonds shall be authenticated and delivered upon the basis of property additions unless as shown by a net earnings certificate the net earnings of the Company for the period therein referred to shall have been at least equivalent to 2 times the annual interest requirements as shown by such net earnings certificate.";

or, in the alternative

(b) The modification of Section 5 of Article III of the PSCO 1939 Mortgage to read as follows:

"SECTION 5.-- No bonds shall be authenticated and delivered upon the basis of property additions unless as shown by a net earnings certificate the net earnings of the Company for the period therein referred to shall have been either (a) at least equivalent to 2[3] times the annual interest requirements as shown by such net earnings certificate or (b) at least equivalent to fifteen per centum (15%)[3]

---

[3] If a higher amount or percentage, or both, are proposed by the Company, the Trustee shall vote in favor of, or consent to, such higher amount or percentage, or both.

of the aggregate principal amount of bonds and other indebtedness the annual interest requirements in respect of which are shown in such net earnings certificate.".

11. The deletion of Section 15 of Article IV of the PSCO 1939 Mortgage and all references thereto.

12. The modification of the first paragraph of Section 5 of Article IV of the PSCO 1939 Mortgage to read as follows:

"SECTION 5.--That it will keep all the insurable mortgaged property insured against fire and other risks to the extent usually insured against by companies owning and operating similar property, by reputable insurance companies or, at the Company's election, with respect to all or any part of the property, by means of an adequate insurance fund set aside and maintained by it out of its own earnings or in conjunction with other companies through an insurance fund, trust or other agreement (the adequacy of such insurance fund, trust or other agreement, to be evidenced by a certificate, to be filed with the Trustee, of an actuary or other qualified person selected by the Company and satisfactory to the Trustee). Any insurance policy may contain deductible provisions in a dollar amount per occurrence equal to the deductible amount usually contained in insurance policies or other arrangements for insurance of other companies owning and operating similar property, provided that the dollar amount of such deductible provisions may in any event be at least equal to three per centum (3%)[4] of the aggregate principal amount of bonds outstanding hereunder. Any loss from fire and such other risks, except any loss of merchandise, materials and supplies and except any other loss less than an amount equal to three per centum (3%)[4] of the aggregate principal amount of bonds outstanding hereunder, shall be made payable to the Trustee hereunder as its interest may appear and be paid to the Trustee, and shall be held and applied as hereinafter provided (unless required by the terms of any prior lien to be paid to the trustee or other holder thereof). On or prior to the last day of December in each year, and at any other time upon the written request of the Trustee, the Company will furnish to the Trustee a Treasurer's certificate stating in substance that the Company has complied with all the terms and conditions of this Section and with the terms and conditions of any and all insurance policies, containing a detailed statement of the insurance then in effect upon the property of the Company on a date therein specified (which date shall be within 30 days of the filing of such certificate) and, except in respect of property insured by means of an insurance fund, trust or other agreement as permitted by this Section, showing the numbers of the policies of insurance in effect and the names of the issuing companies, the amounts of such policies, the deductible provisions of such policies and the property covered by such policies; and, in case any of the

[4] If a higher percentage is proposed by the Company, the Trustee shall vote in favor of, or consent to, such higher percentage.

property shall at the time be insured by means of an insurance fund, trust or other agreement, as permitted by this Section, the Company shall, at the time of furnishing each such Treasurer's certificate, also furnish to the Trustee a certificate, as described above, with respect to the adequacy of such insurance fund, trust or other agreement.".

13. The modification of Clause (B)(h) of subdivision (3), and subdivision (4), of Section 6 of Article III of the PSCO 1939 Mortgage to delete therefrom the phrase "(except going concern value or good will)".

14. The modification of Section 4 of Article VII of the PSCO 1939 Mortgage to read as follows:

"SECTION 4.--Unless an event of default as defined in Section 1 of Article VIII hereof shall have occurred and shall be continuing, the Trustee shall, whenever from time to time requested by the Company, such request to be evidenced by a certified resolution delivered to the Trustee, and without requiring compliance with any of the foregoing provisions of Section 3 of this Article, release from the lien hereof any part of the mortgaged property (except any cash or prior lien bonds held by the Trustee) which the Company has sold or agreed to sell, provided the aggregate value of such property so released without such compliance in any period of 12 consecutive calendar months shall not exceed the greater of the sum of $10,000,000[5] or three per centum (3%)[5] of the aggregate principal amount of bonds at the time outstanding. Such release shall be made upon receipt by the Trustee of (1) a written request of the Company for the release of any property, describing the same in reasonable detail, (2) an engineer's certificate, made and dated not more than 60 days prior to the filing of such written request, stating the then fair value, in the opinion of the signer, of the property to be released, and stating that such release, in the opinion of the signer, will not impair the security of this Indenture in contravention of the provisions hereof, and (3) a certificate of the Company and an opinion of counsel as to compliance with conditions precedent. The Company covenants that it will deposit with the Trustee, to be dealt with in the manner provided in Section 9 of this Article, the consideration received by it upon the sale of any such property so released (to the extent that the same shall not have been required to be paid or delivered to the Trustee or other holder of a prior lien and a Treasurer's certificate to that effect shall have been furnished to the Trustee).".

