

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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NORTHERN STATES POWER CO /MN/

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 or 15(d) of the
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): April 28, 1995

NORTHERN STATES POWER COMPANY
(Exact name of registrant as specified in charter)

Minnesota
(State or other jurisdiction
of incorporation)

1-3034
(Commission File No.)

41-0448030
(IRS employer
identification no.)

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

55401
(Zip Code)

Registrant's telephone number, including area code (612) 330-5500

ITEM 5. OTHER EVENTS

MERGER AGREEMENT WITH WISCONSIN ENERGY CORPORATION

Northern States Power Company, a Minnesota corporation ("NSP"), Wisconsin Energy Corporation, a Wisconsin corporation ("WEC"), Northern Power Wisconsin Corp., a Wisconsin corporation and wholly-owned subsidiary of NSP ("New NSP") and WEC Sub Corp., a Wisconsin corporation and wholly-owned subsidiary of WEC ("WEC Sub"), have entered into an Agreement and Plan of Merger, dated as of April 28, 1995 (the "Merger Agreement"), which provides for a strategic business combination involving NSP and WEC in a "merger-of-equals" transaction (the "Transaction"). The Transaction, which was unanimously approved by the Boards of Directors of the constituent companies, is expected to close shortly after all of the conditions to the consummation of the Transaction, including obtaining applicable regulatory approvals, are met or waived. The regulatory approval process is expected to take approximately 12 to 18 months.

In the Transaction, the holding company of the combined enterprise will be registered under the Public Utility Holding Company Act of 1935, as amended. The holding company will be named Primergy Corporation ("Primergy") and will be the parent company of both NSP (which, for regulatory reasons, will reincorporate in Wisconsin) and of WEC's present principal utility subsidiary, Wisconsin Electric Power Company ("WEPCO"), which will be renamed "Wisconsin Energy Company." Wisconsin Energy Company will include the operations of WEC's other present utility subsidiary, Wisconsin Natural Gas Company, which is anticipated to be merged into WEPCO by year-end 1995, pending regulatory approval, as previously planned. It is anticipated that, following the Transaction, NSP's Wisconsin utility subsidiary, Northern States Power, a Wisconsin corporation ("NSP-W") will be merged into Wisconsin Energy Company.

The Merger Agreement, the press release issued in connection therewith and the related Stock Option Agreements (defined below) are filed as exhibits to this report and are incorporated herein by reference. The descriptions of the Merger Agreement and the Stock Option Agreements set forth herein do not purport to be complete and are qualified in their entirety by the provisions of the Merger Agreement and the

Stock Option Agreements, as the case may be.

Under the terms of the Merger Agreement, NSP will be merged with and into New NSP and immediately thereafter WEC Sub will be merged with and into New NSP, with New NSP being the surviving corporation. Each outstanding share of Common Stock,

par value \$2.50 per share, of NSP will be cancelled and converted into the right to receive 1.626 shares of Common Stock, par value \$.01 per share, of Primergy ("Primergy Common Stock"). The outstanding shares of WEC Common Stock, par value \$.01 per share, will remain outstanding, unchanged, as shares of Primergy Common Stock. As of the date of the Merger Agreement, NSP had 67.3 million common shares outstanding and WEC had 109.4 million common shares outstanding. Based on such capitalization, the Transaction would result in the common shareholders of NSP receiving 50% of the common equity of Primergy and the common shareholders of WEC owning the other 50% of the common equity of Primergy. Each outstanding share of Cumulative Preferred Stock, par value \$100.00 per share, of NSP will be cancelled and converted into the right to receive one share of Cumulative Preferred Stock, par value \$100.00 per share, of New NSP with identical rights (including dividend rights) and designations. WEPCO's outstanding preferred stock will remain outstanding and be unchanged in the Transaction.

It is anticipated that Primergy will adopt NSP's dividend payment level adjusted for the exchange ratio. NSP currently pays \$2.64 per share annually, and WEC's annual dividend rate is currently \$1.47 per share. Based on the exchange ratio and NSP's current dividend rate, the pro forma dividend rate for Primergy would be \$1.62 per share.

The Transaction is subject to customary closing conditions, including, without limitation, the receipt of required shareholder approvals of WEC and NSP; and the receipt of all necessary governmental approvals and the making of all necessary governmental filings, including approvals of state utility regulators in Wisconsin, Minnesota and certain other states, the approval of the Federal Energy Regulatory Commission, the Securities and Exchange Commission (the "SEC"), the Nuclear Regulatory Commission, and the filing of the requisite notification with the Federal Trade Commission and the Department of Justice under the Hart-Scott-Rodino Antitrust Improvements Act

of 1976, as amended, and the expiration of the applicable waiting period thereunder. The Transaction is also subject to receipt of assurances from the Internal Revenue Service and opinions of counsel that the Transaction will qualify as a tax-free reorganization, and the assurances from the parties' independent accountants, that the Transaction will qualify as a pooling of interests for accounting purposes. In addition, the Transaction is conditioned upon the effectiveness of a registration statement to be filed by WEC with the SEC with respect to the Primergy Common Stock to be issued in the Transaction and the approval for listing of such shares on the New York Stock Exchange. (See Article VIII of the Merger Agreement.)

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Shareholder meetings to vote upon the Transaction will be convened as soon as practicable and are expected to be held in the third or fourth quarter of 1995.

The Merger Agreement contains certain covenants of the parties pending the consummation of the Transaction. Generally, the parties must carry on their businesses in the ordinary course consistent with past practice, may not increase dividends on common stock beyond specified levels, and may not issue any capital stock beyond certain limits. The Merger Agreement also contains restrictions on, among other things, charter and bylaw amendments, capital expenditures, acquisitions, dispositions, incurrence of indebtedness, certain increases in employee compensation and benefits, and affiliate transactions. (See Article VI of the Merger Agreement.)

The Merger Agreement provides that, after the effectiveness of the Transaction (the "Effective Time"), the corporate headquarters and principal executive offices of Primergy and NSP will be located in Minneapolis, Minnesota, and the headquarters of Wisconsin Energy Company will remain in Milwaukee, Wisconsin. Primergy's Board of Directors, which will be divided into three classes, will consist of a total of 12 directors, 6 of whom will be designated by WEC and 6 of whom will be designated by NSP. Mr. James J. Howard, the current Chairman of the Board, President and Chief Executive Officer ("CEO") of NSP, will serve as CEO of Primergy from the Effec-

tive Time until the later of 16 months after the Effective Time or the date of the annual meeting of shareholders of Primergy that occurs in 1998, and Chairman of Primergy until the later of July 1, 2000 or two years after he ceases to be CEO. Mr. Abdoo, the current Chairman of the Board, President and CEO of WEC, will serve as Vice Chairman of the Board, President and Chief Operating Officer of Primergy until the date when Mr. Howard ceases to be CEO, at which time he will be entitled to assume the additional role of CEO. Mr. Abdoo will assume the position of Chairman when Mr. Howard ceases to be Chairman.

The Merger Agreement may be terminated under certain circumstances, including (1) by mutual consent of the parties; (2) by any party if the Transaction is not consummated by April 30, 1997 (provided, however, that such termination date shall be extended to October 31, 1997 if all conditions to closing the Transaction, other than the receipt of certain consents and/or statutory approvals by any of the parties, have been satisfied by April 30, 1997); (3) by any party if either NSP's or WEC's shareholders vote against the Transaction or if any state or federal law or court order prohibits the Transaction; (4) by a non-breaching party if there exist breaches of any representations or warranties contained in the Merger Agreement

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as of the date thereof which breaches, individually or in the aggregate, would result in a material adverse effect on the breaching party and which is not cured within twenty (20) days after notice; (5) by a non-breaching party if there occur breaches of specified covenants or material breaches of any covenant or agreement which are not cured within twenty (20) days after notice; (6) by either party if the Board of Directors of the other party shall withdraw or adversely modify its recommendation of the Transaction or shall approve any competing transaction; or (7) by either party, under certain circumstances, as a result of a third-party tender offer or business combination proposal which such party's board of directors determines in good faith that their fiduciary duties require be accepted, after the other party has first been given an opportunity to make concessions and adjustments in the terms of the Merger Agreement.

The Merger Agreement provides that if a breach described in clause (4) or (5) of the previous paragraph occurs, then, if such breach is not willful, the non-breaching party is entitled to reimbursement of its out-of-pocket expenses, not to exceed \$10 million. In the event of a willful breach, the non-breaching party will be entitled to its out-of-pocket expenses (which shall not be limited to \$10 million) and any remedies it may have at law or in equity, provided that if, at the time of the breaching party's willful breach, there shall have been a third party tender offer or business combination proposal which shall not have been rejected by the breaching party and withdrawn by the third party, and within two and one-half years of any termination by the non-breaching party, the breaching party accepts an offer to consummate or consummates a business combination with such third party, then such breaching party, upon the signing of a definitive agreement relating to such a business combination, or, if no such agreement is signed then at the closing of such business combination, will pay to the non-breaching party an additional fee equal to \$75 million. The Merger Agreement also requires payment of a termination fee of \$75 million (and reimbursement of out-of-pocket expenses) by one party (the "Payor") to the other in certain circumstances, if (i) the Merger Agreement is terminated (x) as a result of the acceptance by the Payor of a third-party tender offer or business combination proposal, (y) following a failure of the shareholders of the Payor to grant their approval to the Transaction or (z) as a result of the Payor's material failure to convene a shareholder meeting, distribute proxy materials and, subject to its board of directors' fiduciary duties, recommend the Transaction to its shareholders; (ii) at the time of such termination or prior to the meeting of such party's shareholders there shall have been a third-party tender offer

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or business combination proposal which shall not have been rejected by the Payor and withdrawn by such third party; and (iii) within two and one-half years of any such termination described in clause (i) above, the Payor accepts an offer to consummate or consummates a business combination with such third party. Such termination fee and out-of-pocket expenses referred to in the previous sentence shall be paid upon the

signing of a definitive agreement between the Payor and the third party, or, if no such agreement is signed, then at the closing of such third-party business combination. The termination fees payable by NSP or WEC under these provisions and the aggregate amount which could be payable by NSP or WEC upon a required purchase of the options granted pursuant to the Stock Option Agreements (defined below) may not exceed \$125 million in the aggregate. (See Article IX of the Merger Agreement.)

Concurrently with the Merger Agreement, the parties have entered into reciprocal stock option agreements (the "Stock Option Agreements") each granting the other an irrevocable option to purchase up to that number of shares of common stock of the other company which equals 19.9% of the number of shares of common stock of the other company outstanding on April 28, 1995 at an exercise price of \$44.075 per share, in the case of NSP common stock, or \$27.675 per share, in the case of WEC common stock, under certain circumstances if the Merger Agreement becomes terminable by one party as a result of the other party's breach or as a result of the other party becoming the subject of a third-party proposal for a business combination. Any party whose option becomes exercisable (the "Exercising Party") may request the other party to repurchase from it all or any portion of the Exercising Party's option at the price specified in the Stock Option Agreements. (See the Stock Option Agreements.)

A preliminary estimate indicates that the Transaction will result in net savings of approximately \$2.0 billion in costs over 10 years. It is anticipated that the synergies created by the Transaction will allow the companies to implement a modest reduction in electric retail rates followed by a rate freeze for electric retail customers through the year 2000. The allocation of the net savings between ratepayers and shareholders of NSP will be determined by various regulatory agencies.

Both NSP and WEC recognize that the divestiture of their existing gas operations and certain non-utility operations is a possibility under the new registered holding company structure, but will seek approval from the SEC to maintain such businesses. If divestiture is ultimately required, the SEC has

historically allowed companies sufficient time to accomplish divestitures in a manner that protects shareholder value.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) EXHIBITS. The following exhibits are filed herewith:

- (2)-1 Agreement and Plan of Merger, dated as of April 28, 1995, by and among Northern States Power Company, Wisconsin Energy Corporation, Northern Power Wisconsin Corp. and WEC Sub Corp. ("Merger Agreement")¹
- 2 WEC Stock Option Agreement, dated as of April 28, 1995, by and among Northern States Power Company and Wisconsin Energy Corporation
- 3 NSP Stock Option Agreement, dated as of April 28, 1995, by and among Wisconsin Energy Corporation and Northern States Power Company
- 4 Committees of the Board of Directors of Primergy Corporation (Exhibit 7.13 to the Agreement and Plan of Merger)
- 5 Form of Employment Agreement of James J. Howard (Exhibit 7.15.1 to the Agreement and Plan of Merger)
- 6 Form of Employment Agreement with Richard A. Abdoo (Exhibit 7.15.2 to the Agreement and Plan of Merger)
- 7 Form of Amended and Restated Articles of Incorporation of Northern Power Wisconsin Corp. (Exhibit 7.20(b) to the Agreement and Plan of Merger)
- (99)-1 Press Release, dated May 1, 1995, of Northern States Power Company

¹ The registrant agrees to furnish supplementally any omitted exhibit to the Commission upon request.

NORTHERN STATES POWER COMPANY

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NORTHERN STATES POWER COMPANY

(Registrant)

Date: May 3, 1995

/s/ EDWARD J. MCINTYRE
Edward J. McIntyre, Vice
President and Chief Financial
Officer

NORTHERN STATES POWER COMPANY

EXHIBIT INDEX

Current Report on Form 8-K
Report Dated May 3, 1995

Exhibit

Number

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- 7 Form of Amended and Restated Articles of Incorporation of Northern Power Wisconsin Corp. (Exhibit 7.20(b) to the Agreement and Plan of Merger)
- (99)-1 Press Release, dated May 1, 1995, of Northern States Power Company.

AGREEMENT AND PLAN OF MERGER

by and among

NORTHERN STATES POWER COMPANY,

WISCONSIN ENERGY CORPORATION,

NORTHERN POWER WISCONSIN CORP.

AND

WEC SUB CORP.

dated as of April 28, 1995

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Exhibit 7.20(b)	Form of Amended and Restated Articles of Incorporation of New NSP
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AGREEMENT AND PLAN OF MERGER, dated as of April 28, 1995 (this "Agreement"), by and among Northern States Power Company, a Minnesota corporation ("NSP"), Wisconsin Energy Corporation, a Wisconsin corporation ("WEC" and, after the Effective Time (as defined below), the "Company"), Northern Power Wisconsin Corp., a Wisconsin corporation ("New NSP"), and WEC Sub Corp., a Wisconsin corporation ("WEC Sub").

WHEREAS, NSP and WEC have determined to engage in a business combination as peer firms in a merger of equals;

WHEREAS, in furtherance thereof, the respective Boards of Directors of NSP, WEC, New NSP and WEC Sub have approved this Agreement and the transactions contemplated hereby on the terms and conditions set forth in this Agreement (such transactions referred to herein collectively as the "Mergers");

WHEREAS, the Board of Directors of WEC has approved and WEC has executed an agreement with NSP in the form of Exhibit A (the "WEC Stock Option Agreement") and the Board of Directors of NSP has approved and NSP has executed an agreement with WEC in the form of Exhibit B (the "NSP Stock Option Agreement") whereby each of WEC and NSP, respectively, has granted to the other an option to purchase shares of its common stock on the terms and conditions provided in such agreement; and

WHEREAS, for federal income tax purposes, it is intended that the parties hereto and their respective stockholders will recognize no gain or loss for federal income tax pur-

poses as a result of the consummation of the Mergers;

NOW THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements contained herein, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I

THE MERGERS

Section 1.1 The Mergers. Upon the terms and subject to the conditions of this Agreement:

(i) At the Reincorporation Effective Time (as defined in Section 1.3), NSP shall be merged with and into New NSP (the "Reincorporation Merger") in accordance with the laws of the States of Minnesota and Wisconsin. New

NSP shall be the surviving corporation in the Reincorporation Merger and shall continue its corporate existence under the laws of the State of Wisconsin. The effects and the consequences of the Reincorporation Merger shall be as set forth in Section 1.2(a). Throughout this Agreement, the term "NSP" shall refer to NSP and/or New NSP, as the context requires.

(ii) At the NSP Effective Time (as defined in Section 1.3), WEC Sub shall be merged with and into New NSP (the "NSP Merger") in accordance with the laws of the State of Wisconsin. New NSP shall be the surviving corporation in the NSP Merger and shall continue its corporate existence under the laws of the State of Wisconsin. The effects and the consequences of the NSP Merger shall be as set forth in Section 1.2(b).

Section 1.2 Effects of the Mergers. (a) At the Reincorporation Effective Time, (i) the articles of incorporation of New NSP, as in effect immediately prior to the Reincorporation Effective Time, shall be the articles of incorporation of the surviving corporation in the Reincorporation Merger until thereafter amended as provided by law and such articles of incorporation, and (ii) the by-laws of New NSP, as

in effect immediately prior to the Reincorporation Effective Time, shall be the by-laws of the surviving corporation in the Reincorporation Merger until thereafter amended as provided by law, the articles of incorporation of the surviving corporation in the Reincorporation Merger and such by-laws. Subject to the foregoing, the additional effects of the Reincorporation Merger shall be as provided in the applicable provisions of the Minnesota Business Corporation Act (the "MBCA") and the Wisconsin Business Corporation Law (the "WBCL").

(b) At the NSP Effective Time, (i) the articles of incorporation of New NSP, as in effect immediately prior to the NSP Effective Time, shall be the articles of incorporation of the surviving corporation in the NSP Merger until thereafter amended as provided by law and such articles of incorporation, and (ii) the by-laws of New NSP, as in effect immediately prior to the NSP Effective Time, shall be the by-laws of the surviving corporation in the NSP Merger until thereafter amended as provided by law, the articles of incorporation of the surviving corporation in the NSP Merger and such by-laws. Subject to the foregoing, the additional effects of the NSP Merger shall be as provided in the applicable provisions of the WBCL.

Section 1.3 Effective Time of the Mergers. On the Closing Date (as defined in Section 3.1), (a) with respect to the Reincorporation Merger, articles of merger complying with

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the requirements of the WBCL and the MBCA shall be executed by NSP and New NSP and shall be filed by New NSP with the Secretary of State of each of the States of Wisconsin and Minnesota, and (b) with respect to the NSP Merger, articles of merger complying with the requirements of the WBCL shall be executed by New NSP and WEC Sub and shall be filed by New NSP with the Secretary of State of the State of Wisconsin. The Reincorporation Merger shall become effective at the time specified in the articles of merger filed with respect to the Reincorporation Merger (the "Reincorporation Effective Time"). The NSP Merger shall become effective at the time specified in the articles of merger filed with respect to the NSP Merger (the "NSP Effective Time" or the "Effective Time"). The effective time

specified in the articles of merger to be filed with respect to the Reincorporation Merger shall be prior to the effective time specified in the articles of merger filed with respect to the NSP Merger.

ARTICLE II

TREATMENT OF SHARES

Section 2.1 Effect of the Mergers on Capital Stock.

(a) At the Reincorporation Effective Time, by virtue of the Reincorporation Merger and without any action on the part of any holder of any capital stock of NSP or New NSP:

(i) Cancellation of New NSP Stock. Each share of Common Stock, par value \$2.50 per share, of New NSP (the "NSP Common Stock") that is owned by NSP shall be cancelled and shall cease to exist.