15. (a) The modification of the first paragraph of Section 4 of Article IV of the PSCO 1939 Mortgage to delete therefrom the phrases "all valid requirements of any governmental authority relative to any of the mortgaged property, and" and "to observe or conform to any requirement of governmental authority or";

or, in the alternative

[5] If a lower amount or percentage is proposed by the Company, the Trustee shall vote in favor of, or consent to, such lower amount or percentage.

(b) The modification of the first paragraph of Section 4 of Article IV of the PSCO 1939 Mortgage to add, immediately after the proviso contained therein, the following:

"; and provided, further, that nothing in this Section 4 contained shall require the Company to observe or conform to any requirement of governmental authority so long as the Company shall be in good faith doing all things technologically and economically feasible and prudent on its part to observe or conform to such requirement, unless thereby any part of the mortgaged property may be lost or forfeited;".

16. (a) The modification of the first sentence of Article XII of the PSCO 1939 Mortgage to read as follows:

"SECTION 1.--The Trustee shall at all times be a bank or trust company which is organized and doing business under the laws of the United States or of any State or Territory or the District of Columbia, with a combined capital and surplus of at least $5,000,000[6], and authorized under such laws to exercise corporate trust powers and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority, if there be such a bank or trust company willing and able to accept the trust upon reasonable and customary terms.",

(b) The modification of Section 22 of Article XII of the PSCO 1939 Mortgage to read as follows:

"SECTION 22.--The duties, liabilities, rights, privileges and immunities of the Trustee in relation to the holders of the bonds shall be governed exclusively by the laws of the jurisdiction in which the principal office of the Trustee is located."

; and

(c) The modification of the first paragraph of Section 3 of Article IV of the PSCO 1939 Mortgage to read as follows:

"SECTION 3.--That it will keep one or more financial offices or agencies where notices, presentations and demands to or upon the Company in respect of bonds of any one or more series or their coupons or this Indenture may be given or made, where payment of the principal of or premium, if any, or interest on the bonds of any one or more series shall be made and where books for the registration and transfer of bonds shall be kept (which books, at all reasonable times, shall be open for inspection by the Trustee). The Company will from time to time give the Trustee written notice of the location of each such office or agency, and in case the Company shall fail to maintain any such office or agency

---

[6] If a higher amount is proposed by the Company, the Trustee shall vote in favor of, or consent to, such higher amount.

or to give the Trustee written notice of the location thereof, any such notice, presentation or demand in respect of the bonds or coupons or this Indenture may be given or made, unless other provision is expressly made herein, to or upon the Trustee at its principal office and the Company hereby authorizes such presentation and demand to be made to and such notice to be served on the Trustee in such event; and the principal of and premium, if any, and interest on the bonds shall in such event be payable at said office of the Trustee.".

17. The modification of Section 1 of Article VIII of the PSCO 1939 Mortgage by deleting clauses (a), (b), (c), (d), (e), (f), (g) and (h) thereof and substituting therefor the following:

"(a) failure to pay interest, if any, on any bond hereby secured within sixty (60) days after the same becomes due and payable; or

(b) failure to pay the principal of or premium, if any, on any bond hereby secured within three (3) business days after its maturity; or

(c) failure to pay any interest upon, or principal (whether at maturity as therein expressed or by declaration, or otherwise) of any outstanding prior lien bonds continued beyond the expiration of the period of grace, if any, specified in the prior lien securing the same; or

(d) failure to pay any installment of any sinking fund required by the terms of this Indenture or of any indenture supplemental hereto to be paid by the Company to the Trustee to be applied by the Trustee to the purchase or redemption of any of the bonds hereby secured for a period of sixty (60) days after the same becomes due and payable; or

(e) failure to perform or breach of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in the performance of which or breach of which is elsewhere in this Section specifically dealt with) for a period of ninety (90) days after there has been given, by registered or certified mail, to the Company by the Trustee, or to the Company and the Trustee by the holders of at least thirty-three per centum (33%) in principal amount of the bonds then outstanding, a written notice specifying such default or breach and requiring it to be remedied, unless the Trustee, or the Trustee and the holders of a principal amount of bonds not less than the principal amount of bonds the holders of which gave notice, as the case may be, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee, or the Trustee and the holders of such principal amount of bonds, as the case may be, shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Company within such period and is being diligently pursued; or

(f) the entry by a court having jurisdiction in the premises of (i) a decree or order for relief in respect of the Company in an involuntary case or proceeding

under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or (ii) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition by one or more Persons other than the Company seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official for the Company or for any substantial part of its property, or ordering the winding up or liquidation of its affairs, and any such decree or order for relief or any such other decree or order shall have remained unstayed and in effect for a period of ninety (90) consecutive days; or

(g) the commencement by the Company of a voluntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in a case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal or state law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the authorization of such action by the Board of Directors of the Company; or

(h) the occurrence of (x) an "Event of Default" under the Indenture, dated as of October 1, 1993, of the Company to Morgan Guaranty Trust Company of New York, trustee, as amended and supplemented (the "1993 Mortgage") and/or (y) a matured event of default under any Class A Mortgage (as defined in the 1993 Mortgage) other than any such matured event of default which (1) is of similar kind or character to the "Event of Default" described in clause (c) of Section 1001 of the 1993 Mortgage and (2) has not resulted in the acceleration of Class A Bonds (as defined in the 1993 Mortgage) outstanding under such Class A Mortgage; provided, however, that, anything in this Indenture to the contrary notwithstanding, the waiver or cure of such "Event of Default" or event of default and the rescission and annulment of the consequences thereof shall constitute a waiver of the corresponding completed default under this Indenture and a rescission and amendment of the consequences thereof.".