(ii) Treatment of NSP Common Stock. Each issued and outstanding share of Common Stock, par value \$2.50 per share, of NSP (the "Old NSP Common Stock"), other than NSP Dissenting Shares (as defined in Section 2.2), shall be cancelled and converted into the right to receive one fully paid and, subject to Section 180.0622(2)(b) of the WBCL, as judicially interpreted, non-assessable share of NSP Common Stock. Upon such cancellation, all such shares of Old NSP Common Stock shall cease to exist, and each holder of a certificate formerly representing any such shares of Old NSP Common Stock shall cease to have any rights with respect thereto, except the right to receive the shares of NSP Common Stock to be issued in consideration therefor and, following the NSP Merger, the right to receive the shares of Company Common Stock (as defined in Section 2.1(b)(ii)) to be issued in consideration therefor

upon the surrender of such certificate in accordance with Section 2.3.

(iii) Treatment of NSP Preferred Stock. Each issued and outstanding share of Cumulative Preferred Stock, par value \$100.00 per share, of NSP (the "Old NSP Preferred Stock"), other than NSP Dissenting Shares, shall be cancelled and converted into the right to receive one fully paid and, subject to Section 180.0622(2)(b) of the WBCL, as judicially interpreted, non-assessable share of Cumulative Preferred Stock, par value \$100.00 per share, of New NSP ("NSP Preferred Stock") with identical rights (including dividend rates) and designations to the cancelled share of Old NSP Preferred Stock. Upon such cancellation, all such shares of Old NSP Preferred Stock shall cease to exist, and each holder of a certificate representing any such shares of Old NSP Preferred Stock shall cease to have any rights with respect thereto, except the right to receive the shares of NSP Preferred Stock to be issued in consideration therefor upon the surrender of such certificate in accordance with Section 2.3.

(b) At the NSP Effective Time, by virtue of the NSP Merger and without any action on the part of any holder of any capital stock of New NSP or WEC Sub:

(i) Cancellation of Certain NSP Stock. Each share of NSP Common Stock and each share of NSP Preferred Stock that is owned by New NSP as treasury stock, by subsidiaries of New NSP or by WEC or any of its subsidiaries shall be cancelled and cease to exist.

(ii) Treatment of NSP Common Stock. Each issued and outstanding share of NSP Common Stock (other than shares cancelled pursuant to Section 2.1(b)(i) and NSP Dissenting Shares) shall be cancelled and converted into the right to receive 1.626 (the "Ratio") fully paid and, subject to Section 180.0622(2)(b) of the WBCL, as judicially interpreted, non-assessable shares of Common Stock, par value \$.01 per share, of WEC (the "WEC Common Stock" and, with respect to any period after the Effective Time, the "Company Common Stock"). Upon such cancellation, all such Shares of NSP Common Stock shall cease to exist, and each holder of a certificate formerly representing any such shares shall cease to have any rights with respect thereto, except the right to receive the shares of Company Common Stock to be issued in consideration therefor upon the surrender of such certificate in accordance with Section 2.3.

(iii) No Change in NSP Preferred Stock. Each issued and outstanding share of NSP Preferred Stock (other than shares cancelled pursuant to Section 2.1(b)(i)) shall be unchanged as a result of the NSP Merger and shall remain outstanding thereafter.

(iv) Treatment of WEC Sub Stock. Each issued and outstanding share of Common Stock, par value \$.01 per share, of WEC Sub shall be cancelled and converted into one fully paid and, subject to Section 180.0622(2)(b) of the WBCL, as judicially interpreted, non-assessable share of NSP Common Stock.

Section 2.2 Dissenting Shares. Shares of Old NSP Common Stock and Old NSP Preferred Stock held by any holder entitled to relief as a dissenting shareholder under Section 471 of the MBCA (the "NSP Dissenting Shares") shall not become the right to receive NSP Common Stock or NSP Preferred Stock, as the case may be, in the Reincorporation Merger or, in the case of Old NSP Common Stock, into the right to receive Company Common Stock in the NSP Merger, but shall be cancelled and converted into such consideration as may be due with respect to such shares pursuant to the applicable provisions of the MBCA, unless and until the right of such holder to receive fair cash value for such NSP Dissenting Shares terminates in accordance with Section 473 of the MBCA. If such right is terminated otherwise than by the purchase of such shares by NSP, then such shares shall cease to be NSP Dissenting Shares and shall represent the right to receive Company Common Stock, as provided in Section 2.1(b), or NSP Preferred Stock, as provided in Section 2.1(a).

Section 2.3 Issuance of New Certificates.

(a) Deposit with Exchange Agent. As soon as practicable after the Effective Time, the Company shall deposit with such bank or trust company mutually agreeable to WEC and NSP (the "Exchange Agent"), certificates representing shares of Company Common Stock and NSP Preferred Stock required to effect the issuances referred to in Section 2.1, together with cash payable in respect of fractional shares pursuant to Section

(b) Issuance Procedures. As soon as practicable after the Effective Time, the Exchange Agent shall mail (x) to each holder of record of a certificate or certificates (the "Common Certificates") which immediately prior to the Reincorporation Effective Time represented outstanding shares of Old NSP Common Stock (the "Cancelled Common Shares") that were cancelled and became instead the right to receive shares of

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Company Common Stock (the "Company Shares") pursuant to Section 2.1 and (y) to each holder of record of a certificate or certificates (the "Preferred Certificates" and together with the Common Certificates, the "Certificates") which immediately prior to the Reincorporation Effective Time represented outstanding shares of Old NSP Preferred Stock (the "Cancelled Preferred Shares") that were cancelled and became instead the right to receive NSP Preferred Stock (the "NSP Preferred Shares") pursuant to Section 2.1(a)(iii), (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon actual delivery of the Certificates to the Exchange Agent) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for certificates representing Company Shares (or NSP Preferred Shares, as the case may be). Upon surrender of a Certificate to the Exchange Agent for cancellation (or to such other agent or agents as may be appointed by agreement of NSP and WEC), together with a duly executed letter of transmittal and such other documents as the Exchange Agent shall require, the holder of such Certificate shall be entitled to receive a certificate representing that number of whole Company Shares (or NSP Preferred Shares, as the case may be) which such holder has the right to receive pursuant to the provisions of this Article II. In the event of a transfer of ownership of Cancelled Common Shares (or Cancelled Preferred Shares) which is not registered in the transfer records of NSP, a certificate representing the proper number of Company Shares (or NSP Preferred Shares, as the case may be) may be issued to a transferee if the Certificate representing such Cancelled Common Shares (or Cancelled Preferred Shares, as

the case may be) is presented to the Exchange Agent, accompanied by all documents required to evidence and effect such transfer and by evidence satisfactory to the Exchange Agent that any applicable stock transfer taxes have been paid. Until surrendered as contemplated by this Section 2.3, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the certificate representing Company Shares (or NSP Preferred Shares, as the case may be) and cash in lieu of any fractional shares of Company Common Stock as contemplated by this Section 2.3.

(c) Distributions with Respect to Unsurrendered Shares. No dividends or other distributions declared or made after the Effective Time with respect to Company Shares or NSP Preferred Shares with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the Company Shares or NSP Preferred Shares represented thereby and no cash payment in lieu of fractional shares shall be paid to any such holder pursuant to Section

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2.3(d) until the holder of record of such Certificate shall surrender such Certificate. Subject to the effect of unclaimed property, escheat and other applicable laws, following surrender of any such Certificate, there shall be paid to the record holder of the certificates representing whole Company Shares or NSP Preferred Shares issued in consideration therefor, without interest, (i) at the time of such surrender, the amount of any cash payable in lieu of a fractional share of Company Common Stock to which such holder is entitled pursuant to Section 2.3(d) and the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole Company Shares or NSP Preferred Shares and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to surrender and a payment date subsequent to surrender payable with respect to such whole Company Shares or NSP Preferred Shares, as the case may be.

(d) No Fractional Securities. Notwithstanding any

other provision of this Agreement, no certificates or scrip representing fractional shares of Company Common Stock shall be issued upon the surrender for exchange of Certificates and such fractional shares shall not entitle the owner thereof to vote or to any other rights of a holder of Company Common Stock. A holder of NSP Common Stock who would otherwise have been entitled to a fractional share of Company Common Stock shall be entitled to receive a cash payment in lieu of such fractional share in an amount equal to the product of such fraction multiplied by the average of the last reported sales price, regular way, per share of Old NSP Common Stock on the New York Stock Exchange ("NYSE") Composite Tape for the ten business days prior to and including the last business day on which Old NSP Common Stock was traded on the NYSE, without any interest thereon.

(e) Closing of Transfer Books. From and after the NSP Effective Time the stock transfer books of NSP shall be closed and no transfer of any capital stock of NSP shall thereafter be made. If, after the Effective Time, Certificates are presented to the Company, they shall be cancelled and exchanged for certificates representing the appropriate number of Company Shares or NSP Preferred Shares, as the case may be, as provided in this Section 2.3.

(f) Termination of Exchange Agent. Any certificates representing Company Shares or NSP Preferred Shares deposited with the Exchange Agent pursuant to Section 2.3(a) and not exchanged within one year after the Effective Time pursuant to this Section 2.3 shall be returned by the Exchange Agent to the Company, which shall thereafter act as Exchange Agent. All

funds held by the Exchange Agent for payment to the holders of unsurrendered Certificates and unclaimed at the end of one year from the Effective Time shall be returned to the Company, after which time any holder of unsurrendered Certificates shall look as a general creditor only to the Company for payment of such funds to which such holder may be due, subject to applicable law. The Company shall not be liable to any person for such shares or funds delivered to a public official pursuant to any

applicable abandoned property, escheat or similar law.

ARTICLE III

THE CLOSING

Section 3.1 Closing. The closing of the Mergers (the "Closing") shall take place at the offices of Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, New York at 10:00 A.M., local time, on the second business day immediately following the date on which the last of the conditions set forth in Article VIII hereof is fulfilled or waived, or at such other time and date and place as NSP and WEC shall mutually agree (the "Closing Date").

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF NSP

NSP represents and warrants to WEC as follows:

Section 4.1 Organization and Qualification. Except as set forth in Section 4.1 of the NSP Disclosure Schedule (as defined in Section 7.6(ii)), each of NSP and each of the NSP Subsidiaries (as defined below) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, has all requisite corporate power and authority, and has been duly authorized by all necessary approvals and orders to own, lease and operate its assets and properties to the extent owned, leased and operated and to carry on its business as it is now being conducted and is duly qualified and in good standing to do business in each jurisdiction in which the nature of its business or the ownership or leasing of its assets and properties makes such qualification necessary. As used in this Agreement, (a) the term "subsidiary" of a person shall mean any corporation or other entity (including partnerships and other business associations) of which at least a majority of the outstanding capital stock or other voting securities having voting power under ordinary circumstances to elect directors or

similar members of the governing body of such corporation or entity shall at the time be held, directly or indirectly, by such person, (b) the term "NSP Subsidiary" shall mean those of the subsidiaries of NSP identified as NSP Subsidiaries in Section 4.2 of the NSP Disclosure Schedule and (c) the term "Direct Subsidiary" shall be deemed to mean NSP Subsidiaries or WEC Subsidiaries (as defined in Section 5.1), as the case may be.

Section 4.2 Subsidiaries. Section 4.2 of the NSP Disclosure Schedule sets forth a description as of the date hereof, of all subsidiaries and joint ventures of NSP, including (a) the name of each such entity and NSP's interest therein, and (b) as to each NSP Subsidiary and NSP Joint Venture (as defined below), a brief description of the principal line or lines of business conducted by each such entity. Except as set forth in Section 4.2 of the NSP Disclosure Schedule, none of the NSP Subsidiaries is a "public utility company", a "holding company", a "subsidiary company" or an "affiliate" of any public utility company within the meaning of Section 2(a)(5), 2(a)(7), 2(a)(8) or 2(a)(11) of the Public Utility Holding Company Act of 1935, as amended (the "1935 Act"), respectively. Except as set forth in Section 4.2 of the NSP Disclosure Schedule, all of the issued and outstanding shares of capital stock of each NSP Subsidiary are validly issued, fully paid, nonassessable (subject to Section 180.0622(2)(b) of the WBCL, as judicially interpreted, in the case of New NSP and NSP-W (as defined in Section 4.12)) and free of preemptive rights, and are owned, directly or indirectly, by NSP free and clear of any liens, claims, encumbrances, security interests, equities, charges and options of any nature whatsoever and there are no outstanding subscriptions, options, calls, contracts, voting trusts, proxies or other commitments, understandings, restrictions, arrangements, rights or warrants, including any right of conversion or exchange under any outstanding security, instrument or other agreement, obligating any such NSP Subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of its capital stock or obligating it to grant, extend or enter into any such agreement or commitment. As used in this Agreement, (a) the term "joint venture" of a person shall mean any corporation or other entity (including partnerships and other business associations) that is not a subsidiary of such person, in which such person or one or more of its subsidiaries owns an equity interest, other than equity interests held for passive investment purposes which are less than 5% of any class of the outstanding voting securities or equity of any such entity and (b) the term "NSP Joint Venture" shall mean those of the joint ventures of NSP or any NSP

Subsidiary identified as a NSP Joint Venture in Section 4.2 of the NSP Disclosure Schedule. With respect to the subsidiaries

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and joint ventures of NSP that are not NSP Subsidiaries (the "NSP Unrestricted Subsidiaries"): (i) except as set forth in Section 4.2 of the NSP Disclosure Schedule, neither NSP nor any NSP Subsidiary is liable for any obligations or liabilities of any NSP Unrestricted Subsidiary; (ii) neither NSP nor any NSP Subsidiary is obligated to make any loans or capital contributions to, or to undertake any guarantees or other obligations with respect to, NSP Unrestricted Subsidiaries, except for loans, capital contributions, guarantees and other obligations not in excess of \$75,000,000 in the aggregate to all such NSP Unrestricted Subsidiaries; and (iii) the aggregate book value as of December 31, 1994, of NSP's investment in the NSP Unrestricted Subsidiaries was not in excess of \$300,000,000.

Section 4.3 Capitalization. The authorized capital stock of NSP consists of 160,000,000 shares of Old NSP Common Stock, and 7,000,000 shares of Old NSP Preferred Stock. As of the close of business on April 20, 1995, there were issued and outstanding 67,275,241 shares of Old NSP Common Stock and 2,400,000 shares of Old NSP Preferred Stock, consisting of: 275,000 shares of \$3.60 series; 150,000 shares of \$4.08 series; 175,000 shares of \$4.10 series; 200,000 shares of \$4.11 series; 100,000 shares of \$4.16 series; 150,000 shares of \$4.56 series; 200,000 shares of \$6.80 series; 200,000 shares of \$7.00 series; 300,000 shares of Adjustable Rate Series A; and 650,000 shares of Adjustable Rate Series B. All of the issued and outstanding shares of the capital stock of NSP are, and any shares of Old NSP Common Stock issued pursuant to the NSP Stock Option Agreement will be, validly issued, fully paid, nonassessable and free of preemptive rights. Except as set forth in Section 4.3 of the NSP Disclosure Schedule, as of the date hereof, there are no outstanding subscriptions, options, calls, contracts, voting trusts, proxies or other commitments, understandings, restrictions, arrangements, rights or warrants, including any right of conversion or exchange under any outstanding security, instrument or other agreement, obligating NSP or any of the NSP Subsidiaries to issue, deliver or sell,

or cause to be issued, delivered or sold, additional shares of the capital stock of NSP, or obligating NSP to grant, extend or enter into any such agreement or commitment, other than under the NSP Stock Option Agreement. There are no outstanding stock appreciation rights of NSP which were not granted in tandem with a related stock option and no outstanding limited stock appreciation rights or other rights to redeem for cash options or warrants of NSP.

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Section 4.4 Authority; Non-Contravention; Statutory Approvals; Compliance.

(a) Authority. NSP has all requisite power and authority to enter into this Agreement and the NSP Stock Option Agreement, and, subject to the applicable NSP Shareholders' Approval (as defined in Section 4.13) and the applicable NSP Required Statutory Approvals (as defined in Section 4.4(c)), to consummate the transactions contemplated hereby or thereby. The execution and delivery of this Agreement and the NSP Stock Option Agreement and the consummation by NSP of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of NSP, subject to obtaining the applicable NSP Shareholders' Approval. Each of this Agreement and the NSP Stock Option Agreement has been duly and validly executed and delivered by NSP and, assuming the due authorization, execution and delivery hereof and thereof by the other signatories hereto and thereto, constitutes the valid and binding obligation of NSP enforceable against it in accordance with its terms.

(b) Non-Contravention. Except as set forth in Section 4.4(b) of the NSP Disclosure Schedule, the execution and delivery of this Agreement and the NSP Stock Option Agreement by NSP do not, and the consummation of the transactions contemplated hereby or thereby will not, in any material respect,

violate, conflict with, or result in a material breach of any provision of, or constitute a material default (with or without notice or lapse of time or both) under, or result in the termination or modification of, or accelerate the performance required by, or result in a right of termination, cancellation, or acceleration of any obligation or the loss of a material benefit under, or result in the creation of any material lien, security interest, charge or encumbrance upon any of the properties or assets of NSP or any of the NSP Subsidiaries or NSP Joint Ventures (any such violation, conflict, breach, default, right of termination, modification, cancellation or acceleration, loss or creation, a "Violation" with respect to NSP, such term when used in Article V having a correlative meaning with respect to WEC) pursuant to any provisions of (i) the articles of incorporation, by-laws or similar governing documents of NSP or any of the NSP Subsidiaries or the NSP Joint Ventures, (ii) subject to obtaining the NSP Required Statutory Approvals and the receipt of the NSP Shareholders' Approval, any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any Governmental Authority (as defined in Section 4.4(c)) applicable to NSP or any of the NSP Subsidiaries or the NSP Joint Ventures or any of their respective properties or assets or (iii) subject to obtaining the third-party consents set forth in Section 4.4(b) of the NSP

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Disclosure Schedule (the "NSP Required Consents") any material note, bond, mortgage, indenture, deed of trust, license, franchise, permit, concession, contract, lease or other instrument, obligation or agreement of any kind to which NSP or any of the NSP Subsidiaries or the NSP Joint Ventures is a party or by which it or any of its properties or assets may be bound or affected.

(c) Statutory Approvals. No declaration, filing or registration with, or notice to or authorization, consent or approval of, any court, federal, state, local or foreign governmental or regulatory body (including a stock exchange or other self-regulatory body) or authority (each, a "Governmental Authority") is necessary for the execution and delivery of this Agreement or the NSP Stock Option Agreement by NSP or the con-

summation by NSP of the transactions contemplated hereby or thereby, except as described in Section 4.4(c) of the NSP Disclosure Schedule (the "NSP Required Statutory Approvals", it being understood that references in this Agreement to "obtaining" such NSP Required Statutory Approvals shall mean making such declarations, filings or registrations; giving such notices; obtaining such authorizations, consents or approvals; and having such waiting periods expire as are necessary to avoid a violation of law).

(d) Compliance. Except as set forth in Section 4.4(d), Section 4.10 or Section 4.11 of the NSP Disclosure Schedule, or as disclosed in the NSP SEC Reports (as defined in Section 4.5) filed prior to the date hereof, neither NSP nor any of the NSP Subsidiaries nor, to the knowledge of NSP, any NSP Joint Venture is in material violation of, is under investigation with respect to any material violation of, or has been given notice or been charged with any material violation of, any law, statute, order, rule, regulation, ordinance or judgment (including, without limitation, any applicable environmental law, ordinance or regulation) of any Governmental Authority. Except as set forth in Section 4.4(d) of the NSP Disclosure Schedule or in Section 4.11 of the NSP Disclosure Schedule, NSP and the NSP Subsidiaries and NSP Joint Ventures have all permits, licenses, franchises and other governmental authorizations, consents and approvals necessary to conduct their businesses as presently conducted in all material respects. Except as set forth in Section 4.4(d) of the NSP Disclosure Schedule, NSP and each of the NSP Subsidiaries is not in material breach or violation of or in material default in the performance or observance of any term or provision of, and no event has occurred which, with lapse of time or action by a third party, could result in a material default under, (i) its

articles of incorporation or by-laws or (ii) any material contract, commitment, agreement, indenture, mortgage, loan agreement, note, lease, bond, license, approval or other instrument to which it is a party or by which it is bound or to which any

of its property is subject.

Section 4.5 Reports and Financial Statements. The filings required to be made by NSP and the NSP Subsidiaries since January 1, 1990 under the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the 1935 Act, the Federal Power Act (the "Power Act"), the Atomic Energy Act and applicable state laws and regulations have been filed with the Securities and Exchange Commission (the "SEC"), the Federal Energy Regulatory Commission (the "FERC"), the Nuclear Regulatory Commission ("NRC") or the appropriate state public utilities commission, as the case may be, including all forms, statements, reports, agreements (oral or written) and all documents, exhibits, amendments and supplements appertaining thereto, and complied, as of their respective dates, in all material respects with all applicable requirements of the appropriate statute and the rules and regulations thereunder. NSP has made available to WEC a true and complete copy of each report, schedule, registration statement and definitive proxy statement filed by NSP with the SEC since January 1, 1992 (as such documents have since the time of their filing been amended, the "NSP SEC Reports"). As of their respective dates, the NSP SEC Reports did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The audited consolidated financial statements and unaudited interim financial statements of NSP included in the NSP SEC Reports (collectively, the "NSP Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis ("GAAP") (except as may be indicated therein or in the notes thereto and except with respect to unaudited statements as permitted by Form 10-Q of the SEC) and fairly present the financial position of NSP as of the dates thereof and the results of its operations and cash flows for the periods then ended, subject, in the case of the unaudited interim financial statements, to normal, recurring audit adjustments. True, accurate and complete copies of the Restated Articles of Incorporation and by-laws of NSP, as in effect on the date hereof, are included (or incorporated by reference) in the NSP SEC Reports.

Section 4.6 Absence of Certain Changes or Events. Except as disclosed in the NSP SEC Reports filed prior to the

date hereof or as set forth in Section 4.6 of the NSP Disclosure Schedule, from December 31, 1994, NSP and each of the NSP Subsidiaries have conducted their business only in the ordinary course of business consistent with past practice and there has not been, and no fact or condition exists which would have or, insofar as reasonably can be foreseen, could have, a material adverse effect on the business, assets, financial condition, results of operations or prospects of NSP and its subsidiaries taken as a whole (a "NSP Material Adverse Effect").

Section 4.7 Litigation. Except as disclosed in the NSP SEC Reports filed prior to the date hereof or as set forth in Section 4.7, Section 4.9 or Section 4.11 of the NSP Disclosure Schedule, (i) there are no material claims, suits, actions or proceedings, pending or, to the knowledge of NSP, threatened, nor are there, to the knowledge of NSP, any material investigations or reviews pending or threatened against, relating to or affecting NSP or any of the NSP Subsidiaries, (ii) there have not been any significant developments since December 31, 1994 with respect to such disclosed claims, suits, actions, proceedings, investigations or reviews and (iii) there are no material judgments, decrees, injunctions, rules or orders of any court, governmental department, commission, agency, instrumentality or authority or any arbitrator applicable to NSP or any of the NSP Subsidiaries.

Section 4.8 Registration Statement and Proxy Statement. None of the information supplied or to be supplied by or on behalf of NSP for inclusion or incorporation by reference in (i) the registration statement on Form S-4 to be filed with the SEC by the Company in connection with the issuance of shares of Company Common Stock in the Mergers (the "Registration Statement") will, at the time the Registration Statement is filed with the SEC and at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and (ii) the joint proxy statement, in definitive form, relating to the meetings of NSP and WEC shareholders to be held in connection with the Mergers (the "Proxy Statement") will not, at the dates mailed to shareholders and at the times of the meetings of shareholders to be held in connection with the Mergers, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein

or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Registration Statement and the Proxy Statement will comply as to form in all material respects with the provisions of the Securities Act and the Exchange Act and the rules and regulations thereunder.

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Section 4.9 Tax Matters. "Taxes", as used in this Agreement, means any federal, state, county, local or foreign taxes, charges, fees, levies, or other assessments, including all net income, gross income, sales and use, ad valorem, transfer, gains, profits, excise, franchise, real and personal property, gross receipt, capital stock, production, business and occupation, disability, employment, payroll, license, estimated, stamp, custom duties, severance or withholding taxes or charges imposed by any governmental entity, and includes any interest and penalties (civil or criminal) on or additions to any such taxes. "Tax Return", as used in this Agreement, means a report, return or other information required to be supplied to a governmental entity with respect to Taxes including, where permitted or required, combined or consolidated returns for any group of entities that includes NSP or any of its subsidiaries, or WEC or any of its subsidiaries, as the case may be.

Except as set forth in Section 4.9 of the NSP Disclosure Schedule:

(a) Filing of Timely Tax Returns. NSP and each of the NSP Subsidiaries have filed (or there has been filed on its behalf) all material Tax Returns required to be filed by each of them under applicable law. All such Tax Returns were and are in all material respects true, complete and correct and filed on a timely basis.

(b) Payment of Taxes. NSP and each of the NSP Subsidiaries have, within the time and in the manner prescribed by law, paid all Taxes that are currently due and payable except for those contested in good faith and for which adequate reserves have been taken.

(c) Tax Reserves. NSP and the NSP Subsidiaries have established on their books and records reserves adequate to pay all Taxes and reserves for deferred income taxes in accordance with GAAP.

(d) Tax Liens. There are no Tax liens upon the assets of NSP or any of the NSP Subsidiaries except liens for Taxes not yet due.

(e) Withholding Taxes. NSP and each of the NSP Subsidiaries have complied in all material respects with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") relating to the withholding of Taxes, as well as similar provisions under any other laws, and have, within the time and in the manner prescribed by law, withheld from employee wages and paid over to the proper governmental authorities all amounts required.

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(f) Extensions of Time for Filing Tax Returns. Neither NSP nor any of the NSP Subsidiaries has requested any extension of time within which to file any Tax Return, which Tax Return has not since been filed.

(g) Waivers of Statute of Limitations. Neither NSP nor any of the NSP Subsidiaries has executed any outstanding waivers or comparable consents regarding the application of the statute of limitations with respect to any Taxes or Tax Returns.

(h) Expiration of Statute of Limitations. The statute of limitations for the assessment of all Taxes has expired for all applicable Tax Returns of NSP and each of the NSP Subsidiaries or those Tax Returns have been examined by the appropriate taxing authorities for all periods through the date hereof, and no deficiency for any Taxes has been proposed, asserted or assessed against NSP or any of the NSP Subsidiaries that has not been resolved and paid in full.

(i) Audit, Administrative and Court Proceedings. No

audits or other administrative proceedings or court proceedings are presently pending with regard to any Taxes or Tax Returns of NSP or any of the NSP Subsidiaries.

(j) Powers of Attorney. No power of attorney currently in force has been granted by NSP or any of the NSP Subsidiaries concerning any Tax matter.

(k) Tax Rulings. Neither NSP nor any of the NSP Subsidiaries has received a Tax Ruling (as defined below) or entered into a Closing Agreement (as defined below) with any taxing authority that would have a continuing adverse effect after the Closing Date. "Tax Ruling", as used in this Agreement, shall mean a written ruling of a taxing authority relating to Taxes. "Closing Agreement", as used in this Agreement, shall mean a written and legally binding agreement with a taxing authority relating to Taxes.

(l) Availability of Tax Returns. NSP has made available to WEC complete and accurate copies of (i) all Tax Returns, and any amendments thereto, filed by NSP or any of the NSP Subsidiaries, (ii) all audit reports received from any taxing authority relating to any Tax Return filed by NSP or any of the NSP Subsidiaries and (iii) any Closing Agreements entered into by NSP or any of the NSP Subsidiaries with any taxing authority.

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(m) Tax Sharing Agreements. Neither NSP nor any NSP Subsidiary is a party to any agreement relating to allocating or sharing of Taxes.

(n) Code Section 280G. Neither NSP nor any of the NSP Subsidiaries is a party to any agreement, contract, or arrangement that could result, on account of the transactions contemplated hereunder, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code.

(o) Liability for Others. None of NSP or any of the NSP Subsidiaries has any liability for Taxes of any person other than NSP and the NSP Subsidiaries (i) under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign law) as a transferee or successor, (ii) by contract, or (iii) otherwise.

Section 4.10 Employee Matters; ERISA. Except as set forth in Section 4.10 of the NSP Disclosure Schedule:

(a) Benefit Plans. Section 4.10(a) of the NSP Disclosure Schedule contains a true and complete list of each employee benefit plan covering employees, former employees or directors of NSP and each of the NSP Subsidiaries or their beneficiaries, or providing benefits to such persons in respect of services provided to any such entity, including, but not limited to, any employee benefit plans within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and any severance or change in control agreement (collectively, the "NSP Benefit Plans"). For the purposes of this Section 4.10 only, the term "NSP" shall be deemed to include the predecessors of such company.

(b) Contributions. All material contributions and other payments required to be made by NSP or any of the NSP Subsidiaries to any NSP Benefit Plan (or to any person pursuant to the terms thereof) have been made or the amount of such payment or contribution obligation has been reflected in the NSP Financial Statements.

(c) Qualification; Compliance. Each of the NSP Benefit Plans intended to be "qualified" within the meaning of Section 401(a) of the Code has been determined by the IRS to be so qualified, and, to the best knowledge of NSP, no circumstances exist that are reasonably expected by NSP to result in the revocation of any such determination. NSP is in compliance in all material respects with, and each of the NSP Benefit Plans is and has been operated in all material respects in compliance with, all applicable laws, rules and regulations

governing such plan, including, without limitation, ERISA and the Code. Each NSP Benefit Plan intended to provide for the deferral of income, the reduction of salary or other compensation, or to afford other income tax benefits, complies with the requirements of the applicable provisions of the Code or other laws, rules and regulations required to provide such income tax benefits.

(d) Liabilities. With respect to the NSP Benefit Plans, individually and in the aggregate, no event has occurred, and, to the best knowledge of NSP, there does not now exist any condition or set of circumstances, that could subject NSP or any of the NSP Subsidiaries to any material liability arising under the Code, ERISA or any other applicable law (including, without limitation, any liability to any such plan or the Pension Benefit Guaranty Corporation (the "PBGC")), or under any indemnity agreement to which NSP is a party, excluding liability for benefit claims and funding obligations payable in the ordinary course.

(e) Welfare Plans. None of the NSP Benefit Plans that are "welfare plans", within the meaning of Section 3(1) of ERISA, provides for any retiree benefits, other than continuation coverage required to be provided under Section 4980B of the Code or Part 6 of Title I of ERISA.

(f) Documents Made Available. NSP has made available to WEC a true and correct copy of each collective bargaining agreement to which NSP or any of the NSP Subsidiaries is a party or under which NSP or any of the NSP Subsidiaries has obligations and, with respect to each NSP Benefit Plan, where applicable, (i) such plan and summary plan description, (ii) the most recent annual report filed with the IRS, (iii) each related trust agreement, insurance contract, service provider or investment management agreement (including all amendments to each such document), (iv) the most recent determination of the IRS with respect to the qualified status of such NSP Benefit Plan, and (v) the most recent actuarial report or valuation.

(g) Payments Resulting from Mergers. (i) The consummation or announcement of any transaction contemplated by this Agreement will not (either alone or upon the occurrence of any additional or further acts or events) result in any (A) payment (whether of severance pay or otherwise) becoming due from NSP or any of the NSP Subsidiaries to any officer, employee, former employee or director thereof or to the trustee under any "rabbi trust" or similar arrangement, or (B) benefit under any NSP Benefit Plan being established or becoming accelerated, vested or payable and (ii) neither NSP nor any of

the NSP Subsidiaries is a party to (A) any management, employment, deferred compensation, severance (including any payment, right or benefit resulting from a change in control), bonus or other contract for personal services with any officer, director or employee, (B) any consulting contract with any person who prior to entering into such contract was a director or officer of NSP, or (C) any plan, agreement, arrangement or understanding similar to any of the foregoing.

(h) Labor Agreements. As of the date hereof, neither NSP nor any of the NSP Subsidiaries is a party to any collective bargaining agreement or other labor agreement with any union or labor organization. To the best knowledge of NSP, as of the date hereof, there is no current union representation question involving employees of NSP or any of the NSP Subsidiaries, nor does NSP know of any activity or proceeding of any labor organization (or representative thereof) or employee group to organize any such employees. Except as disclosed in the NSP SEC Reports filed prior to the date hereof or in Section 4.10(h) of the NSP Disclosure Schedule, (i) there is no unfair labor practice, employment discrimination or other material complaint against NSP or any of the NSP Subsidiaries pending, or to the best knowledge of NSP, threatened, (ii) there is no strike or lockout or material dispute, slowdown or work stoppage pending, or to the best knowledge of NSP, threatened, against or involving NSP, and (iii) there is no proceeding, claim, suit, action or governmental investigation pending or, to the best knowledge of NSP, threatened, in respect of which any director, officer, employee or agent of NSP or any of the NSP Subsidiaries is or may be entitled to claim indemnification from NSP or such NSP Subsidiary pursuant to their respective articles of incorporation or by-laws or as provided in the indemnification agreements listed in Section 4.10(h) of the NSP Disclosure Schedule.

Section 4.11 Environmental Protection. Except as set forth in Section 4.11 of the NSP Disclosure Schedule or in the NSP SEC Reports filed prior to the date hereof:

(a) Compliance. NSP and each of the NSP Subsidiar-

ies is in material compliance with all applicable Environmental Laws (as defined in Section 4.11(g) (ii)); and neither NSP nor any of the NSP Subsidiaries has received any communication (written or oral), from any person or Governmental Authority that alleges that NSP or any of the NSP Subsidiaries is not in such compliance with applicable Environmental Laws.

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(b) Environmental Permits. NSP and each of the NSP Subsidiaries has obtained or has applied for all material environmental, health and safety permits and governmental authorizations (collectively, the "Environmental Permits") necessary for the construction of their facilities or the conduct of their operations, and all such Environmental Permits are in good standing or, where applicable, a renewal application has been timely filed and is pending agency approval, and NSP and the NSP Subsidiaries are in material compliance with all terms and conditions of the Environmental Permits.

(c) Environmental Claims. To the best knowledge of NSP, there is no material Environmental Claim (as defined in Section 4.11(g) (i)) pending (i) against NSP or any of the NSP Subsidiaries or NSP Joint Ventures, (ii) against any person or entity whose liability for any Environmental Claim NSP or any of the NSP Subsidiaries has or may have retained or assumed either contractually or by operation of law, or (iii) against any real or personal property or operations which NSP or any of the NSP Subsidiaries owns, leases or manages, in whole or in part.

(d) Releases. NSP has no knowledge of any material Releases (as defined in Section 4.11(g) (iv)) of any Hazardous Material (as defined in Section 4.11(g) (iii)) that would be reasonably likely to form the basis of any material Environmental Claim against NSP or any of the NSP Subsidiaries, or against any person or entity whose liability for any material Environmental Claim NSP or any of the NSP Subsidiaries has or

may have retained or assumed either contractually or by operation of law.

(e) Predecessors. NSP has no knowledge, with respect to any predecessor of NSP or any of the NSP Subsidiaries, of any material Environmental Claim pending or threatened, or of any Release of Hazardous Materials that would be reasonably likely to form the basis of any material Environmental Claim.

(f) Disclosure. To NSP's best knowledge, NSP has disclosed to WEC all material facts which NSP reasonably believes form the basis of a material Environmental Claim arising from (i) the cost of NSP pollution control equipment currently required or known to be required in the future; (ii) current NSP remediation costs or NSP remediation costs known to be required in the future; or (iii) any other environmental matter affecting NSP.

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(g) As used in this Agreement:

(i) "Environmental Claim" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, directives, claims, liens, investigations, proceedings or notices of noncompliance or violation (written or oral) by any person or entity (including any Governmental Authority) alleging potential liability (including, without limitation, potential responsibility for or liability for enforcement, investigatory costs, cleanup costs, governmental response costs, removal costs, remedial costs, natural-resources damages, property damages, personal injuries or penalties) arising out of, based on or resulting from (A) the presence, or Release or threatened Release into the environment, of any Hazardous Materials at any location, whether or not owned, operated, leased or managed by NSP or any of the NSP Subsidiaries or NSP Joint Ventures (for purposes of this Section 4.11), or

by WEC or any of the WEC Subsidiaries or WEC Joint Ventures (for purposes of Section 5.11); or (B) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law; or (C) any and all claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from the presence or Release of any Hazardous Materials.

(ii) "Environmental Laws" means all federal, state, local laws, rules and regulations relating to pollution, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or protection of human health as it relates to the environment including, without limitation, laws and regulations relating to Releases or threatened Releases of Hazardous Materials, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials.

(iii) "Hazardous Materials" means (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, and transformers or other equipment that contain dielectric fluid containing polychlorinated biphenyls ("PCBs"); and (b) any chemicals, materials or substances which are now defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "extremely hazardous wastes", "restricted hazardous wastes", "toxic substances", "toxic

pollutants", or words of similar import, under any Environmental Law; and (c) any other chemical, material, substance or waste, exposure to which is now prohibited, limited or regulated under any Environmental Law in a jurisdiction in which NSP or any of the NSP Subsidiaries or NSP Joint Ventures operates (for purposes of this Section 4.11) or in which WEC or any of the WEC Subsidiaries or

WEC Joint Ventures operates (for purposes of Section 5.11).

(iv) "Release" means any release, spill, emission, leaking, injection, deposit, disposal, discharge, dispersal, leaching or migration into the atmosphere, soil, surface water, groundwater or property.

Section 4.12 Regulation as a Utility. NSP is regulated as a public utility in the States of Minnesota, North Dakota and South Dakota and in no other state. Northern States Power Company, a Wisconsin corporation ("NSP-W"), is regulated as a public utility in the States of Wisconsin and Michigan and in no other state. Except as set forth in Section 4.12 of the NSP Disclosure Schedule, neither NSP nor any "subsidiary company" or "affiliate" of NSP is subject to regulation as a public utility or public service company (or similar designation) by any other state in the United States or any foreign country. NSP is an exempt holding company under Section 3(a)(2) of the 1935 Act.