18. (a) The modification of Section 4 of Article III of the PSCO 1939 Mortgage by changing the percentage set forth in the first sentence thereof from "60%" to "70% ";

(b) The modification of Section 4 of Article I of the PSCO 1939 Mortgage by changing the percentages set forth in clause (2) of subparagraph (A) of the definition of "net

property additions" and in clause (2) of the first paragraph preceding the definition of "Property retirements" thereof from "166-2/3%" to "ten-sevenths (10/7)";

(c) The modification of Section 9 of Article III of the PSCO 1939 Mortgage by changing the percentages set forth in the first sentence of the first paragraph thereof and in the second paragraph thereof from "166-2/3%" to "ten-sevenths (10/7)";

(d) The modification of Section 8 of Article IV of the PSCO 1939 Mortgage by changing the percentages set forth in subdivisions (2) and (3) of the first paragraph and in the third and fourth paragraphs thereof from "166-2/3%" to "ten-sevenths (10/7)" and the percentages set forth in subdivision (4) of the first paragraph and n the fifth paragraph thereof from "60%" to "70 %";

(e) The modification of Section 15 of Article IV of the PSCO 1939 Mortgage by changing the percentages set forth in subdivision (A) of the first paragraph thereof from "1662/3%" to "ten-sevenths (10/7)" and the percentages set forth in subdivision (A) of the first paragraph and in the second paragraph thereof from "60%" to "70%";

(f) The modification of Section 23 of Article IV of the PSCO 1939 Mortgage by changing the percentage set forth in subsection (e)f thereof from "60%" to "70%";

(g) The modification of Section 3 of Article VII of the PSCO 1939 Mortgage by changing the percentage set forth in clause (ii) thereof from "60%" to "70%"; and

(h) The modification of Section 9 of Article VII of the PSCO 1939 Mortgage by changing the percentages set forth in subdivision (1) of the first paragraph and in the second paragraph thereof from "166-2/3%" to "ten-sevenths (10/7)."

19. The deletion of Section 17 of Article IV of the PSCO 1939 Mortgage and all references thereto.

**The foregoing Indenture of Public Service Company of Colorado,
Dated as of October 1, 1993, was recorded or filed as follows:**

COUNTY	DATE	TIME	REFERENCE		
Adams	Oct. 13, 1993	01:35 P.M.	Reception No. B1183903	Book 4170,	Page 324
Alamosa	Oct. 12, 1993	03:00 P.M.	Reception No. 265666	Book 475,	Page 160
Arapahoe	Oct. 13, 1993	04:07 P.M.	Reception No. 141032	Book 7186,	Page 383
Archuletta	Oct. 12, 1993	0221 P.M.	Reception No. 93006202	Book __,	Page__
Bent	Oct. 12, 1993	11:35 A.M.	Reception No. 278521	Book 435,	Page 1
Boulder	Oct. 13, 1993	03:04 P.M.	Reception No. 01347991	Film 1888,	Page__
Chaffee	Oct. 14, 1993	11:00 A.M.	Reception No. 269673	Book 539,	Page 518
Clear Creek	Oct. 12, 1993	02:25 P.M.	Reception No. 163701	Book 505,	Page 631
Conejos	Oct. 13, 1993	09:56 A.M.	Reception No. 205693	Book 354,	Page 776
Costilla	Oct. 13, 1993	09:00 A.M.	Reception No. 191898	Book 291,	Page 117
Crowley	Oct. 13, 1993	08:40 A.M.	Reception No. 148850	Book 244,	Page 195
Delta	Oct. 13, 1993	09:37 A.M.	Reception No. 471619	Book 709,	Page 50
Denver	Oct. 12, 1993	11:24 A.M.	Reception No. 9300139814	Book__,	Page__
Dolores	Oct. 14, 1993	12:50 P.M.	Reception No. 133132	Book 260,	Page 300
Douglas	Oct. 12, 1993	03:08 P.M.	Reception No. 9348340	Book 1154,	Page 1
Eagle	Oct. 12, 1993	04:48 P.M.	Reception No. 518046	Book 621,	Page 978
Elbert	Oct. 12, 1993	03:01 P.M.	Reception No. 313722	Book 480,	Page 183
El Paso	Oct. 12, 1993	01:38 P.M.	Reception No. 002368410	Book 6282,	Page 51
Fremont	Oct. 12, 1993	01:30 P.M.	Reception No. 608790	Book 1154,	Page 31
Garfield	Oct. 12; 1993	02:20 P.M.	Reception No. 453596	Book 878,	Page 193
Gilpin	Oct. 12, 1993	02:20 P.M.	Reception No. 79260	Book 551,	Page 413
Grand	Oct. 12, 1993	12:45 P.M.	Reception No. 93010260	Book__,	Page__
Gunnison	Oct. 12, 1993	04:30 P.M.	Reception No. 446179	Book 733,	Page 1

Huerfano	Oct. 12, 1993	11:15 A.M.	Reception No. 9244	Book 21M,	Page 316
Jefferson	Oct. 13, 1993	09:30 A.M.	Reception No. 93163438	Book__,	Page__
Kiowa	Oct. 12, 1993	01:00 P.M.	Reception No. 249124	Book 409,	Page 40
La Plata	Oct. 12, 1993	03:38 P.M.	Reception No. 655580	Book__,	Page__
Lake	Oct. 12, 1993	03:00 P.M.	Reception No. 305501	Book 506,	Page 635
Larimer	Oct. 13, 1993	10:23 A.M.	Reception No. 93075587	Book__,	Page__
Logan	Oct. 12, 1993	01:10 P.M.	Reception No. 606328	Book 874,	Page 484
Mesa	Oct. 12, 1993	12:06 P.M.	Reception No. 1656362	Book 2014,	Page 129
Moffat	Oct. 12, 1993	11:00 A.M.	Reception No. 350044	Book__,	Page__
Montezuma	Oct. 13, 1993	10:10 A.M.	Reception. No. 435373	Book 0679,	Page 756
Montrose	Oct. 12, 1993	03:06 P.M.	Reception No. 591244	Book 862,	Page 281
Morgan	Oct. 12, 1993	12:54 P.M.	Reception No. 738426	Book 959-60,	Page 857
Ouray	Oct. 13, 1993	11:08 A.M.	Reception No. 154688	Book 221,	Page 500
Park	Oct. 14, 1993	10:00 A.M.	Reception No. 417879	Book 504,	Page 365
Pitkin	Oct. 14, 1993	03:56 P.M.	Reception No. 362054	Book 726,	Page 791
Prowers	Oct. 12, 1993	02:00 P.M.	Reception No. 462785	Book__,	Page__
Pueblo	Oct. 12, 1993	11:54 A.M.	Reception No. 1021381	Book 2685,	Page 768
Rio Blanco	Oct. 12, 1993	02:18 P.M.	Reception No. 249980	Book 506,	Page 838
Rio Grande	Oct. 13, 1993	11:46 A.M.	Reception No. 337091	Book 450,	Page 43
Routt	Oct. 12, 1993	11:12 A.M.	Reception No 428347	Book 689,	Page 2575
Saguache	Oct. 13, 1993	11:05 A.M.	Reception No. 304092	Book 486,	Page 625
San Juan	Oct. 13, 1993	10:27 A.M.	Reception No. 136438	Book 240,	Page 702
San Miguel	Oct. 12, 1993	04:05 P.M.	Reception No. 287896	Book 518,	Page 813
Sedgewick	Oct. 12, 1993	02:15 P.M.	Reception No. 179877	Book 203,	Page 55
Summit	Oct. 12, 1993	01:40 P.M.	Reception No. 453148	Book__,	Page__
Teller	Oct. 13, 1993	08:00 A.M.	Reception No. 412373	Book 698,	Page 104

Washington	Oct. 12, 1993	11:20 A.M.	Reception No. 802111	Book 925,	Page 955
Weld	Oct. 13, 1993	09:54 A.M.	Reception No. 2354434	Book 1406,	Page 1
Colorado Sec. of State	Oct. 8, 1993	10:22 A.M.	Reception No. 932073751	Book__,	Page__

fb.us.5586877.01

(Back To Top)

Section 8: EX-10.30 (EXHIBIT 10.30)

Exhibit 10.30

Sixth Amendment
to the
Xcel Energy Senior Executive Severance and Change-In-Control Policy

THIS SIXTH AMENDMENT is made this 22 day of February, 2018, by Xcel Energy Inc. (the "Principal Sponsor").

WITNESSETH:

WHEREAS, the Principal Sponsor maintains the Xcel Energy Senior Executive Severance and Change-In-Control Policy (the "Policy"), and

WHEREAS, the Board of Directors of the Principal Sponsor (the "Board") has reserved the right to make amendments to the Policy, and

WHEREAS, the Governance, Compensation and Nominating Committee of the Board of Directors of the Principal Sponsor (the "Committee") has reserved the right to appoint or remove Participants under the Policy, and

WHEREAS, the Committee wishes to amend the Policy in certain respects to add a Participant to Schedule I to be effective March 1, 2018.

NOW, THEREFORE, the Policy is hereby amended as follows:

1. **Schedule I - Participants:** Schedule I to the Policy is hereby amended to add David Eves to the Schedule as a Tier II Participant as follows:

Name	Tier	Severance Multiple	Change-in-Control Multiple
David Eves	2	1	2

2. **Savings Clause.** Except as hereinabove set forth, the Xcel Energy Senior Executive Severance and Change-In-Control Policy shall continue in full force and effect.

IN WITNESS WHEREOF, Xcel Energy Inc. has caused this instrument to be enacted by its duly authorized officer as of the date set forth to be effective March 1, 2018.

XCEL ENERGY INC.