Section 4.13 Vote Required. The approval of the Mergers by a majority of the votes entitled to be cast by all holders of Old NSP Common Stock and Old NSP Preferred Stock voting together as a single class (the "NSP Shareholders' Approval") is the only vote of the holders of any class or series of the capital stock of NSP or any of its subsidiaries required to approve this Agreement, the Mergers and the other transactions contemplated hereby, provided that the approval of shareholders of NSP may be required for the repurchase of shares of Old NSP Common Stock pursuant to Section 7(a) of the NSP Stock Option Agreement under circumstances where Subdivision 3 of Section 302A.553 of the MBCA would be applicable.

Section 4.14 Accounting Matters. Neither NSP nor, to NSP's best knowledge, any of its affiliates has taken or agreed to take any action that would prevent the Company from accounting for the transactions to be effected pursuant to this Agreement as a pooling of interests in accordance with GAAP and applicable SEC regulations. As used in this Agreement (except as specifically otherwise defined), the term "affiliate", except where otherwise defined herein, shall mean, as to any person, any other person which directly or indirectly controls,

or is under common control with, or is controlled by, such person. As used in this definition, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise).

Section 4.15 Applicability of Certain Minnesota Law. Assuming the representation and warranty of WEC made in Section 5.18 is correct, none of the control share acquisition provisions of Section 302A.671 of the MBCA, the business combination provisions of Sections 302A.673 and 675 of the MBCA or any similar provisions of the MBCA (or, to the best knowledge of NSP, any other similar state statute) or the Restated Articles of Incorporation or by-laws of NSP, are applicable to the transactions contemplated by this Agreement, including the granting or exercise of the NSP Stock Option Agreement.

Section 4.16 Opinion of Financial Advisor. NSP has received the opinion of Goldman, Sachs & Co., dated April 28, 1995, to the effect that, as of the date thereof, the Ratio is fair from a financial point of view to the holders of Old NSP Common Stock.

Section 4.17 Insurance. Except as set forth in Section 4.17 of the NSP Disclosure Schedule, NSP and each of the NSP Subsidiaries is, and has been continuously since January 1, 1990, insured with financially responsible insurers in such amounts and against such risks and losses as are customary in all material respects for companies conducting the business as conducted by NSP and the NSP Subsidiaries during such time period. Except as set forth in Section 4.17 of the NSP Disclosure Schedule, neither NSP nor any of the NSP Subsidiaries has received any notice of cancellation or termination with respect to any material insurance policy of NSP or any of the NSP Subsidiaries. The insurance policies of NSP and each of the NSP Subsidiaries are valid and enforceable policies in all material respects.

Section 4.18 Ownership of WEC Common Stock. Except pursuant to the terms of the WEC Stock Option Agreement, NSP does not "beneficially own" (as such term is defined for purposes of Section 13(d) of the Exchange Act) any shares of WEC Common Stock.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF WEC

WEC represents and warrants to NSP as follows:

Section 5.1 Organization and Qualification. Except as set forth in Section 5.1 of the WEC Disclosure Schedule (as defined in Section 7.6(i)), each of WEC and each of the WEC Subsidiaries (as defined below) is a corporation duly organized, validly existing and in active status under the laws of its jurisdiction of incorporation or organization, has all requisite corporate power and authority, and has been duly authorized by all necessary approvals and orders to own, lease and operate its assets and properties to the extent owned, leased and operated and to carry on its business as it is now being conducted and is duly qualified and in good standing to do business in each jurisdiction in which the nature of its business or the ownership or leasing of its assets and properties makes such qualification necessary. As used in this Agreement, the term: (a) "WEC Subsidiary" shall mean those of the subsidiaries of WEC identified as WEC Subsidiaries in Section 5.2 of the WEC Disclosure Schedule; and (b) "WEC Joint Venture" shall mean those of the joint ventures of WEC or any WEC Subsidiary identified as a WEC Joint Venture in Section 5.2 of the WEC Disclosure Schedule.

Section 5.2 Subsidiaries. Section 5.2 of the WEC Disclosure Schedule sets forth a description as of the date hereof of all subsidiaries and joint ventures of WEC, including (a) the name of each such entity and WEC's interest therein, and (b) as to each WEC Subsidiary and WEC Joint Venture, a brief description of the principal line or lines of business conducted by each such entity. Except as set forth in Section 5.2 of the WEC Disclosure Schedule, none of the WEC Subsidiaries is a "public utility company", a "holding company", a

"subsidiary company" or an "affiliate" of any public utility company within the meaning of Section 2(a)(5), 2(a)(7), 2(a)(8) or 2(a)(11) of the 1935 Act, respectively. Except as set forth in Section 5.2 of the WEC Disclosure Schedule, all of the issued and outstanding shares of capital stock of each WEC Subsidiary are validly issued, fully paid, nonassessable (subject to Section 180.0622(2)(b) of the WBCL, as judicially interpreted) and free of preemptive rights, and are owned directly or indirectly by WEC free and clear of any liens, claims, encumbrances, security interests, equities, charges and options of any nature whatsoever and there are no outstanding subscriptions, options, calls, contracts, voting trusts, proxies or other commitments, understandings, restrictions, arrangements, rights or warrants, including any right of conversion or

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exchange under any outstanding security, instrument or other agreement, obligating any such WEC Subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of its capital stock or obligating it to grant, extend or enter into any such agreement or commitment. With respect to the subsidiaries and joint ventures of WEC that are not WEC Subsidiaries (the "WEC Unrestricted Subsidiaries"): (i) except as set forth in Section 5.2 of the WEC Disclosure Schedule, neither WEC nor any WEC Subsidiary is liable for any obligations or liabilities of any WEC Unrestricted Subsidiary; (ii) neither WEC nor any WEC Subsidiary is obligated to make any loans or capital contributions to, or to undertake any guarantees or other obligations with respect to, WEC Unrestricted Subsidiaries, except for loans, capital contributions, guarantees and other obligations not in excess of \$35 million in the aggregate to all such WEC Unrestricted Subsidiaries; and (iii) the aggregate book value as of December 31, 1994, of WEC's investment in the WEC Unrestricted Subsidiaries was not in excess of \$120 million.

Section 5.3 Capitalization. The authorized capital stock of WEC consists of 325,000,000 shares of WEC Common Stock, and 15,000,000 shares of Preferred Stock, par value \$.01 per share (the "WEC Preferred Stock"). As of the close of business on April 20, 1995, there were issued and outstanding

109,415,713 shares of WEC Common Stock and no shares of WEC Preferred Stock. All of the issued and outstanding shares of the capital stock of WEC are, and any WEC Common Stock issued pursuant to the WEC Stock Option Agreement will be, validly issued, fully paid, nonassessable (subject to Section 180.0622(2)(b) of the WBCL, as judicially interpreted) and free of preemptive rights. The authorized capital stock of Wisconsin Electric Power Company, a Wisconsin corporation ("WEPCO"), consists of 65,000,000 shares of Common Stock, par value \$10.00 per share (the "WEPCO Common Stock"), 45,000 shares of 6% Preferred Stock, par value \$100.00 per share (the "WEPCO 6% Preferred Stock"); 2,286,500 shares of Serial Preferred Stock, par value \$100.00 per share (the "WEPCO \$100 Par Value Serial Preferred Stock") and 5,000,000 shares of Serial Preferred Stock, par value \$25.00 per share (the "WEPCO \$25 Par Value Serial Preferred Stock" and, together with the WEPCO 6% Preferred Stock and the WEPCO \$100 Par Value Serial Preferred Stock, the "WEPCO Preferred Stock"). As of the close of business on April 20, 1995, there were issued and outstanding 33,289,327 shares of WEPCO Common Stock, 44,508 shares of the WEPCO 6% Preferred Stock, 260,000 shares of the WEPCO \$100 Par Value Serial Preferred Stock, 3.60% Series, and no shares of the WEPCO \$25 Par Value Serial Preferred Stock. Except as set forth in Section 5.3 of the WEC Disclosure Schedule, as of the date hereof,

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there are no outstanding subscriptions, options, calls, contracts, voting trusts, proxies or other commitments, understandings, restrictions, arrangements, rights or warrants, including any right of conversion or exchange under any outstanding security, instrument or other agreement, obligating WEC or any of the WEC Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of the capital stock of WEC, or obligating WEC to grant, extend or enter into any such agreement or commitment, other than under the WEC Stock Option Agreement. There are no outstanding stock appreciation rights of WEC which were not granted in tandem with a related stock option and no outstanding limited stock appreciation rights or other rights to redeem for cash options or warrants of WEC.

Section 5.4 Authority; Non-Contravention; Statutory Approvals; Compliance.

(a) Authority. WEC has all requisite power and authority to enter into this Agreement and the WEC Stock Option Agreement, and, subject to the applicable WEC Shareholders' Approval (as defined in Section 5.13) and the applicable WEC Required Statutory Approvals (as defined in Section 5.4(c)), to consummate the transactions contemplated hereby or thereby. The execution and delivery of this Agreement and the WEC Stock Option Agreement and the consummation by WEC of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of WEC, subject to obtaining the applicable WEC Shareholders' Approval. Each of this Agreement and the WEC Stock Option Agreement has been duly and validly executed and delivered by WEC and, assuming the due authorization, execution and delivery hereof and thereof by the other signatories hereto and thereto, constitutes the valid and binding obligation of WEC enforceable against it in accordance with its terms.

(b) Non-Contravention. Except as set forth in Section 5.4(b) of the WEC Disclosure Schedule, the execution and delivery of this Agreement and the WEC Stock Option Agreement by WEC do not, and the consummation of the transactions contemplated hereby or thereby will not, result in a material Violation pursuant to any provisions of (i) the articles of incorporation, by-laws or similar governing documents of WEC or any of the WEC Subsidiaries or the WEC Joint Ventures, (ii) subject to obtaining the WEC Required Statutory Approvals and the receipt of the WEC Shareholders' Approval, any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any Governmental Authority applicable to WEC or any of the WEC Subsidiaries or the WEC Joint Ventures or any of their respective properties or assets

or (iii) subject to obtaining the third-party consents set forth in Section 5.4(b) of the WEC Disclosure Schedule (the "WEC Required Consents") any material note, bond, mortgage,

indenture, deed of trust, license, franchise, permit, concession, contract, lease or other instrument, obligation or agreement of any kind to which WEC or any of the WEC Subsidiaries or the WEC Joint Ventures is a party or by which it or any of its properties or assets may be bound or affected.

(c) Statutory Approvals. No declaration, filing or registration with, or notice to or authorization, consent or approval of, any Governmental Authority is necessary for the execution and delivery of this Agreement or the WEC Stock Option Agreement by WEC or the consummation by WEC of the transactions contemplated hereby or thereby, except as described in Section 5.4(c) of the WEC Disclosure Schedule (the "WEC Required Statutory Approvals", it being understood that references in this Agreement to "obtaining" such WEC Required Statutory Approvals shall mean making such declarations, filings or registrations; giving such notices; obtaining such authorizations, consents or approvals; and having such waiting periods expire as are necessary to avoid a violation of law).

(d) Compliance. Except as set forth in Section 5.4(d), Section 5.10 or Section 5.11 of the WEC Disclosure Schedule, or as disclosed in the WEC SEC Reports (as defined in Section 5.5) filed prior to the date hereof, neither WEC nor any of the WEC Subsidiaries nor, to the knowledge of WEC, any WEC Joint Venture, is in material violation of, is under investigation with respect to any material violation of, or has been given notice or been charged with any material violation of, any law, statute, order, rule, regulation, ordinance or judgment (including, without limitation, any applicable environmental law, ordinance or regulation) of any Governmental Authority. Except as set forth in Section 5.4(d) of the WEC Disclosure Schedule or in Section 5.11 of the WEC Disclosure Schedule, WEC and the WEC Subsidiaries and WEC Joint Ventures have all permits, licenses, franchises and other governmental authorizations, consents and approvals necessary to conduct their businesses as presently conducted in all material respects. Except as set forth in Section 5.4(d) of the WEC Disclosure Schedule, WEC and each of the WEC Subsidiaries is not in material breach or violation of or in material default in the performance or observance of any term or provision of, and no event has occurred which, with lapse of time or action by a third party, could result in a material default under, (i) its articles of incorporation or by-laws or (ii) any material contract, commitment, agreement, indenture, mortgage, loan agreement, note, lease, bond, license, approval or other instrument

to which it is a party or by which it is bound or to which any of its property is subject.

Section 5.5 Reports and Financial Statements. The filings required to be made by WEC and the WEC Subsidiaries since January 1, 1990 under the Securities Act, the Exchange Act, the 1935 Act, the Power Act, the Atomic Energy Act and applicable state laws and regulations have been filed with the SEC, the FERC, the NRC or the appropriate state public utilities commission, as the case may be, including all forms, statements, reports, agreements (oral or written) and all documents, exhibits, amendments and supplements appertaining thereto, and complied, as of their respective dates, in all material respects with all applicable requirements of the appropriate statute and the rules and regulations thereunder. WEC has made available to NSP a true and complete copy of each report, schedule, registration statement and definitive proxy statement filed by WEC with the SEC since January 1, 1992 (as such documents have since the time of their filing been amended, the "WEC SEC Reports"). As of their respective dates, the WEC SEC Reports did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The audited consolidated financial statements and unaudited interim financial statements of WEC included in the WEC SEC Reports (collectively, the "WEC Financial Statements") have been prepared in accordance with GAAP (except as may be indicated therein or in the notes thereto and except with respect to unaudited statements as permitted by Form 10-Q of the SEC) and fairly present the financial position of WEC as of the dates thereof and the results of its operations and cash flows for the periods then ended, subject, in the case of the unaudited interim financial statements, to normal, recurring audit adjustments. True, accurate and complete copies of the Restated Articles of Incorporation and by-laws of WEC, as in effect on the date hereof, are included (or incorporated by reference) in the WEC SEC Reports.

Section 5.6 Absence of Certain Changes or Events. Except as disclosed in the WEC SEC Reports filed prior to the date hereof or as set forth in Section 5.6 of the WEC Disclosure Schedule, from December 31, 1994, WEC and each of the WEC Subsidiaries have conducted their business only in the ordinary

course of business consistent with past practice and there has not been, and no fact or condition exists which would have or, insofar as reasonably can be foreseen, could have, a material adverse effect on the business, assets, financial condition, results of operations or prospects of WEC and its subsidiaries taken as a whole (an "WEC Material Adverse Effect").

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Section 5.7 Litigation. Except as disclosed in the WEC SEC Reports filed prior to the date hereof or as set forth in Section 5.7, Section 5.9 or Section 5.11 of the WEC Disclosure Schedule, (i) there are no material claims, suits, actions or proceedings, pending or, to the knowledge of WEC, threatened, nor are there, to the knowledge of WEC, any material investigations or reviews pending or threatened against, relating to or affecting WEC or any of the WEC Subsidiaries, (ii) there have not been any significant developments since December 31, 1994 with respect to such disclosed claims, suits, actions, proceedings, investigations or reviews and (iii) there are no material judgments, decrees, injunctions, rules or orders of any court, governmental department, commission, agency, instrumentality or authority or any arbitrator applicable to WEC or any of the WEC Subsidiaries.

Section 5.8 Registration Statement and Proxy Statement. None of the information supplied or to be supplied by or on behalf of WEC for inclusion or incorporation by reference in (i) the Registration Statement will, at the time the Registration Statement is filed with the SEC and at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and (ii) the Proxy Statement will not, at the dates mailed to shareholders and at the times of the meetings of shareholders to be held in connection with the Mergers, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Registration Statement and the Proxy Statement will comply as to form in all material respects with the provisions of the

Securities Act and the Exchange Act and the rules and regulations thereunder.

Section 5.9 Tax Matters. Except as set forth in Section 5.9 of the WEC Disclosure Schedule:

(a) Filing of Timely Tax Returns. WEC and each of the WEC Subsidiaries have filed (or there has been filed on its behalf) all material Tax Returns required to be filed by each of them under applicable law. All such Tax Returns were and are in all material respects true, complete and correct and filed on a timely basis.

(b) Payment of Taxes. WEC and each of the WEC Subsidiaries have, within the time and in the manner prescribed by law, paid all Taxes that are currently due and

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payable except for those contested in good faith and for which adequate reserves have been taken.

(c) Tax Reserves. WEC and the WEC Subsidiaries have established on their books and records reserves adequate to pay all Taxes and reserves for deferred income taxes in accordance with GAAP.

(d) Tax Liens. There are no Tax liens upon the assets of WEC or any of the WEC Subsidiaries except liens for Taxes not yet due.

(e) Withholding Taxes. WEC and each of the WEC Subsidiaries have complied in all material respects with the provisions of the Code relating to the withholding of Taxes, as well as similar provisions under any other laws, and have, within the time and in the manner prescribed by law, withheld from employee wages and paid over to the proper governmental authorities all amounts required.

(f) Extensions of Time for Filing Tax Returns. Neither WEC nor any of the WEC Subsidiaries has requested

any extension of time within which to file any Tax Return, which Tax Return has not since been filed.

(g) Waivers of Statute of Limitations. Neither WEC nor any of the WEC Subsidiaries has executed any outstanding waivers or comparable consents regarding the application of the statute of limitations with respect to any Taxes or Tax Returns.

(h) Expiration of Statute of Limitations. The statute of limitations for the assessment of all Taxes has expired for all applicable Tax Returns of WEC and each of the WEC Subsidiaries or those Tax Returns have been examined by the appropriate taxing authorities for all periods through the date hereof, and no deficiency for any Taxes has been proposed, asserted or assessed against WEC or any of the WEC Subsidiaries that has not been resolved and paid in full.

(i) Audit, Administrative and Court Proceedings. No audits or other administrative proceedings or court proceedings are presently pending with regard to any Taxes or Tax Returns of WEC or any of the WEC Subsidiaries.

(j) Powers of Attorney. No power of attorney currently in force has been granted by WEC or any of the WEC Subsidiaries concerning any Tax matter.

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(k) Tax Rulings. Neither WEC nor any of the WEC Subsidiaries has received a Tax Ruling or entered into a Closing Agreement with any taxing authority that would have a continuing adverse effect after the Closing Date.

(l) Availability of Tax Returns. WEC has made available to NSP complete and accurate copies of (i) all Tax Returns, and any amendments thereto, filed by WEC or any of the WEC Subsidiaries, (ii) all audit reports received from any taxing authority relating to any Tax Return filed by WEC or any of the WEC Subsidiaries and (iii)

any Closing Agreements entered into by WEC or any of the WEC Subsidiaries with any taxing authority.

(m) Tax Sharing Agreements. Neither WEC nor any WEC Subsidiary is a party to any agreement relating to allocating or sharing of Taxes.

(n) Code Section 280G. Neither WEC nor any of the WEC Subsidiaries is a party to any agreement, contract, or arrangement that could result, on account of the transactions contemplated hereunder, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code.