By: **/s/ Marvin E. McDaniel**

Its: **EVP and Group President, Utilities and Chief Administrative Officer**

(Back To Top)

Section 9: EX-12.01 (EXHIBIT 12.01)

Exhibit 12.01

XCEL ENERGY INC. AND SUBSIDIARIES
STATEMENT OF COMPUTATION OF
RATIO OF EARNINGS TO FIXED CHARGES
(amounts in millions, except ratio)

	Year Ended Dec. 31				
	2017	2016	2015	2014	2013
Earnings, as defined:					
Pretax income	$ 1,690	$ 1,704	$ 1,527	$ 1,545	$ 1,432
Add: Fixed charges	739	746	700	677	686
Add: Dividends from unconsolidated subsidiaries	41	46	40	37	37
Deduct: Equity earnings of unconsolidated subsidiaries	30	42	34	30	30
Total earnings, as defined	$ 2,440	$ 2,454	$ 2,233	$ 2,229	$ 2,125
Fixed charges, as defined:					
Interest charges	$ 663	$ 647	$ 595	$ 567	$ 575
Interest component of leases	77	99	105	110	111
Total fixed charges, as defined	$ 740	$ 746	$ 700	$ 677	$ 686
Ratio of earnings to fixed charges	3.3	3.3	3.2	3.3	3.1

(Back To Top)

Section 10: EX-21.01 (EXHIBIT 21.01)

Exhibit 21.01

SUBSIDIARIES OF XCEL ENERGY INC.

SUBSIDIARY [a]	STATE OF INCORPORATION	PURPOSE
Northern States Power Company (a Minnesota corporation)	Minnesota	Electric and gas utility
Northern States Power Company (a Wisconsin corporation)	Wisconsin	Electric and gas utility
Public Service Company of Colorado	Colorado	Electric and gas utility
Southwestern Public Service Company	New Mexico	Electric utility
WestGas InterState, Inc.	Colorado	Natural gas transmission company
Xcel Energy Wholesale Group Inc.	Minnesota	Intermediate holding company for subsidiaries providing wholesale energy
Xcel Energy Markets Holdings Inc.	Minnesota	Intermediate holding company for subsidiaries providing energy marketing services
Xcel Energy International Inc.	Delaware	Intermediate holding company for international subsidiaries
Xcel Energy Ventures Inc.	Minnesota	Intermediate holding company for subsidiaries developing new businesses
Xcel Energy Retail Holdings Inc.	Minnesota	Intermediate holding company for subsidiaries providing services to retail customers
Xcel Energy Communications Group Inc.	Minnesota	Intermediate holding company for subsidiaries providing telecommunications and related services
Xcel Energy WYCO Inc.	Colorado	Intermediate holding company holding investment in WYCO
Xcel Energy Services Inc.	Delaware	Service company for Xcel Energy system
Xcel Energy Transmission Holding Company, LLC	Delaware	Intermediate holding company for subsidiaries developing and providing energy transmission services
Xcel Energy Venture Holdings, Inc.	Minnesota	Intermediate holding company holding investment in Energy Impact Fund
Nicollet Holdings Company, LLC	Minnesota	Intermediate holding company for subsidiaries procuring equipment for renewable generation facilities at other subsidiaries

[a] Certain insignificant subsidiaries are omitted.

(Back To Top)

Section 11: EX-23.01 (EXHIBIT 23.01)

Exhibit 23.01

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in:

Registration Statements on Form S-8:
- No. 333-222157 (relating to the Xcel Energy Inc. Nonqualified Deferred Compensation Plan)
- No. 333-185610 (relating to the Nuclear Management Company, LLC NMC Savings and Retirement Plan)
- No. 333-213382 (relating to the Xcel Energy 401(k) Savings Plan; and New Century Energies, Inc. Employees' Savings and Stock Ownership plan for Bargaining Unit Employees and Former Non-Bargaining Unit Employees; and New Century Energies, Inc. Employee Investment Plan for Bargaining Unit Employees and Former Non-Bargaining Unit Employees)
- No. 333-127217 (relating to the Xcel Energy 2005 Long-Term Incentive Plan)
- No. 333-115754 and 333-175189 (relating to Stock Equivalent Plan for Non-Employee Directors)
- No. 333-204325 (relating to the Xcel Energy 2015 Omnibus Incentive Plan)

Registration Statements on Form S-3:
- No. 333-214019 (relating to the Xcel Energy Dividend Reinvestment and Cash Payment Plan)
- No. 333-203664 (relating to senior debt securities, junior subordinated debt securities and common stock)

of our reports dated February 23, 2018, relating to the consolidated financial statements and financial statement schedules of Xcel Energy Inc. and subsidiaries, and the effectiveness of Xcel Energy Inc. and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of Xcel Energy Inc. for the year ended December 31, 2017.

/s/ DELOITTE & TOUCHE LLP

(Back To Top)

Section 12: EX-24.01 (EXHIBIT 24.01)

Exhibit 24.01

POWER OF ATTORNEY

The undersigned director and/or officer of Xcel Energy Inc., a Minnesota corporation (the "Company"), does hereby make, constitute and appoint **ROBERT C. FRENZEL and SCOTT WILENSKY**, and each or any one of them, the undersigned's true and lawful attorneys-in-fact and agents, with full power of substitution, for the undersigned and in the undersigned's name, place and stead and in any and all capacities, to sign and affix the undersigned's name as such director and/or officer of said Company to a Form 10-K, Annual Report, or other applicable form, pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), including any and all exhibits, schedules, supplements, certifications and supporting documents thereto, and all amendments, supplements and corrections thereto, to be filed by the Company with the Securities and Exchange Commission (the "SEC"), as required in connection with its registration under the 1934 Act, as amended, and to file the same, with all exhibits thereto and other supporting documents, with the SEC.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of this 21st day of February, 2018.