(o) Liability for Others. None of WEC or any of the WEC Subsidiaries has any liability for Taxes of any person other than WEC and the WEC Subsidiaries (i) under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign law) as a transferee or successor, (ii) by contract, or (iii) otherwise.

Section 5.10 Employee Matters; ERISA. Except as set forth in Section 5.10 of the WEC Disclosure Schedule:

(a) Benefit Plans. Section 5.10(a) of the WEC Disclosure Schedule contains a true and complete list of each employee benefit plan covering employees, former employees or directors of WEC and each of the WEC Subsidiaries or their beneficiaries, or providing benefits to such persons in respect of services provided to any such entity, including, but not limited to, any employee benefit plans within the meaning of Section 3(3) of ERISA and any severance or change in control agreement (collectively, the "WEC Benefit Plans"). For the purposes of this Section 5.10 only, the term "WEC" shall be deemed to include the predecessors of such company.

(b) Contributions. All material contributions and other payments required to be made by WEC or any of the

WEC Subsidiaries to any WEC Benefit Plan (or to any person pursuant to the terms thereof) have been made or the amount of such payment or contribution obligation has been reflected in the WEC Financial Statements.

(c) Qualification; Compliance. Each of the WEC Benefit Plans intended to be "qualified" within the meaning of Section 401(a) of the Code has been determined by the IRS to be so qualified, and, to the best knowledge of WEC, no circumstances exist that are reasonably expected by WEC to result in the revocation of any such determination. WEC is in compliance in all material respects with, and each of the WEC Benefit Plans is and has been operated in all material respects in compliance with, all applicable laws, rules and regulations governing such plan, including, without limitation, ERISA and the Code. Each WEC Benefit Plan intended to provide for the deferral of income, the reduction of salary or other compensation, or to afford other income tax benefits, complies with the requirements of the applicable provisions of the Code or other laws, rules and regulations required to provide such income tax benefits.

(d) Liabilities. With respect to the WEC Benefit Plans, individually and in the aggregate, no event has occurred, and, to the best knowledge of WEC, there does not now exist any condition or set of circumstances, that could subject WEC or any of the WEC Subsidiaries to any material liability arising under the Code, ERISA or any other applicable law (including, without limitation, any liability to any such plan or the PBGC), or under any indemnity agreement to which WEC is a party, excluding liability for benefit claims and funding obligations payable in the ordinary course.

(e) Welfare Plans. None of the WEC Benefit Plans that are "welfare plans", within the meaning of Section 3(1) of ERISA, provides for any retiree benefits, other than continuation coverage required to be provided under Section 4980B of the Code or Part 6 of Title I of ERISA.

(f) Documents Made Available. WEC has made available to NSP a true and correct copy of each collective bargaining agreement to which WEC or any of the WEC Subsidiaries is a party or under which WEC or any of the WEC Subsidiaries has obligations and, with respect to each WEC Benefit Plan, where applicable, (i) such plan and summary plan description, (ii) the most recent annual report filed with the IRS, (iii) each related trust agreement, insurance contract, service provider or investment management

agreement (including all amendments to each such document), (iv) the most recent determination of the IRS with respect to the qualified status of such WEC Benefit Plan, and (v) the most recent actuarial report or valuation.

(g) Payments Resulting from Mergers. (i) The consummation or announcement of any transaction contemplated by this Agreement will not (either alone or upon the occurrence of any additional or further acts or events) result in any (A) payment (whether of severance pay or otherwise) becoming due from WEC or any of the WEC Subsidiaries to any officer, employee, former employee or director thereof or to the trustee under any "rabbi trust" or similar arrangement, or (B) benefit under any WEC Benefit Plan being established or becoming accelerated, vested or payable and (ii) neither WEC nor any of the WEC Subsidiaries is a party to (A) any management, employment, deferred compensation, severance (including any payment, right or benefit resulting from a change in control), bonus or other contract for personal services with any officer, director or employee, (B) any consulting contract with any person who prior to entering into such contract was a director or officer of WEC, or (C) any plan, agreement, arrangement or understanding similar to any of the foregoing.

(h) Labor Agreements. As of the date hereof, neither WEC nor any of the WEC Subsidiaries is a party to any collective bargaining agreement or other labor agreement with any union or labor organization. To the best knowledge of WEC, as of the date hereof, there is no current union representation question involving employees of WEC or any of the WEC Subsidiaries, nor does WEC know of any activity or proceeding of any labor organization (or representative thereof) or employee group to organize any such employees. Except as disclosed in the WEC SEC Reports filed prior to the date hereof or in Section 5.10(h) of the WEC Disclosure Schedule, (i) there is no unfair labor practice, employment discrimination or other material complaint against WEC or any of the WEC Subsidiaries

pending, or to the best knowledge of WEC, threatened, (ii) there is no strike, or lockout or material dispute, slow-down or work stoppage pending, or to the best knowledge of WEC, threatened, against or involving WEC, and (iii) there is no proceeding, claim, suit, action or governmental investigation pending or, to the best knowledge of WEC, threatened, in respect of which any director, officer, employee or agent of WEC or any of the WEC Subsidiaries is or may be entitled to claim indemnification from WEC or such WEC Subsidiary pursuant to their respective articles

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of incorporation or by-laws or as provided in the indemnification agreements listed in Section 5.10(h) of the WEC Disclosure Schedule.

Section 5.11 Environmental Protection. Except as set forth in Section 5.11 of the WEC Disclosure Schedule or in the WEC SEC Reports filed prior to the date hereof:

(a) Compliance. WEC and each of the WEC Subsidiaries is in material compliance with all applicable Environmental Laws; and neither WEC nor any of the WEC Subsidiaries has received any communication (written or oral), from any person or Governmental Authority that alleges that WEC or any of the WEC Subsidiaries is not in such compliance with applicable Environmental Laws.

(b) Environmental Permits. WEC and each of the WEC Subsidiaries has obtained or has applied for all the Environmental Permits necessary for the construction of their facilities or the conduct of their operations, and all such Environmental Permits are in good standing or, where applicable, a renewal application has been timely filed and is pending agency approval, and WEC and the WEC Subsidiaries are in material compliance with all terms and conditions of the Environmental Permits.

(c) Environmental Claims. To the best knowledge of WEC, there is no material Environmental Claim pending (i) against WEC or any of the WEC Subsidiaries or WEC Joint

Ventures, (ii) against any person or entity whose liability for any Environmental Claim WEC or any of the WEC Subsidiaries has or may have retained or assumed either contractually or by operation of law, or (iii) against any real or personal property or operations which WEC or any of the WEC Subsidiaries owns, leases or manages, in whole or in part.

(d) Releases. WEC has no knowledge of any material Releases of any Hazardous Material that would be reasonably likely to form the basis of any material Environmental Claim against WEC or any of the WEC Subsidiaries, or against any person or entity whose liability for any material Environmental Claim WEC or any of the WEC Subsidiaries has or may have retained or assumed either contractually or by operation of law.

(e) Predecessors. WEC has no knowledge, with respect to any predecessor of WEC or any of the WEC Subsidiaries, of any material Environmental Claim pending or threatened, or of any Release of Hazardous Materials that

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would be reasonably likely to form the basis of any material Environmental Claim.

(f) Disclosure. To WEC's best knowledge, WEC has disclosed to NSP all material facts which WEC reasonably believes form the basis of a material Environmental Claim arising from (i) the cost of WEC pollution control equipment currently required or known to be required in the future; (ii) current WEC remediation costs or WEC remediation costs known to be required in the future; or (iii) any other environmental matter affecting WEC.

Section 5.12 Regulation as a Utility. WEC is regulated as a public utility holding company under Section 196.795 of the Wisconsin Statutes. WEPCO is regulated as a public utility in the States of Wisconsin and Michigan and in no other state. Wisconsin Natural Gas Company, a Wisconsin corporation ("WN"), is regulated as a public utility in the State of Wis-

consin and in no other state. Neither WEC nor any "subsidiary company" or "affiliate" of WEC is subject to regulation as a public utility or public service company (or similar designation) by any other state in the United States or any foreign country. WEC is an exempt holding company under Section 3(a)(1) of the 1935 Act.

Section 5.13 Vote Required. The approval of the issuance of Company Common Stock in connection with the NSP Merger by a majority of the votes entitled to be cast by the holders of the shares of WEC Common Stock represented at the meeting and entitled to vote thereon (in which the total vote cast represents over 50% of all shares entitled to vote thereon) and approval of the WEC Article Amendments (as defined in Section 7.20) by the votes required in the WEC Restated Articles of Incorporation (collectively, the "WEC Shareholders' Approval") are the only votes of the holders of any class or series of the capital stock of WEC or any of its subsidiaries required to approve this Agreement, the Mergers and the other transactions contemplated hereby, provided that the approval of shareholders of WEC may be required for the repurchase of shares of WEC Common Stock pursuant to Section 7(a) of the WEC Stock Option Agreement under circumstances where Section 180.1134(1) of the WBCL or Article III.D.(1) of WEC's Restated Articles of Incorporation would be applicable.

Section 5.14 Accounting Matters. Neither WEC nor, to WEC's best knowledge, any of its affiliates has taken or agreed to take any action that would prevent the Company from accounting for the transactions to be effected pursuant to this Agreement as a pooling of interests in accordance with GAAP and applicable SEC regulations.

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Section 5.15 Applicability of Certain Wisconsin Law. Assuming that the representation and warranty of NSP made in Section 4.18 is correct, none of the control share acquisition provisions of Section 180.1150 of the WBCL, the business combination provisions of Sections 180.1140 to 180.1144 of the WBCL, the "fair price" provisions of Sections 180.1130 to 180.1134 of the WBCL or any similar provisions of the WBCL (or,

to the best knowledge of WEC, any other similar state statute) or the Restated Articles of Incorporation or by-laws of WEC, are applicable to the transactions contemplated by this Agreement, including the granting or exercise of the WEC Stock Option Agreement (except as set forth in Section 5.15 of the WEC Disclosure Schedule).

Section 5.16 Opinion of Financial Advisor. WEC has received the opinion of Barr Devlin Associates, dated April 28, 1995, to the effect that, as of the date thereof, the Ratio is fair from a financial point of view to the holders of WEC Common Stock.

Section 5.17 Insurance. Except as set forth in Section 5.17 of the WEC Disclosure Schedule, WEC and each of the WEC Subsidiaries is, and has been continuously since January 1, 1990, insured with financially responsible insurers in such amounts and against such risks and losses as are customary in all material respects for companies conducting the business as conducted by WEC and the WEC Subsidiaries during such time period. Except as set forth in Section 5.17 of the WEC Disclosure Schedule, neither WEC nor any of the WEC Subsidiaries has received any notice of cancellation or termination with respect to any material insurance policy of WEC or any of the WEC Subsidiaries. The insurance policies of WEC and each of the WEC Subsidiaries are valid and enforceable policies in all material respects.

Section 5.18 Ownership of Old NSP Common Stock. Except pursuant to the terms of the NSP Stock Option Agreement, WEC does not "beneficially own" (as such term is defined for purposes of Section 13(d) of the Exchange Act) any shares of Old NSP Common Stock or Old NSP Preferred Stock.

ARTICLE VI

CONDUCT OF BUSINESS PENDING THE MERGERS

Section 6.1 Covenants of the Parties. After the date hereof and prior to the Effective Time or earlier termination of this Agreement, NSP and WEC each agree as follows, each as to itself and to each of the NSP Subsidiaries and the

WEC Subsidiaries, as the case may be, except as expressly contemplated or permitted in this Agreement, the NSP Stock Option Agreement or the WEC Stock Option Agreement, or to the extent the other parties hereto shall otherwise consent in writing:

(a) Ordinary Course of Business. Each party hereto shall, and shall cause its Direct Subsidiaries to, carry on their respective businesses in the usual, regular and ordinary course in substantially the same manner as heretofore conducted and use all commercially reasonable efforts to preserve intact their present business organizations and goodwill, preserve the goodwill and relationships with customers, suppliers and others having business dealings with them and, subject to prudent management of workforce needs and ongoing programs currently in force, keep available the services of their present officers and employees. Except as set forth in Section 6.1(a) of the NSP Disclosure Schedule or the WEC Disclosure Schedule, respectively, no party shall, nor shall any party permit any of its Direct Subsidiaries to, enter into a new line of business, or make any change in the line of business it engages in as of the date hereof involving any material investment of assets or resources or any material exposure to liability or loss, in the case of NSP, to NSP and its subsidiaries taken as a whole, and in the case of WEC, to WEC and its subsidiaries taken as a whole.

(b) Dividends. No party shall, nor shall any party permit any of its Direct Subsidiaries to, (i) declare or pay any dividends on or make other distributions in respect of any of their capital stock other than to such party or its wholly-owned subsidiaries and other than dividends required to be paid on any WEPCO Preferred Stock or Old NSP Preferred Stock in accordance with the respective terms thereof, regular quarterly dividends on WEC Common Stock with usual record and payment dates not, during any fiscal year, in excess of 106% of the dividends for the prior fiscal year and regular quarterly dividends on Old NSP Common Stock with usual record and payment dates not, during any fiscal year, in excess of 106% of the dividends for the prior fiscal year; (ii) split, combine or reclassify any of their capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of, or in substitution for, shares of their capital stock; or (iii) redeem, repurchase or otherwise acquire any shares of their capital stock, other than (A) redemptions, purchases or acquisitions required

by the respective terms of any series of WEPCO Preferred Stock or Old NSP Preferred Stock, (B) in connection with refunding of WEPCO Preferred Stock or Old NSP Preferred

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Stock with preferred stock or debt at a lower cost of funds (calculating such cost on an after-tax basis), (C) in connection with intercompany purchases of capital stock or (D) for the purpose of funding employee stock ownership plans in accordance with past practice. The last record date of each of WEC and NSP on or prior to the Effective Time which relates to a regular quarterly dividend on WEC Common Stock or Old NSP Common Stock, as the case may be, shall be the same date and shall be prior to the Effective Time. Notwithstanding the foregoing, (i) NSP may redeem all or any portion of the Old NSP Preferred Stock if the Board of Directors of NSP determines such course of action will facilitate the transactions contemplated hereby and (ii) WEPCO may redeem all or any portion of the WEPCO Preferred Stock, if the WEPCO Board of Directors determines such course of action will facilitate the transactions contemplated hereby.

(c) Issuance of Securities. No party shall, nor shall any party permit any of its Direct Subsidiaries to, issue, agree to issue, deliver, sell, award, pledge, dispose of or otherwise encumber or authorize or propose the issuance, delivery, sale, award, pledge, disposal or other encumbrance of, any shares of their capital stock of any class or any securities convertible into or exchangeable for, or any rights, warrants or options to acquire, any such shares or convertible or exchangeable securities, other than pursuant to the NSP Stock Option Agreement and the WEC Stock Option Agreement, as the case may be, other than intercompany issuances of capital stock, and other than issuances (i) in the case of WEC and the WEC Subsidiaries (x) in connection with refunding WEPCO Preferred Stock with preferred stock or debt at a lower cost of funds (calculating such cost on an after-tax basis); and (y) up to 1,600,000 shares of WEC Common Stock to be issued for general corporate purposes, including issuances

in connection with acquisitions and financing and issuances pursuant to employee benefit plans, stock option and other incentive compensation plans, directors plans and stock purchase and dividend reinvestment plans; and (ii), in the case of NSP and the NSP Subsidiaries (x) in connection with refunding of Old NSP Preferred Stock with preferred stock or debt at a lower cost of funds (calculating such cost on an after-tax basis); and (y) up to 2,900,000 shares of NSP Common Stock to be issued for general corporate purposes, including issuances in connection with acquisitions and financing and issuances pursuant to employee benefit plans, stock option and other incentive compensation plans, directors plans and stock purchase and dividend reinvestment plans. The parties

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shall promptly furnish to each other such information as may be reasonably requested including financial information and take such action as may be reasonably necessary and otherwise fully cooperate with each other in the preparation of any registration statement under the Securities Act and other documents necessary in connection with issuance of securities as contemplated by this Section 6.1(c), subject to obtaining customary indemnities.

(d) Charter Documents. Except as set forth in Section 6.1(d) of the NSP Disclosure Schedule or the WEC Disclosure Schedule, no party shall amend or propose to amend its respective articles of incorporation, by-laws or regulations, or similar organic documents, except as contemplated herein.

(e) No Acquisitions. Except as set forth in Section 6.1(e) of the NSP Disclosure Schedule or the WEC Disclosure Schedule, other than acquisitions by a party and its Direct Subsidiaries not in excess of \$50 million over the amount budgeted by such party for acquisition expenditures, as set forth in such Section 6.1(e) of the NSP Disclosure Schedule or the WEC Disclosure Schedule, singularly or in the aggregate, no party shall, nor shall any party permit any of its Direct Subsidiaries to, acquire,

or publicly propose to acquire, or agree to acquire, by merger or consolidation with, or by purchase or otherwise, a substantial equity interest in or a substantial portion of the assets of, any business or any corporation, partnership, association or other business organization or division thereof, nor shall any party acquire or agree to acquire a material amount of assets other than in the ordinary course of business consistent with past practice.

(f) Capital Expenditures and Emission Allowances. Except as set forth in Section 6.1(f) of the NSP Disclosure Schedule or the WEC Disclosure Schedule or as required by law, no party shall, nor shall any party permit any of its Direct Subsidiaries to, (i) make capital expenditures in excess of \$100 million over the amount budgeted by such party for capital expenditures as set forth in such Section 6.1(f) of the NSP Disclosure Schedule or the WEC Disclosure Schedule or (ii) enter into written commitments for the purchase of sulfur dioxide emission allowances as provided for by the Clean Air Act Amendments of 1990, in excess of \$20 million, singularly or in the aggregate.

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(g) No Dispositions. Except as set forth in Section 6.1(g) of the NSP Disclosure Schedule or the WEC Disclosure Schedule, other than dispositions by a party and its Direct Subsidiaries of less than \$50 million, singularly or in the aggregate, no party shall, nor shall any party permit any of its Direct Subsidiaries to, sell, lease, license, encumber or otherwise dispose of, any of its assets, other than encumbrances or dispositions in the ordinary course of its business consistent with past practice.

(h) Indebtedness. Except as contemplated by this Agreement, no party shall, nor shall any party permit any of its Direct Subsidiaries to, incur or guarantee any in-

debtedness (including any debt borrowed or guaranteed or otherwise assumed including, without limitation, the issuance of debt securities or warrants or rights to acquire debt) or enter into any "keep well" or other agreement to maintain any financial statement condition of another person or enter into any arrangement having the economic effect of any of the foregoing other than (i) short-term indebtedness in the ordinary course of business consistent with past practice (such as the issuance of commercial paper or the use of existing credit facilities); (ii) long-term indebtedness not aggregating more than \$650 million; (iii) arrangements between such party and its Direct Subsidiaries or among its Direct Subsidiaries; (iv) as set forth in Section 6.1(h) of the NSP Disclosure Schedule or the WEC Disclosure Schedule; (v) in connection with the refunding of existing indebtedness at a lower cost of funds; or (vi) in connection with the refunding of WEPCO Preferred Stock or Old NSP Preferred Stock as permitted in Section 6.1(b).