/s/ BEN FOWKE

Ben Fowke

Chairman, President, Chief Executive Officer and Director

POWER OF ATTORNEY

The undersigned director and/or officer of Xcel Energy Inc., a Minnesota corporation (the "Company"), does hereby make, constitute and appoint **BEN FOWKE, ROBERT C. FRENZEL and SCOTT WILENSKY**, and each or any one of them, the undersigned's true and lawful attorneys-in-fact and agents, with full power of substitution, for the undersigned and in the undersigned's name, place and stead and in any and all capacities, to sign and affix the undersigned's name as such director and/or officer of said Company to a Form 10-K, Annual Report, or other applicable form, pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), including any and all exhibits, schedules, supplements, certifications and supporting documents thereto, and all amendments, supplements and corrections thereto, to be filed by the Company with the Securities and Exchange Commission (the "SEC"), as required in connection with its registration under the 1934 Act, as amended, and to file the same, with all exhibits thereto and other supporting documents, with the SEC.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of this 21st day of February, 2018.

/s/ Richard K. Davis

Richard K. Davis

Director

POWER OF ATTORNEY

The undersigned director and/or officer of Xcel Energy Inc., a Minnesota corporation (the "Company"), does hereby make, constitute and appoint **BEN FOWKE, ROBERT C. FRENZEL and SCOTT WILENSKY**, and each or any one of them, the undersigned's true and lawful attorneys-in-fact and agents, with full power of substitution, for the undersigned and in the undersigned's name, place and stead and in any and all capacities, to sign and affix the undersigned's name as such director and/or officer of said Company to a Form 10-K, Annual Report, or other applicable form, pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), including any and all exhibits, schedules, supplements, certifications and supporting documents thereto, and all amendments, supplements and corrections thereto, to be filed by the Company with the Securities and Exchange Commission (the "SEC"), as required in connection with its registration under the 1934 Act, as amended, and to file the same, with all exhibits thereto and other supporting documents, with the SEC.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of this 21st day of February, 2018.

/s/ Richard T. O'Brien

Richard T. O'Brien

Director

POWER OF ATTORNEY

The undersigned director and/or officer of Xcel Energy Inc., a Minnesota corporation (the "Company"), does hereby make, constitute and appoint **BEN FOWKE, ROBERT C. FRENZEL and SCOTT WILENSKY**, and each or any one of them, the undersigned's true and lawful attorneys-in-fact and agents, with full power of substitution, for the undersigned and in the undersigned's name, place and stead and in any and all capacities, to sign and affix the undersigned's name as such director and/or officer of said Company to a Form 10-K, Annual Report, or other applicable form, pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), including any and all exhibits, schedules, supplements, certifications and supporting documents thereto, and all amendments, supplements and corrections thereto, to be filed by the Company with the Securities and Exchange Commission (the "SEC"), as required in connection with its registration under the 1934 Act, as amended, and to file the same, with all exhibits thereto and other supporting documents, with the SEC.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of this 21st day of February, 2018.

/s/ David K. Owens

David K. Owens

Director

POWER OF ATTORNEY

The undersigned director and/or officer of Xcel Energy Inc., a Minnesota corporation (the "Company"), does hereby make, constitute and appoint **BEN FOWKE, ROBERT C. FRENZEL and SCOTT WILENSKY**, and each or any one of them, the undersigned's true and lawful attorneys-in-fact and agents, with full power of substitution, for the undersigned and in the undersigned's name, place and stead and in any and all capacities, to sign and affix the undersigned's name as such director and/or officer of said Company to a Form 10-K, Annual Report, or other applicable form, pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), including any and all exhibits, schedules, supplements, certifications and supporting documents thereto, and all amendments, supplements and corrections thereto, to be filed by the Company with the Securities and Exchange Commission (the "SEC"), as required in connection with its registration under the 1934 Act, as amended, and to file the same, with all exhibits thereto and other supporting documents, with the SEC.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of this 21st day of February, 2018.

/s/ Christopher J. Policinski

Christopher J. Policinski

Director

POWER OF ATTORNEY

The undersigned director and/or officer of Xcel Energy Inc., a Minnesota corporation (the "Company"), does hereby make, constitute and appoint **BEN FOWKE, ROBERT C. FRENZEL and SCOTT WILENSKY**, and each or any one of them, the undersigned's true and lawful attorneys-in-fact and agents, with full power of substitution, for the undersigned and in the undersigned's name, place and stead and in any and all capacities, to sign and affix the undersigned's name as such director and/or officer of said Company to a Form 10-K, Annual Report, or other applicable form, pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), including any and all exhibits, schedules, supplements, certifications and supporting documents thereto, and all amendments, supplements and corrections thereto, to be filed by the Company with the Securities and Exchange Commission (the "SEC"), as required in connection with its registration under the 1934 Act, as amended, and to file the same, with all exhibits thereto and other supporting documents, with the SEC.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of this 21st day of February, 2018.