(i) Compensation, Benefits. Except as set forth in Section 6.1(i) of the NSP Disclosure Schedule or the WEC Disclosure Schedule, as may be required by applicable law or as contemplated by this Agreement, no party shall, nor shall any party permit any of its Direct Subsidiaries to, (i) enter into, adopt or amend or increase the amount or accelerate the payment or vesting of any benefit or amount payable under, any employee benefit plan or other contract, agreement, commitment, arrangement, plan or policy maintained by, contributed to or entered into by such party or any of its Direct Subsidiaries, or increase, or enter into any contract, agreement, commitment or arrangement to increase in any manner, the compensation or fringe benefits, or otherwise to extend, expand or enhance the engagement, employment or any related rights, of any director, officer or other employee of such party or any of

its Direct Subsidiaries, except for normal increases in the ordinary course of business consistent with past practice that, in the aggregate, do not result in a material

increase in benefits or compensation expense to such party or any of its Direct Subsidiaries or (ii) enter into or amend any employment, severance or special pay arrangement with respect to the termination of employment or other similar contract, agreement or arrangement with any director or officer or other employee other than in the ordinary course of business consistent with past practice.

(j) 1935 Act. Except as set forth in Section 6.1(j) of the NSP Disclosure Schedule or WEC Disclosure Schedule, no party shall, nor shall any party permit any of its Direct Subsidiaries to, except as required or contemplated by this Agreement, engage in any activities which would cause a change in its status, or that of its subsidiaries, under the 1935 Act, or that would impair the ability of NSP to claim an exemption as of right under Rule 2 of the 1935 Act or that would impair the ability of WEC to claim an exemption pursuant to its order under Section 3(a)(1) of the 1935 Act prior to the Effective Time, other than (i) the application to the SEC under the 1935 Act contemplated by this Agreement for approval to the extent required of the transactions contemplated hereby and (ii) the registration of the Company pursuant to the 1935 Act.

(k) Transmission, Generation. Except as required pursuant to tariffs on file with the FERC as of the date hereof, in the ordinary course of business consistent with past practice, or as set forth in Section 6.1(k) of the NSP Disclosure Schedule or the WEC Disclosure Schedule, no party shall, nor shall any party permit any of its Direct Subsidiaries to, (i) commence construction of any additional generating, transmission or delivery capacity, or (ii) obligate itself to purchase or otherwise acquire, or to sell or otherwise dispose of, or to share, any additional generating, transmission or delivery capacity except as set forth in the budgets of NSP and WEC.

(l) Accounting. Except as set forth in Section 6.1(l) of the NSP Disclosure Schedule or WEC Disclosure Schedule, no party shall, nor shall any party permit any of its Direct Subsidiaries to, make any changes in their accounting methods, except as required by law, rule, regulation or GAAP.

(m) Pooling. No party shall, nor shall any party permit any of its subsidiaries to, take any action which

would, or would be reasonably likely to, prevent the Company from accounting for the transactions to be effected pursuant to this Agreement as a pooling of interests in accordance with GAAP and applicable SEC regulations, and each party hereto shall use all reasonable efforts to achieve such result (including taking such actions as may be necessary to cure any facts or circumstances that could prevent such transactions from qualifying for pooling-of-interests accounting treatment).

(n) Tax-Free Status. No party shall, nor shall any party permit any of its subsidiaries to, take any actions which would, or would be reasonably likely to, adversely affect the status of the Mergers as tax-free transactions (except as to dissenters' rights and fractional shares) under Section 368(a) of the Code, and each party hereto shall use all reasonable efforts to achieve such result.

(o) Affiliate Transactions. Except as set forth in Section 6.1(o) of each of the NSP Disclosure Schedule or the WEC Disclosure Schedule, no party shall, nor shall any party permit any of its Direct Subsidiaries to, enter into any material agreement or arrangement with any of their respective affiliates (other than wholly-owned subsidiaries) on terms materially less favorable to such party than could be reasonably expected to have been obtained with an unaffiliated third party on an arm's-length basis.

(p) Cooperation, Notification. Each party shall, and shall cause its Direct Subsidiaries to, (i) confer on a regular and frequent basis with one or more representatives of the other party to discuss, subject to applicable law, material operational matters and the general status of its ongoing operations; (ii) promptly notify the other party of any significant changes in its business, properties, assets, condition (financial or other), results of operations or prospects; (iii) advise the other party of any change or event which has had or, insofar as reasonably can be foreseen, is reasonably likely to result in, in the case of NSP, a NSP Material Adverse Effect or, in the case of WEC, a WEC Material Adverse Effect; and (iv) promptly provide the other party with copies of all filings made by such party or any of its Direct Subsidiaries with any state or federal court, administrative agency,

commission or other Governmental Authority in connection with this Agreement and the transactions contemplated hereby.

(q) Rate Matters. Each of NSP and WEC shall, and shall cause its Direct Subsidiaries to, discuss with the

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other any changes in its or its Direct Subsidiaries' rates or charges (other than pass-through fuel and gas rates or charges), standards of service or accounting from those in effect on the date hereof and consult with the other prior to making any filing (or any amendment thereto), or effecting any agreement, commitment, arrangement or consent with governmental regulators, whether written or oral, formal or informal, with respect thereto, and no party will make any filing to change its rates on file with the FERC that would have a material adverse effect on the benefits associated with the business combination provided for herein.

(r) Third-Party Consents. NSP shall, and shall cause its Direct Subsidiaries to, use all commercially reasonable efforts to obtain all NSP Required Consents. NSP shall promptly notify WEC of any failure or prospective failure to obtain any such consents and, if requested by WEC, shall provide copies of all NSP Required Consents obtained by NSP to WEC. WEC shall, and shall cause its Direct Subsidiaries to, use all commercially reasonable efforts to obtain all WEC Required Consents. WEC shall promptly notify NSP of any failure or prospective failure to obtain any such consents and, if requested by NSP, shall provide copies of all WEC Required Consents obtained by WEC to NSP.

(s) No Breach, Etc. No party shall, nor shall any party permit any of its Direct Subsidiaries to, willfully take any action that would or is reasonably likely to result in a material breach of any provision of this Agreement, the NSP Stock Option Agreement or the WEC Stock Option Agreement, as the case may be, or in any of its rep-

resentations and warranties set forth in this Agreement, the NSP Stock Option Agreement, or the WEC Stock Option Agreement, as the case may be, being untrue on and as of the Closing Date.

(t) Tax-Exempt Status. No party shall, nor shall any party permit any Direct Subsidiary to, take any action that would likely jeopardize the qualification of NSP's or WEPCO's outstanding revenue bonds which qualify on the date hereof under Section 142(a) of the Code as "exempt facility bonds" or as tax-exempt industrial development bonds under Section 103(b)(4) of the Internal Revenue Code of 1954, as amended, prior to the Tax Reform Act of 1986.

(u) Transition Management. As soon as practicable after the date hereof, the parties shall create a special transition management task force (the "Task Force") which

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shall be headed by James J. Howard ("Mr. Howard") and Richard A. Abdoo ("Mr. Abdoo"). The Task Force shall examine various alternatives regarding the manner in which to best organize and manage the business of the Company after the Effective Time, subject to applicable law. Messrs. Howard and Abdoo will have joint decision-making authority regarding the Task Force, and Mr. Abdoo will manage and be responsible for the day-to-day activities and operations of the Task Force.

(v) Company Actions. WEC and NSP shall cause the Company to take only those actions, from the date hereof until the Effective Time, that are required or contemplated by this Agreement to be so taken by the Company, including, without limitation, the declaration, filing or registration with, or notice to or authorization, consent or approval of, any Governmental Authority, as set forth in Section 4.4(b) of the NSP Disclosure Schedule, Section 4.4(c) of the NSP Disclosure Schedule, Section 5.4(b) of the WEC Disclosure Schedule and Section 5.4(c) of the WEC Disclosure Schedule.

(w) Tax Matters. Except as set forth in Section 6.1(w) of the NSP Disclosure Schedule or the WEC Disclosure Schedule, no party shall make or rescind any material express or deemed election relating to taxes, settle or compromise any material claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to taxes, or change any of its methods of reporting income or deductions for federal income tax purposes from those employed in the preparation of its federal income tax return for the taxable year ending December 31, 1993, except as may be required by applicable law.

(x) Discharge of Liabilities. No party shall pay, discharge or satisfy any material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction, in the ordinary course of business consistent with past practice (which includes the payment of final and unappealable judgments) or in accordance with their terms, of liabilities reflected or reserved against in, or contemplated by, the most recent consolidated financial statements (or the notes thereto) of such party included in such party's reports filed with the SEC, or incurred in the ordinary course of business consistent with past practice.

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(y) Contracts. No party shall, except in the ordinary course of business consistent with past practice, modify, amend, terminate, renew or fail to use reasonable business efforts to renew any material contract or agreement to which such party or any Direct Subsidiary of such party is a party or waive, release or assign any material rights or claims.

(z) Insurance. Each party shall, and shall cause its Direct Subsidiaries to, maintain with financially responsible insurance companies insurance in such amounts

and against such risks and losses as are customary for companies engaged in the electric and gas utility industry and employing methods of generating electric power and fuel sources similar to those methods employed and fuels used by such party or its Direct Subsidiaries.

(aa) Permits. Each party shall, and shall cause its Direct Subsidiaries to, use reasonable efforts to maintain in effect all existing governmental permits pursuant to which such party or its Direct Subsidiaries operate.

(bb) Limitation on Investments in Unrestricted Subsidiaries. From and after the date hereof, NSP will not make, and will not permit any NSP Subsidiary to make, any additional investments in, or loans or capital contributions to, or to undertake any guarantees or other obligations with respect to, any NSP Unrestricted Subsidiary in excess of \$350 million (which number shall be made up of, and shall not be in duplication of, the amounts budgeted for capital expenditures and acquisitions as set forth in Sections 6.1(e) and (f) of the NSP Disclosure Schedule and amounts spent pursuant to the \$50 million basket referenced in Section 6.1(e)) in the aggregate to all NSP Unrestricted Subsidiaries; and WEC will not make, and will not permit any WEC Subsidiary to make, any additional investments in, or loans or capital contributions to, or to undertake any guarantees or other obligations with respect to, any WEC Unrestricted Subsidiary in excess of \$100 million (which number shall be made up of, and shall not be in duplication of, the amounts budgeted for capital expenditures and acquisitions as set forth in Sections 6.1(e) and (f) of the WEC Disclosure Schedule and amounts spent pursuant to the \$50 million basket referenced in Section 6.1(e)) in the aggregate to all WEC Unrestricted Subsidiaries.

ARTICLE VII

ADDITIONAL AGREEMENTS

Section 7.1 Access to Information. Upon reasonable notice, each party shall, and shall cause its Direct Subsidiaries to, afford to the officers, directors, employees, accountants, counsel, investment bankers, financial advisors and other representatives of the other (collectively, "Representatives") reasonable access, during normal business hours throughout the period prior to the Effective Time, to all of its properties, books, contracts, commitments and records (including, but not limited to, Tax Returns) and, during such period, each party shall, and shall cause its Direct Subsidiaries to, furnish promptly to the other (i) access to each report, schedule and other document filed or received by it or any of its Direct Subsidiaries pursuant to the requirements of federal or state securities laws or filed with or sent to the SEC, the FERC, the NRC, the Department of Justice, the Federal Trade Commission, the Minnesota Public Utilities Commission, the Public Service Commission of Wisconsin or any other federal or state regulatory agency or commission, and (ii) access to all information concerning themselves, their subsidiaries, directors, officers and shareholders and such other matters as may be reasonably requested by the other party in connection with any filings, applications or approvals required or contemplated by this Agreement or for any other reason related to the transactions contemplated by this Agreement. Each party shall provide access to those premises, documents, reports and information described above of subsidiaries of such party that are not Direct Subsidiaries to the extent such party has or is able to obtain such access. Each party shall, and shall cause its subsidiaries and Representatives to, hold in strict confidence all documents and information concerning the other furnished to it in connection with the transactions contemplated by this Agreement in accordance with the Confidentiality Agreement, dated January 17, 1995, between NSP and WEC, as it may be amended from time to time (the "Confidentiality Agreement").

Section 7.2 Joint Proxy Statement and Registration Statement.

(a) Preparation and Filing. The parties will prepare and file with the SEC as soon as reasonably practicable after the date hereof the Registration Statement and the Proxy Statement (together, the "Joint Proxy/Registration Statement"). The parties hereto shall each use reasonable efforts to cause the Registration Statement to be declared effective under the Securities Act as promptly as practicable after such filing.

Each party hereto shall also take such action as may be reasonably required to cause the shares of Company Common Stock issuable in connection with the Mergers to be registered or to obtain an exemption from registration under applicable state "blue sky" or securities laws; provided, however, that no party shall be required to register or qualify as a foreign corporation or to take other action which would subject it to service of process in any jurisdiction where it will not be, following the Mergers, so subject. Each of the parties hereto shall furnish all information concerning itself which is required or customary for inclusion in the Joint Proxy/Registration Statement. The parties shall use reasonable efforts to cause the shares of Company Common Stock issuable in the Mergers to be approved for listing on the NYSE upon official notice of issuance. The information provided by any party hereto for use in the Joint Proxy/Registration Statement shall be true and correct in all material respects without omission of any material fact which is required to make such information not false or misleading. No representation, covenant or agreement is made by any party hereto with respect to information supplied by any other party for inclusion in the Joint Proxy Statement/Registration Statement.

(b) Letter of NSP's Accountants. NSP shall use best efforts to cause to be delivered to WEC letters of Deloitte & Touche LLP and Price Waterhouse LLP, dated a date within two business days before the date of the Joint Proxy/Registration Statement, and addressed to WEC, in form and substance reasonably satisfactory to WEC and customary in scope and substance for "cold comfort" letters delivered by independent public accountants in connection with registration statements on Form S-4.

(c) Letter of WEC's Accountants. WEC shall use best efforts to cause to be delivered to NSP a letter of Price Waterhouse LLP, dated a date within two business days before the date of the Joint Proxy/Registration Statement, and addressed to NSP, in form and substance reasonably satisfactory to NSP and customary in scope and substance for "cold comfort" letters delivered by independent public accountants in connection with

registration statements on Form S-4.

(d) Fairness Opinions. It shall be a condition to the mailing of the Joint Proxy/Registration Statement to the shareholders of NSP and WEC that (i) NSP shall have received an opinion from Goldman, Sachs & Co., dated the date of the Joint Proxy/Registration Statement, to the effect that, as of the date thereof, the Ratio is fair to the holders of Old NSP Common Stock and (ii) WEC shall have received an opinion from Barr Devlin Associates, dated the date of the Joint Proxy Statement,

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to the effect that, as of the date thereof, the Ratio is fair from a financial point of view to the holders of WEC Common Stock.

Section 7.3 Regulatory Matters.

(a) HSR Filings. Each party hereto shall file or cause to be filed with the Federal Trade Commission and the Department of Justice any notifications required to be filed by their respective "ultimate parent" companies under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and the rules and regulations promulgated thereunder with respect to the transactions contemplated hereby. Such parties will use all commercially reasonable efforts to make such filings promptly and to respond promptly to any requests for additional information made by either of such agencies.

(b) Other Regulatory Approvals. Each party hereto shall cooperate and use its best efforts to promptly prepare and file all necessary documentation, to effect all necessary applications, notices, petitions, filings and other documents, and to use all commercially reasonable efforts to obtain all necessary permits, consents, approvals and authorizations of all Governmental Authorities necessary or advisable to consummate the transactions contemplated by this Agreement, including, without limitation, the NSP Required Statutory Approvals and the WEC Required Statutory Approvals.

Section 7.4 Shareholder Approval.

(a) Approval of WEC Shareholders. Subject to the provisions of Section 7.4(c) and Section 7.4(d), WEC shall, as soon as reasonably practicable after the date hereof (i) take all steps necessary to duly call, give notice of, convene and hold a special meeting of its shareholders (the "WEC Special Meeting") for the purpose of securing the WEC Shareholders' Approval, (ii) distribute to its shareholders the joint Proxy Statement in accordance with applicable federal and state law and with its Restated Articles of Incorporation and by-laws, (iii) subject to the fiduciary duties of its Board of Directors, recommend to its shareholders the approval of the NSP Merger, this Agreement and the transactions contemplated hereby (including the WEC Article Amendments) and (iv) cooperate and consult with NSP with respect to each of the foregoing matters.

(b) Approval of NSP Shareholders. Subject to the provisions of Section 7.4(c) and Section 7.4(d), NSP shall, as soon as reasonably practicable after the date hereof (i) take all steps necessary to duly call, give notice of, convene and

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hold a special meeting of its shareholders (the "NSP Special Meeting") for the purpose of securing the NSP Shareholders' Approval, (ii) distribute to its shareholders the joint Proxy Statement in accordance with applicable federal and state law and with its Restated Articles of Incorporation and by-laws, (iii) subject to the fiduciary duties of its Board of Directors, recommend to its shareholders the approval of the NSP Merger, this Agreement and the transactions contemplated hereby and (iv) cooperate and consult with WEC with respect to each of the foregoing matters.

(c) Meeting Date. The WEC Special Meeting for the purpose of securing the WEC Shareholders' Approval and the NSP Special Meeting for the purpose of securing the NSP Shareholders' Approval shall be held on such dates as NSP and WEC shall mutually determine.

(d) Fairness Opinions Not Withdrawn. It shall be a

condition to the obligation of NSP to hold the NSP Special Meeting that the opinion of Goldman, Sachs & Co., referred to in Section 7.2(d), shall not have been withdrawn, and it shall be a condition to the obligation of WEC to hold the WEC Special Meeting that the opinion of Barr Devlin Associates, referred to in Section 7.2(d), shall not have been withdrawn.

Section 7.5 Directors' and Officers' Indemnification.

(a) Indemnification. To the extent, if any, not provided by an existing right of indemnification or other agreement or policy, from and after the Effective Time, the Company shall, to the fullest extent permitted by applicable law, indemnify, defend and hold harmless each person who is now, or has been at any time prior to the date hereof, or who becomes prior to the Effective Time, an officer, director or employee of any of the parties hereto or any subsidiary (each an "Indemnified Party" and collectively, the "Indemnified Parties") against (i) all losses, expenses (including reasonable attorney's fees and expenses), claims, damages or liabilities or, subject to the proviso of the next succeeding sentence, amounts paid in settlement, arising out of actions or omissions occurring at or prior to the Effective Time (and whether asserted or claimed prior to, at or after the Effective Time) that are, in whole or in part, based on or arising out of the fact that such person is or was a director, officer or employee of such party (the "Indemnified Liabilities"), and (ii) all Indemnified Liabilities to the extent they are based on or arise out of or pertain to the transactions contemplated by this Agreement. In the event of any such loss, expense, claim,

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damage or liability (whether or not arising before the Effective Time), (i) the Company shall pay the reasonable fees and expenses of counsel selected by the Indemnified Parties, which counsel shall be reasonably satisfactory to the Company, promptly after statements therefor are received and otherwise advance to such Indemnified Party upon request reimbursement of documented expenses reasonably incurred, in either case to the

extent not prohibited by the WBCL and upon receipt of any affirmation and undertaking required by Section 180.0853 of the WBCL, (ii) the Company will cooperate in the defense of any such matter and (iii) any determination required to be made with respect to whether an Indemnified Party's conduct complies with the standards set forth under Wisconsin law and the Restated Articles of Incorporation (including the WEC Article Amendments) or By-laws of the Company (as the same shall be amended pursuant to Section 7.20) shall be made by independent counsel mutually acceptable to the Company and the Indemnified Party; provided, however, that the Company shall not be liable for any settlement effected without its written consent (which consent shall not be unreasonably withheld). The Indemnified Parties as a group may retain only one law firm with respect to each related matter except to the extent there is, in the opinion of counsel to an Indemnified Party, under applicable standards of professional conduct, a conflict on any significant issue between positions of such Indemnified Party and any other Indemnified Party or Indemnified Parties.