/s/ James Prokopanko

James Prokopanko

Director

POWER OF ATTORNEY

The undersigned director and/or officer of Xcel Energy Inc., a Minnesota corporation (the "Company"), does hereby make, constitute and appoint **BEN FOWKE, ROBERT C. FRENZEL and SCOTT WILENSKY**, and each or any one of them, the undersigned's true and lawful attorneys-in-fact and agents, with full power of substitution, for the undersigned and in the undersigned's name, place and stead and in any and all capacities, to sign and affix the undersigned's name as such director and/or officer of said Company to a Form 10-K, Annual Report, or other applicable form, pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), including any and all exhibits, schedules, supplements, certifications and supporting documents thereto, and all amendments, supplements and corrections thereto, to be filed by the Company with the Securities and Exchange Commission (the "SEC"), as required in connection with its registration under the 1934 Act, as amended, and to file the same, with all exhibits thereto and other supporting documents, with the SEC.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of this 21st day of February, 2018.

/s/ A. Patricia Sampson

A. Patricia Sampson

Director

POWER OF ATTORNEY

The undersigned director and/or officer of Xcel Energy Inc., a Minnesota corporation (the "Company"), does hereby make, constitute and appoint **BEN FOWKE, ROBERT C. FRENZEL and SCOTT WILENSKY**, and each or any one of them, the undersigned's true and lawful attorneys-in-fact and agents, with full power of substitution, for the undersigned and in the undersigned's name, place and stead and in any and all capacities, to sign and affix the undersigned's name as such director and/or officer of said Company to a Form 10-K, Annual Report, or other applicable form, pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), including any and all exhibits, schedules, supplements, certifications and supporting documents thereto, and all amendments, supplements and corrections thereto, to be filed by the Company with the Securities and Exchange Commission (the "SEC"), as required in connection with its registration under the 1934 Act, as amended, and to file the same, with all exhibits thereto and other supporting documents, with the SEC.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of this 21st day of February, 2018.

/s/ James J. Sheppard

James J. Sheppard

Director

POWER OF ATTORNEY

The undersigned director and/or officer of Xcel Energy Inc., a Minnesota corporation (the "Company"), does hereby make, constitute and appoint **BEN FOWKE, ROBERT C. FRENZEL and SCOTT WILENSKY**, and each or any one of them, the undersigned's true and lawful attorneys-in-fact and agents, with full power of substitution, for the undersigned and in the undersigned's name, place and stead and in any and all capacities, to sign and affix the undersigned's name as such director and/or officer of said Company to a Form 10-K, Annual Report, or other applicable form, pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), including any and all exhibits, schedules, supplements, certifications and supporting documents thereto, and all amendments, supplements and corrections thereto, to be filed by the Company with the Securities and Exchange Commission (the "SEC"), as required in connection with its registration under the 1934 Act, as amended, and to file the same, with all exhibits thereto and other supporting documents, with the SEC.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of this 21st day of February, 2018.

/s/ David A. Westerlund

David A. Westerlund

Director

POWER OF ATTORNEY

The undersigned director and/or officer of Xcel Energy Inc., a Minnesota corporation (the "Company"), does hereby make, constitute and appoint **BEN FOWKE, ROBERT C. FRENZEL and SCOTT WILENSKY**, and each or any one of them, the undersigned's true and lawful attorneys-in-fact and agents, with full power of substitution, for the undersigned and in the undersigned's name, place and stead and in any and all capacities, to sign and affix the undersigned's name as such director and/or officer of said Company to a Form 10-K, Annual Report, or other applicable form, pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), including any and all exhibits, schedules, supplements, certifications and supporting documents thereto, and all amendments, supplements and corrections thereto, to be filed by the Company with the Securities and Exchange Commission (the "SEC"), as required in connection with its registration under the 1934 Act, as amended, and to file the same, with all exhibits thereto and other supporting documents, with the SEC.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of this 21st day of February, 2018.

/s/ Kim Williams

Kim Williams

Director

POWER OF ATTORNEY

The undersigned director and/or officer of Xcel Energy Inc., a Minnesota corporation (the "Company"), does hereby make, constitute and appoint **BEN FOWKE, ROBERT C. FRENZEL and SCOTT WILENSKY**, and each or any one of them, the undersigned's true and lawful attorneys-in-fact and agents, with full power of substitution, for the undersigned and in the undersigned's name, place and stead and in any and all capacities, to sign and affix the undersigned's name as such director and/or officer of said Company to a Form 10-K, Annual Report, or other applicable form, pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), including any and all exhibits, schedules, supplements, certifications and supporting documents thereto, and all amendments, supplements and corrections thereto, to be filed by the Company with the Securities and Exchange Commission (the "SEC"), as required in connection with its registration under the 1934 Act, as amended, and to file the same, with all exhibits thereto and other supporting documents, with the SEC.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of this 21st day of February, 2018.

/s/ Timothy V. Wolf

Timothy V. Wolf

Director

POWER OF ATTORNEY

The undersigned director and/or officer of Xcel Energy Inc., a Minnesota corporation (the "Company"), does hereby make, constitute and appoint **BEN FOWKE, ROBERT C. FRENZEL and SCOTT WILENSKY**, and each or any one of them, the undersigned's true and lawful attorneys-in-fact and agents, with full power of substitution, for the undersigned and in the undersigned's name, place and stead and in any and all capacities, to sign and affix the undersigned's name as such director and/or officer of said Company to a Form 10-K, Annual Report, or other applicable form, pursuant to the Securities Exchange Act of 1934, as amended (the "1934 Act"), including any and all exhibits, schedules, supplements, certifications and supporting documents thereto, and all amendments, supplements and corrections thereto, to be filed by the Company with the Securities and Exchange Commission (the "SEC"), as required in connection with its registration under the 1934 Act, as amended, and to file the same, with all exhibits thereto and other supporting documents, with the SEC.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of this 21st day of February, 2018.

/s/ Daniel Yohannes

Daniel Yohannes

Director

(Back To Top)

Section 13: EX-31.01 (EXHIBIT 31.01)

Exhibit 31.01

CERTIFICATION

I, Ben Fowke, certify that:

1. I have reviewed this report on Form 10-K of Xcel Energy Inc. (a Minnesota corporation);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: Feb. 23, 2018

/s/ BEN FOWKE

Ben Fowke

Chairman, President, Chief Executive Officer and Director

(Back To Top)

Section 14: EX-31.02 (EXHIBIT 31.02)

Exhibit 31.02

CERTIFICATION

I, Robert C. Frenzel, certify that:

1. I have reviewed this report on Form 10-K of Xcel Energy Inc. (a Minnesota corporation);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: Feb. 23, 2018

/s/ ROBERT C. FRENZEL

Robert C. Frenzel

Executive Vice President, Chief Financial Officer

(Back To Top)

Section 15: EX-32.01 (EXHIBIT 32.01)

Exhibit 32.01

OFFICER CERTIFICATION

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Xcel Energy Inc. (Xcel Energy) on Form 10-K for the year ended Dec. 31, 2017, as filed with the SEC on the date hereof (Form 10-K), each of the undersigned officers of Xcel Energy certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Xcel Energy as of the dates and for the periods expressed in the Form 10-K.

Date: Feb. 23, 2018

/s/ BEN FOWKE

Ben Fowke

Chairman, President, Chief Executive Officer and Director

/s/ ROBERT C. FRENZEL

Robert C. Frenzel

Executive Vice President, Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Xcel Energy and will be retained by Xcel Energy and furnished to the SEC or its staff upon request.

(Back To Top)

Section 16: EX-99.01 (EXHIBIT 99.01)

Exhibit 99.01

XCEL ENERGY CAUTIONARY FACTORS

The Private Securities Litigation Reform Act provides a "safe harbor" for forward-looking statements to encourage disclosures without the threat of litigation, providing those statements are identified as forward-looking and are accompanied by meaningful, cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the statement. Forward-looking statements are made in written documents and oral presentations of Xcel Energy Inc. or any of its subsidiaries. These statements are based on management's beliefs as well as assumptions and information currently available to management. Such forward-looking statements are intended to be identified in this document by the words "anticipate," "believe," "estimate," "expect," "intend," "may," "objective," "outlook," "plan," "project," "possible," "potential," "should" and similar expressions. In addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements, factors that could cause Xcel Energy's actual results to differ materially from those contemplated in any forward-looking statements include, among others, the following:

- Economic conditions, including inflation rates, monetary fluctuations and their impact on capital expenditures;
- The risk of a significant slowdown in growth or decline in the U.S. economy, the risk of delay in growth recovery in the U.S. economy or the risk of increased cost for insurance premiums, security and other items as a consequence of past or future terrorist attacks;
- Trade, monetary, fiscal, taxation and environmental policies of governments, agencies and similar organizations in geographic areas where Xcel Energy has a financial interest;
- Customer business conditions, including demand for their products or services and supply of labor and materials used in creating their products and services;
- Financial or regulatory accounting principles or policies imposed by the FASB, the SEC, the FERC and similar entities with regulatory oversight;
- Availability or cost of capital such as changes in: interest rates; market perceptions of the utility industry, Xcel Energy Inc. or any of its subsidiaries; or security ratings;
- Factors affecting utility and nonutility operations such as unusual weather conditions; catastrophic weather-related damage; unscheduled generation outages, maintenance or repairs; unanticipated changes to fossil fuel, nuclear fuel or natural gas supply costs or availability due to higher demand, shortages, transportation problems or other developments; nuclear or environmental incidents; cyber incidents; or electric transmission or natural gas pipeline constraints;
- Employee workforce factors, including loss or retirement of key executives, collective-bargaining agreements with union employees, or work stoppages;
- Increased competition in the utility industry or additional competition in the markets served by Xcel Energy Inc. and its subsidiaries;
- State, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rate structures and affect the speed and degree to which competition enters the electric and natural gas markets; industry restructuring initiatives; transmission system operation and/or administration initiatives; recovery of investments made under traditional regulation; nature of competitors entering the industry; retail wheeling; a new pricing structure; and former customers entering the generation market;

- Environmental laws and regulations, including legislation and regulations relating to climate change and the associated cost of compliance;
- Rate setting policies or procedures of regulatory entities, including environmental externalities, which are values established by regulators assigning environmental costs to each method of electricity generation when evaluating generation resource options;
- Nuclear regulatory policies and procedures, including operating regulations and spent nuclear fuel storage;
- Social attitudes regarding the utility and power industries;
- Cost and other effects of legal and administrative proceedings, settlements, investigations and claims;
- Technological developments that result in competitive disadvantages and create the potential for impairment of existing assets;
- Risks associated with implementations of new technologies; and
- Other business or investment considerations that may be disclosed from time to time in Xcel Energy Inc.'s SEC filings, including "Risk Factors" in Item 1A of this Form 10-K, or in other publicly disseminated written documents.

Xcel Energy undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors should not be construed as exhaustive.

(Back To Top)