(b) Insurance. For a period of six years after the Effective Time, the Company shall cause to be maintained in effect policies of directors' and officers' liability insurance maintained by NSP and WEC for the benefit of those persons who are currently covered by such policies on terms no less favorable than the terms of such current insurance coverage; provided, however, that the Company shall not be required to expend in any year an amount in excess of 200% of the annual aggregate premiums currently paid by NSP and WEC for such insurance; and provided, further, that if the annual premiums of such insurance coverage exceed such amount, the Company shall be obligated to obtain a policy with the best coverage available, in the reasonable judgment of the Board of Directors of the Company, for a cost not exceeding such amount.

(c) Successors. In the event the Company or any of its successors or assigns (i) consolidates with or merges into any other person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any person, then and in either such case, proper provisions shall be made so that the successors and assigns of the Company shall assume the obligations set forth in this Section 7.5.

(d) Survival of Indemnification. To the fullest extent permitted by law, from and after the Effective Time, all rights to indemnification as of the date hereof in favor of the employees, agents, directors and officers of NSP, WEC and their respective subsidiaries with respect to their activities as such prior to the Effective Time, as provided in their respective articles of incorporation and by-laws in effect on the date thereof, or otherwise in effect on the date hereof, shall survive the Mergers and shall continue in full force and effect for a period of not less than six years from the Effective Time.

(e) Benefit. The provisions of this Section 7.5 are intended to be for the benefit of, and shall be enforceable by, each Indemnified Party, his or her heirs and his or her representatives.

Section 7.6 Disclosure Schedules. On the date hereof, (i) WEC has delivered to NSP a schedule (the "WEC Disclosure Schedule"), accompanied by a certificate signed by the chief financial officer of WEC stating the WEC Disclosure Schedule is being delivered pursuant to this Section 7.6(i) and (ii) NSP has delivered to WEC a schedule (the "NSP Disclosure Schedule"), accompanied by a certificate signed by the chief financial officer of NSP stating the NSP Disclosure Schedule is being delivered pursuant to this Section 7.6(ii). The NSP Disclosure Schedule and the WEC Disclosure Schedule are collectively referred to herein as the "Disclosure Schedules". The Disclosure Schedules constitute an integral part of this Agreement and modify the respective representations, warranties, covenants or agreements of the parties hereto contained herein to the extent that such representations, warranties, covenants or agreements expressly refer to the Disclosure Schedules. Anything to the contrary contained herein or in the Disclosure Schedules notwithstanding, any and all statements, representations, warranties or disclosures set forth in the Disclosure Schedules shall be deemed to have been made on and as of the date hereof.

Section 7.7 Public Announcements. Subject to each party's disclosure obligations imposed by law, NSP and WEC will cooperate with each other in the development and distribution of all news releases and other public information disclosures with respect to this Agreement or any of the transactions contemplated hereby and shall not issue any public announcement or statement with respect hereto or thereto without the consent of the other party (which consent shall not be unreasonably with-

Section 7.8 Rule 145 Affiliates. Within 30 days after the date of this Agreement, NSP shall identify in a letter to WEC, and WEC shall identify in a letter to NSP, all persons who are, and to such person's best knowledge who will be at the Closing Date, "affiliates" of NSP and WEC, respectively, as such term is used in Rule 145 under the Securities Act (or otherwise under applicable SEC accounting releases with respect to pooling-of-interests accounting treatment). Each of NSP and WEC shall use all reasonable efforts to cause their respective affiliates (including any person who may be deemed to have become an affiliate after the date of the letter referred to in the prior sentence) to deliver to the Company on or prior to the Closing Date a written agreement substantially in the form attached as Exhibit 7.8 (each, an "Affiliate Agreement").

Section 7.9 Employee Agreements and Workforce Matters.

(a) Certain Employee Agreements. Subject to Section 7.10, Section 7.14 and Section 7.15, the Company and its subsidiaries shall honor, without modification, all contracts, agreements, collective bargaining agreements and commitments of the parties prior to the date hereof which apply to any current or former employee or current or former director of the parties hereto; provided, however, that this undertaking is not intended to prevent the Company from enforcing such contracts, agreements, collective bargaining agreements and commitments in accordance with their terms, including, without limitation, any reserved right to amend, modify, suspend, revoke or terminate any such contract, agreement, collective bargaining agreement or commitment.

(b) Workforce Matters. Subject to applicable collective bargaining agreements, for a period of three years following the Effective Time, any reductions in workforce in

respect of employees of the Company shall be made on a fair and equitable basis, in light of the circumstances and the objectives to be achieved, giving consideration to previous work history, job experience, and qualifications, without regard to whether employment was with NSP or its subsidiaries or WEC or its subsidiaries, and any employees whose employment is terminated or jobs are eliminated by the Company or any of its subsidiaries during such period shall be entitled to participate on a fair and equitable basis in the job opportunity and employment placement programs offered by the Company or any of its subsidiaries. Any workforce reductions carried out following the Effective Time by the Company and its subsidiaries shall be done in accordance with all applicable collective bargaining agreements, and all laws and regulations governing

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the employment relationship and termination thereof including, without limitation, the Worker Adjustment and Retraining Notification Act and regulations promulgated thereunder, and any comparable state or local law.

Section 7.10 Employee Benefit Plans.

(a) Maintenance of NSP and WEC Benefit Plans. Subject to Section 7.10(b), Section 7.10(c) and Section 6.1(i), each of the NSP Benefit Plans and WEC Benefit Plans in effect at the date hereof shall be maintained in effect with respect to the employees or former employees of NSP and any of its Direct Subsidiaries, on the one hand, and of WEC and any of its Direct Subsidiaries, on the other hand, respectively, who are covered by any such benefit plan immediately prior to the Closing Date (the "Affiliated Employees") until the Company otherwise determines after the Effective Time; provided, however, that nothing herein contained shall limit any reserved right contained in any such NSP Benefit Plan or WEC Benefit Plan to amend, modify, suspend, revoke or terminate any such plan; provided, further, however, that the Company or its subsidiaries shall provide to the Affiliated Employees for a period of not less than one year following the Effective Time benefits, other than with respect to plans referred to in Section 7.10(b) and Section 7.11, which are no less favorable in

the aggregate than those provided under the NSP Benefit Plans or the WEC Benefit Plans, as the case may be. Without limitation of the foregoing, each participant of any such NSP Benefit Plan or WEC Benefit Plan shall receive credit for purposes of eligibility to participate, vesting, benefit accrual and eligibility to receive benefits under any benefit plan of the Company or any of its subsidiaries or affiliates for service credited for the corresponding purpose under such benefit plan; provided, however, that such crediting of service shall not operate to duplicate any benefit to any such participant or the funding for any such benefit. Any person hired by the Company or any of its subsidiaries after the Closing Date who was not employed by any party hereto or its subsidiaries immediately prior to the Closing Date shall be eligible to participate in such benefit plans maintained, or contributed to, by the subsidiary, division or operation by which such person is employed, provided that such person meets the eligibility requirements of the applicable plan.

(b) Adoption of Company Replacement Plans. With respect to the WEC Short-Term Performance Plan (the "WEC Incentive Plan"), the NSP Executive Incentive Compensation Plan (the "NSP Incentive Plan"), the NSP Long-Term Incentive Award Stock Plan (the "NSP Stock Plan") and the WEC 1993 Omnibus Stock Incentive Plan (the "WEC Stock Plan"), the Company and

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its subsidiaries shall adopt replacement plans as set forth in this Section 7.10(b) (collectively, the "Company Replacement Plans"). Each Company Replacement Plan shall amend and supersede the corresponding NSP or WEC plan and such corresponding plan shall, as of the Effective Time, be merged with and into the appropriate Company Replacement Plan. The WEC Incentive Plan and the NSP Incentive Plan shall be replaced by a new annual bonus plan under which cash bonuses, based on percentages of base salaries, are awarded based upon the achievement of performance goals determined in advance by the Compensation Committee of the Board of Directors of the Company (the "Committee"). With respect to those participants in the new plan who are, or who the Committee determines are likely to be, "covered individuals" within the meaning of Section 162(m) of

the Code, the performance goals shall be objective standards that are approved by shareholders in accordance with the requirements for exclusion from the limits of Section 162(m) of the Code as performance-based compensation. The NSP Stock Plan and the WEC Stock Plan shall be replaced by a stock compensation plan (the "Company Stock Plan") providing for the grant of stock options, stock appreciation rights, restricted stock and such other awards based upon the Company Common Stock as the Board of Directors may determine, subject to shareholder approval of the Company Stock Plan. The Company shall reserve 12 million shares for issuance under the Company Stock Plan.

(c) NSP and WEC Action. With respect to each of the Company Replacement Plans, each of NSP and WEC shall take all corporate action necessary or appropriate to obtain the approval of the respective shareholders with respect to such plan prior to the Effective Time. Before the Effective Time, WEC shall take all steps necessary to amend (i) the WEC Supplemental Executive Retirement Plan, (ii) the WEC Executive Non-Qualified Trust, (iii) each of the Supplemental Retirement Benefit Agreements set forth in Section 5.10(g) of the WEC Disclosure Schedule, (iv) the WEC Executive Deferred Compensation Plan, (v) the WEC Directors' Deferred Compensation Plan, and (vi) the WEPCO Directors' Deferred Compensation Plan, so that none of the transactions contemplated by this Agreement shall constitute a Change of Control for purposes of said arrangements, provided that with respect to items (iii) through (vi), WEC shall use its best efforts to obtain the consent of the other parties thereto. Prior to or as soon as practicable after the date hereof, each of NSP and WEC shall adopt severance plans substantially in the forms attached hereto as Exhibits 7.10(a) and 7.10(b), respectively.

Section 7.11 Stock Option and Other Stock Plans.

(a) Amendment of NSP Stock Plan and Agreements. Ef-

fective as of the Effective Time, NSP shall amend the NSP Stock Plan and each underlying award agreement to provide that (i) each outstanding option to purchase shares of Old NSP Common Stock (each, a "NSP Stock Option"), along with any tandem stock appreciation right, shall constitute an option to acquire shares of Company Common Stock, on the same terms and conditions as were applicable under such NSP Stock Option, based on the same number of shares of the Company Common Stock as the holder of such NSP Stock Option would have been entitled to receive pursuant to the NSP Merger in accordance with Article II had such holder exercised such option in full immediately prior to the Effective Time; provided, that the number of shares, the option price, and the terms and conditions of exercise of such option, shall be determined in a manner that preserves both (A) the aggregate gain (or loss) on the NSP Stock Option immediately prior to the Effective Time and (B) the ratio of the exercise price per share subject to the NSP Stock Option to the fair market value (determined immediately prior to the Effective Time) per share subject to such option; and provided, further, that in the case of any option to which Section 421 of the Code applies by reason of its qualification under any of Sections 422-424 of the Code, the option price, the number of shares purchasable pursuant to such option and the terms and conditions of exercise of such option shall be determined in order to comply with Section 424(a) of the Code; and (ii) each other outstanding award under the NSP Stock Plan ("NSP Stock Awards") shall constitute an award based upon the same number of shares of Company Common Stock as the holder of such NSP Stock Award would have been entitled to receive pursuant to the NSP Merger in accordance with Article II had such holder been the absolute owner, immediately before the Effective Time, of the shares of NSP Common Stock on which such NSP Stock Award is based, and otherwise on the same terms and conditions as governed such NSP Stock Award immediately before the Effective Time. At the Effective Time, the Company shall assume each stock award agreement relating to the NSP Stock Plan, each as amended as previously provided. As soon as practicable after the Effective Time, the Company shall deliver to the holders of NSP Stock Options and NSP Stock Awards appropriate notices setting forth such holders' rights pursuant to the Company Stock Plan and each underlying stock award agreement, each as assumed by the Company.

(b) Amendment of WEC Stock Plan and Agreements. Effective as of the Effective Time, WEC shall amend the WEC Stock Plan and use its best efforts to amend each underlying stock award agreement to provide that none of the transactions

contemplated by this Agreement shall constitute a Change in Control for purposes of the WEC Stock Plan.

(c) Company Action. With respect to each of the NSP Stock Plan, the WEC Stock Plan, the NSP Employee Stock Ownership Plan and any other plans under which the delivery of Old NSP Common Stock, WEC Common Stock or Company Common Stock is required upon payment of benefits, grant of awards or exercise of options (the "Stock Plans"), the Company shall take all corporate action necessary or appropriate to (i) obtain shareholder approval with respect to such Stock Plan to the extent such approval is required for purposes of the Code or other applicable law, or to enable such Stock Plan to comply with Rule 16b-3 promulgated under the Exchange Act, (ii) reserve for issuance under such plan or otherwise provide a sufficient number of shares of Company Common Stock for delivery upon payment of benefits, grant of awards or exercise of options under such Stock Plan and (iii) as soon as practicable after the Effective Time, file registration statements on Form S-3 or Form S-8, as the case may be (or any successor or other appropriate forms), with respect to the shares of Company Common Stock subject to such Stock Plan to the extent such registration statement is required under applicable law, and the Company shall use its best efforts to maintain the effectiveness of such registration statements (and maintain the current status of the prospectuses contained therein) for so long as such benefits and grants remain payable and such options remain outstanding. With respect to those individuals who subsequent to the Mergers will be subject to the reporting requirements under Section 16(a) of the Exchange Act, the Company shall administer the Stock Plans, where applicable, in a manner that complies with Rule 16b-3 promulgated under the Exchange Act.

Section 7.12 No Solicitations. No party hereto shall, and each such party shall cause its Direct Subsidiaries not to, shall not permit any of its Representatives or subsidiaries that are not Direct Subsidiaries to, and shall use its best efforts to cause such persons not to, directly or indirectly: initiate, solicit or encourage, or take any action to facilitate the making of any offer or proposal which constitutes or is reasonably likely to lead to, any Business Combination Proposal (as defined below), or, in the event of an unsolicited Business Combination Proposal, except to the extent required by their fiduciary duties under applicable law if so

advised in a written opinion of outside counsel, engage in negotiations or provide any information or data to any person relating to any Business Combination Proposal. Each party hereto shall notify the other party orally and in writing of any such inquiries, offers or proposals (including, without limitation, the terms and conditions of any such proposal and

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the identity of the person making it), within 24 hours of the receipt thereof, shall keep the other party informed of the status and details of any such inquiry, offer or proposal, and shall give the other party five days' advance notice of any agreement to be entered into with or any information to be supplied to any person making such inquiry, offer or proposal. Each party hereto shall immediately cease and cause to be terminated all existing discussions and negotiations, if any, with any parties conducted heretofore with respect to any Business Combination Proposal. As used in this Section 7.12, "Business Combination Proposal" shall mean any tender or exchange offer, proposal for a merger, consolidation or other business combination involving any party to this Agreement or any of its material subsidiaries, or any proposal or offer (in each case, whether or not in writing and whether or not delivered to the stockholders of a party generally) to acquire in any manner, directly or indirectly, a substantial equity interest in or a substantial portion of the assets of any party to this Agreement or any of its material subsidiaries, other than pursuant to the transactions contemplated by this Agreement or referred to in Section 7.19(c) of this Agreement. Nothing contained herein shall prohibit a party from taking and disclosing to its stockholders a position contemplated by Rule 14e-2(a) under the Exchange Act with respect to a Business Combination Proposal by means of a tender offer.

Section 7.13 Company Board of Directors. NSP's and WEC's respective Boards of Directors will take such action as may be necessary to cause the number of directors comprising the full Board of Directors of the Company at the Effective Time to be 12 persons, six of whom shall be designated by NSP prior to the Effective Time and six of whom shall be designated by WEC prior to the Effective Time. The initial designation of

such directors among the three classes of the Board of Directors of the Company shall be agreed to by NSP and WEC, the designees of each party to be divided equally among such classes; provided, however, that if, prior to the Effective Time, any of such designees shall decline or be unable to serve, the party which designated such person shall designate another person to serve in such person's stead. NSP's and WEC's respective Boards of Directors will also take such action as may be necessary to cause the committees of the Board of Directors of the Company at the Effective Time to consist of that number of NSP and WEC designees with such chairs as are set forth on Exhibit 7.13.

Section 7.14 Company Officers. At the Effective Time, pursuant to the terms hereof and of the employment contracts referred to in Section 7.15: (a) Mr. Howard shall hold

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the positions of Chairman of the Board and Chief Executive Officer of the Company and shall be entitled to serve in such capacities until the end of the Initial Period (as defined in Mr. Howard's employment contract entered into pursuant to Section 7.15), at which time he shall be entitled to continue to hold the position of Chairman of the Board of the Company until the end of the Secondary Period (as defined in Mr. Howard's employment contract entered into pursuant to Section 7.15); and (b) Mr. Abdo shall hold the positions of Vice Chairman of the Board, President and Chief Operating Officer of the Company and shall be entitled to serve in such capacities until the end of the Initial Period, at which time he shall be entitled to hold the additional position of Chief Executive Officer of the Company and to serve in all such capacities until his successor is elected or appointed and shall have qualified in accordance with the WBCL and the Restated Articles of Incorporation (including the WEC Article Amendments) and By-laws of the Company (as the same shall be amended pursuant to Section 7.20). If either of such persons is unable or unwilling to hold such offices for the periods set forth above, his successor shall be selected by the Board of Directors of the Company in accordance with its By-laws.

Section 7.15 Employment Contracts. The Company shall, as of or prior to the Effective Time, enter into employment contracts with Mr. Howard and Mr. Abdoo in the forms set forth in Exhibit 7.15.1 and Exhibit 7.15.2, respectively.

Section 7.16 Post-Merger Operations. Following the Effective Time, the Company shall conduct its operations in accordance with the following:

(a) Principal Corporate Offices. The Company and NSP shall maintain their principal corporate offices in Minnesota in the city of Minneapolis and WEPCO shall maintain its principal corporate offices in Wisconsin in the city of Milwaukee.

(b) Maintenance of Separate Existence of New NSP and WEPCO. WEPCO, on the one hand, and New NSP, on the other hand, shall continue their separate corporate existences, operating under the names of "WISCONSIN ENERGY COMPANY" and "NORTHERN STATES POWER COMPANY", respectively. The respective corporate officers of WEPCO, on the one hand, and NSP, on the other hand, shall be entitled to maintain their current titles and responsibilities as officers of WEPCO and New NSP, respectively, unless and until otherwise determined by the Board of Directors of WEPCO and New NSP.

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(c) Charities. After the Effective Time, the Company shall provide charitable contributions and community support within the service areas of the parties and each of their respective subsidiaries at levels substantially comparable to the levels of charitable contributions and community support provided by the parties and their respective subsidiaries within their service areas within the two-year period immediately prior to the Effective Time. The assets of The Wisconsin Energy Corporation Foundation, Inc. (the "Foundation") shall be used for charitable purposes in accordance with the articles and

by-laws of the Foundation in the service areas of WEPCO (including the prior service area of NSP-W) unless changed by the Board of Directors of the Company.

Section 7.17 Expenses. Subject to Section 9.3, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses, except that those expenses incurred in connection with printing the Joint Proxy/Registration Statement, as well as the filing fee relating thereto, shall be shared equally by NSP and WEC.

Section 7.18 Further Assurances. Each party will, and will cause its Direct Subsidiaries to, execute such further documents and instruments and take such further actions as may reasonably be requested by any other party in order to consummate the Mergers in accordance with the terms hereof. The parties expressly acknowledge and agree that, although it is their current intention to effect a business combination among themselves in the form contemplated by this Agreement, it may be preferable to effectuate such a business combination by means of an alternative structure in light of the conditions set forth in Section 8.1(e), Section 8.2(e), Section 8.2(f), Section 8.3(e), and Section 8.3(f). Accordingly, if the only conditions to the parties' obligations to consummate the Mergers which are not satisfied or waived are receipt of any one or more of the NSP Required Consents, NSP Required Statutory Approvals, WEC Required Consents, WEC Required Statutory Approvals or the ruling referred to in Sections 8.2(e) and 8.3(e), and the adoption of an alternative structure (that otherwise substantially preserves for NSP and WEC the economic benefits of the Merger) would result in such conditions being satisfied or waived, then the parties shall use their respective best efforts to effect a business combination among themselves by means of a mutually agreed upon structure other than the Mergers that so preserves such benefits; provided that, prior to closing any such restructured transaction, all material third

party and Governmental Authority declarations, filings, registrations, notices, authorizations, consents or approvals necessary for the effectuation of such alternative business combination shall have been obtained and all other conditions to the parties' obligations to consummate the Mergers, as applied to such alternative business combination, shall have been satisfied or waived.

Section 7.19 Utility Asset Transfer. In addition to the transactions described in Article I and Article II, contemporaneously with the Reincorporation Effective Time, NSP-W shall sell and transfer to New NSP certain utility assets located in the State of Wisconsin such that, upon such transfer, New NSP shall be a Wisconsin utility for purposes of considering its assets as assets of a public utility affiliate in the determination made under Section 196.795(5)(p) of the Wisconsin Statutes.

Section 7.20 Charter and By-Law Amendments. Prior to the Closing: (a) WEC and NSP shall agree upon amendments to be effected to the Restated Articles of Incorporation of WEC, including to change the name of WEC to a name agreed upon by NSP and WEC (which shall not be the name of, or a name substantially similar to, either NSP or WEC) (the "WEC Article Amendments"), and the by-laws of WEC, and WEC shall take all actions necessary so that the WEC Article Amendments and such amendments to the WEC by-laws become effective no later than the Effective Time; (b) NSP shall cause the articles of incorporation of New NSP to be amended and restated in substantially the form attached hereto as Exhibit 7.20(b); (c) WEC shall cause the articles of incorporation of WEC Sub to be amended and restated in the form attached hereto as Exhibit 7.20(c) and shall cause WEC Sub to issue to WEC additional fully paid shares of WEC Sub's common stock so that, at the Effective Time, the number of outstanding shares of common stock of WEC Sub is equal to the number of outstanding shares of NSP Common Stock at such time.

ARTICLE VIII

CONDITIONS

Section 8.1 Conditions to Each Party's Obligation to Effect the Mergers. The respective obligations of each party to effect the Mergers shall be subject to the satisfaction on or prior to the Closing Date of the following conditions, except, to the extent permitted by applicable law, that such conditions may be waived in writing pursuant to Section 9.5 by the joint action of the parties hereto:

(a) Shareholder Approvals. The WEC Shareholders' Approval and the NSP Shareholders' Approval shall have been obtained.

(b) No Injunction. No temporary restraining order or preliminary or permanent injunction or other order by any federal or state court preventing consummation of the Mergers shall have been issued and be continuing in effect, and the Mergers and the other transactions contemplated hereby shall not have been prohibited under any applicable federal or state law or regulation.

(c) Registration Statement. The Registration Statement shall have become effective in accordance with the provisions of the Securities Act, and no stop order suspending such effectiveness shall have been issued and remain in effect.

(d) Listing of Shares. The shares of Company Common Stock issuable in the Mergers pursuant to Article II shall have been approved for listing on the NYSE upon official notice of issuance.

(e) Statutory Approvals. The NSP Required Statutory Approvals and the WEC Required Statutory Approvals shall have been obtained at or prior to the Effective Time, such approvals shall have become Final Orders (as defined below) and such Final Orders do not impose terms or conditions which, in the aggregate, would have, or insofar as reasonably can be foreseen, could have, a material adverse effect on the business, assets, financial condition or results of operations of the Company and its prospective subsidiaries taken as a whole or on the Company's prospective utility subsidiaries located in the State of Minnesota taken as a whole, or on its prospective utility subsidiaries located in the State of Wisconsin taken as a whole or which would be materially inconsistent with the agreements of the parties contained herein. A "Final Order" means action by the relevant regulatory authority which has not been reversed, stayed, enjoined, set aside,

annulled or suspended, with respect to which any waiting period prescribed by law before the transactions contemplated hereby may be consummated has expired, and as to which all conditions to the consummation of such transactions prescribed by law, regulation or order have been satisfied.

(f) Dissenters' Rights. The number of NSP Dissenting Shares shall not constitute more than 5% of the number of issued and outstanding shares of Old NSP Common Stock

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and Old NSP Preferred Stock, taken together as a single class, for this purpose.

(g) Pooling. Each of NSP and WEC shall have received a letter of its independent public accountants, dated the Closing Date, in form and substance reasonably satisfactory, in each case, to NSP and WEC, stating that the transactions effected pursuant to this Agreement will qualify as a pooling of interests transaction under GAAP and applicable SEC regulations.

Section 8.2 Conditions to Obligation of WEC to Effect the Mergers. The obligation of WEC to effect the NSP Merger shall be further subject to the satisfaction, on or prior to the Closing Date, of the following conditions, except as may be waived by WEC in writing pursuant to Section 9.5:

(a) Performance of Obligations of NSP. NSP (and/or its appropriate subsidiaries) will have performed its agreements and covenants contained in Sections 6.1(b) and 6.1(c) and Section 7.19 and will have performed in all material respects its other agreements and covenants contained in or contemplated by this Agreement and the NSP Stock Option Agreement required to be performed by it at or prior to the Effective Time.

(b) Representations and Warranties. The representations and warranties of NSP set forth in this Agreement and the NSP Stock Option Agreement shall be true and cor-

rect (i) on and as of the date hereof and (ii) on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date (except for representations and warranties that expressly speak only as of a specific date or time other than the date hereof or the Closing Date which need only be true and correct as of such date or time) except in each of cases (i) and (ii) for such failures of representations or warranties to be true and correct (without regard to any materiality qualifications contained therein) which, individually or in the aggregate, would not be reasonably likely to result in a NSP Material Adverse Effect.

(c) Closing Certificates. WEC shall have received a certificate signed by the chief financial officer of NSP, dated the Closing Date, to the effect that, to the best of such officer's knowledge, the conditions set forth in Section 8.2(a) and Section 8.2(b) have been satisfied.

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(d) NSP Material Adverse Effect. No NSP Material Adverse Effect shall have occurred and there shall exist no fact or circumstance which is reasonably likely to have a NSP Material Adverse Effect.

(e) Tax Ruling and Opinion. WEC shall have received (i) a private letter ruling from the Internal Revenue Service ("IRS") providing certain assurances regarding the federal income tax consequences of the Mergers satisfactory in form and substance to Skadden, Arps, Slate, Meagher & Flom and Quarles & Brady and (ii) an opinion of Skadden, Arps, Slate, Meagher & Flom or Quarles & Brady based upon such ruling and satisfactory in form and substance to WEC, dated as of the Closing Date, to the effect that the Reincorporation Merger and the subsequent NSP Merger will each be treated as a tax-free reorganization under Section 368(a) of the Code.

(f) NSP Required Consents. The NSP Required Consents the failure of which to obtain would have a NSP Material Adverse Effect shall have been obtained.

(g) Affiliate Agreements. The Company shall have received Affiliate Agreements, duly executed by each "affiliate" of NSP, substantially in the form of Exhibit 7.8, as provided in Section 7.8.

Section 8.3 Conditions to Obligation of NSP to Effect the Mergers. The obligation of NSP to effect the NSP Merger shall be further subject to the satisfaction, on or prior to the Closing Date, of the following conditions, except as may be waived by NSP in writing pursuant to Section 9.5:

(a) Performance of Obligations of WEC. WEC (and/or its appropriate subsidiaries) will have performed its agreements and covenants contained in Sections 6.1(b) and 6.1(c) and will have performed in all material respects its other agreements and covenants contained in or contemplated by this Agreement and the WEC Stock Option Agreement required to be performed at or prior to the Effective Time.

(b) Representations and Warranties. The representations and warranties of WEC set forth in this Agreement and the WEC Stock Option Agreement shall be true and correct (i) on and as of the date hereof and (ii) on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date (except for representations and warranties that expressly speak only as of a specific date or

time other than the date hereof or the Closing Date which need only be true and correct as of such date or time) except in each of cases (i) and (ii) for such failures of representations or warranties to be true and correct (without regard to any materiality qualifications contained therein) which, individually or in the aggregate, would not be reasonably likely to result in a WEC Material

Adverse Effect.

(c) Closing Certificates. NSP shall have received a certificate signed by the chief financial officer of WEC, dated the Closing Date, to the effect that, to the best of such officer's knowledge, the conditions set forth in Section 8.3(a) and Section 8.3(b) have been satisfied.

(d) WEC Material Adverse Effect. No WEC Material Adverse Effect shall have occurred and there shall exist no fact or circumstance which is reasonably likely to have a WEC Material Adverse Effect.

(e) Tax Ruling and Opinion. NSP shall have received (i) a private letter ruling from the IRS providing certain assurances regarding the federal income tax consequences of the Mergers satisfactory in form and substance to Wachtell, Lipton, Rosen & Katz and (ii) an opinion of Wachtell, Lipton, Rosen & Katz based upon such ruling and satisfactory in form and substance to NSP, dated as of the Closing Date, to the effect that the Reincorporation Merger and the subsequent NSP Merger will each be treated as a tax-free reorganization under Section 368(a) of the Code.

(f) WEC Required Consents. The WEC Required Consents the failure of which to obtain would have a WEC Material Adverse Effect shall have been obtained.

(g) Affiliate Agreements. The Company shall have received Affiliate Agreements, duly executed by each "affiliate" of WEC substantially in the form of Exhibit 7.8, as provided in Section 7.8.

ARTICLE IX

TERMINATION, AMENDMENT AND WAIVER

Section 9.1 Termination. This Agreement may be terminated at any time prior to the Closing Date, whether before or after approval by the shareholders of the respective parties hereto contemplated by this Agreement:

(a) by mutual written consent of the Boards of Directors of NSP and WEC;

(b) by any party hereto, by written notice to the other parties, if the Effective Time shall not have occurred on or before April 30, 1997 (the "Initial Termination Date"); provided, however, that the right to terminate the Agreement under this Section 9.1(b) shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur on or before this date; and provided, further, that if on the Initial Termination Date the conditions to the Closing set forth in Sections 8.1(e), 8.2(f) and/or 8.3(f) shall not have been fulfilled but all other conditions to the Closing shall be fulfilled or shall be capable of being fulfilled, then the Initial Termination Date shall be extended to October 31, 1997;

(c) by any party hereto, by written notice to the other parties, if the WEC Shareholders' Approval shall not have been obtained at a duly held WEC Special Meeting, including any adjournments thereof, or the NSP Shareholders' Approval shall not have been obtained at a duly held NSP Special Meeting, including any adjournments thereof;

(d) by any party hereto, if any state or federal law, order, rule or regulation is adopted or issued, which has the effect, as supported by the written opinion of outside counsel for such party, of prohibiting the NSP Merger, or by any party hereto if any court of competent jurisdiction in the United States or any State shall have issued an order, judgment or decree permanently restraining, enjoining or otherwise prohibiting the NSP Merger, and such order, judgment or decree shall have become final and nonappealable;

(e) by WEC, upon two days' prior notice to NSP, if, as a result of a tender offer by a party other than NSP or any of its affiliates or any written offer or proposal with respect to a merger, sale of a material portion of its assets or other business combination (each, a "Business Combination") by a party other than NSP or any of its affiliates, the Board of Directors of WEC determines in good faith that their fiduciary obligations under applicable law require that such tender offer or other written offer or proposal be accepted; provided, however, that (i)

the Board of Directors of WEC shall have been advised in a written opinion of outside counsel that notwithstanding a

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binding commitment to consummate an agreement of the nature of this Agreement entered into in the proper exercise of their applicable fiduciary duties, and notwithstanding all concessions which may be offered by NSP in negotiations entered into pursuant to clause (ii) below, such fiduciary duties would also require the directors to reconsider such commitment as a result of such tender offer or other written offer or proposal; and (ii) prior to any such termination, WEC shall, and shall cause its respective financial and legal advisors to, negotiate with NSP to make such adjustments in the terms and conditions of this Agreement as would enable WEC to proceed with the transactions contemplated herein on such adjusted terms;

(f) by NSP, upon two days' prior notice to WEC, if, as a result of a tender offer by a party other than WEC or any of its affiliates or any written offer or proposal with respect to a Business Combination by a party other than WEC or any of its affiliates, the Board of Directors of NSP determines in good faith that their fiduciary obligations under applicable law require that such tender offer or other written offer or proposal be accepted; provided, however, that (i) the Board of Directors of NSP shall have been advised in a written opinion of outside counsel that notwithstanding a binding commitment to consummate an agreement of the nature of this Agreement entered into in the proper exercise of their applicable fiduciary duties, and notwithstanding all concessions which may be offered by WEC in negotiations entered into pursuant to clause (ii) below, such fiduciary duties would also require the directors to reconsider such commitment as a result of such tender offer or other written offer or proposal; and (ii) prior to any such termination, NSP shall, and shall cause its respective financial and legal advisors to, negotiate with WEC to make such adjustments in the terms and conditions of this Agreement as would

enable NSP to proceed with the transactions contemplated herein on such adjusted terms;

(g) by NSP, by written notice to WEC, if (i) there exist breaches of the representations and warranties of WEC made herein as of the date hereof which breaches, individually or in the aggregate, would or would be reasonably likely to result in an WEC Material Adverse Effect, and such breaches shall not have been remedied within 20 days after receipt by WEC of notice in writing

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from NSP, specifying the nature of such breaches and requesting that they be remedied, (ii) WEC (and/or its appropriate subsidiaries) shall not have performed and complied with its agreements and covenants contained in Sections 6.1(b) and 6.1(c) or shall have failed to perform and comply with, in all material respects, its other agreements and covenants hereunder or under the WEC Stock Option Agreement and such failure to perform or comply shall not have been remedied within 20 days after receipt by WEC of notice in writing from NSP, specifying the nature of such failure and requesting that it be remedied; or (iii) the Board of Directors of WEC or any committee thereof (A) shall withdraw or modify in any manner adverse to NSP its approval or recommendation of this Agreement or the NSP Merger, (B) shall fail to reaffirm such approval or recommendation upon NSP's request, (C) shall approve or recommend any acquisition of WEC or a material portion of its assets or any tender offer for shares of capital stock of WEC, in each case, by a party other than NSP or any of its affiliates or (D) shall resolve to take any of the actions specified in clause (A), (B) or (C); or

(h) by WEC, by written notice to NSP, if (i) there exist material breaches of the representations and warranties of NSP made herein as of the date hereof which

breaches, individually or in the aggregate, would or would be reasonably likely to result in a NSP Material Adverse Effect, and such breaches shall not have been remedied within 20 days after receipt by NSP of notice in writing from WEC, specifying the nature of such breaches and requesting that they be remedied, (ii) NSP (and/or its appropriate subsidiaries) shall not have performed and complied with its agreements and covenants contained in Sections 6.1(b) and 6.1(c) or shall have failed to perform and comply with, in all material respects, its other agreements and covenants hereunder or under the NSP Stock Option Agreement, and such failure to perform or comply shall not have been remedied within 20 days after receipt by NSP of notice in writing from WEC, specifying the nature of such failure and requesting that it be remedied; or (iii) the Board of Directors of NSP or any committee thereof (A) shall withdraw or modify in any manner adverse to WEC its approval or recommendation of this Agreement or the NSP Merger, (B) shall fail to reaffirm such approval or recommendation upon WEC's request, (C) shall approve or recommend any acquisition of NSP or a material portion of its assets or any tender offer for the shares of capital stock of NSP, in each case by a party other than WEC or any of its affiliates or (D) shall resolve to take any of the actions specified in clause (A), (B) or (C).

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Section 9.2 Effect of Termination. Subject to Section 10.1(b), in the event of termination of this Agreement by either NSP or WEC pursuant to Section 9.1 there shall be no liability on the part of either NSP or WEC or their respective officers or directors hereunder, except that Section 7.17 and Section 9.3, the agreement contained in the last sentence of Section 7.1, Section 10.2 and Section 10.8 shall survive the termination.

Section 9.3 Termination Fee; Expenses.

(a) Termination Fee upon Breach or Withdrawal of Approval. If this Agreement is terminated at such time that this Agreement is terminable pursuant to one (but not both) of

(x) Section 9.1(g) (i) or (ii) or (y) Section 9.1(h) (i) or (ii), then: (i) the breaching party shall promptly (but not later than five business days after receipt of notice from the non-breaching party) pay to the non-breaching party in cash an amount equal to all documented out-of-pocket expenses and fees incurred by the non-breaching party (including, without limitation, fees and expenses payable to all legal, accounting, financial, public relations and other professional advisors arising out of, in connection with or related to the Mergers or the transactions contemplated by this Agreement) not in excess of \$10 million; provided, however, that, if this Agreement is terminated by a party as a result of a willful breach by the other party, the non-breaching party may pursue any remedies available to it at law or in equity and shall, in addition to its out-of-pocket expenses (which shall be paid as specified above and shall not be limited to \$10 million), be entitled to retain such additional amounts as such non-breaching party may be entitled to receive at law or in equity; and (ii) if (x) at the time of the breaching party's willful breach of this Agreement, there shall have been a third party tender offer for shares of, or a third party offer or proposal with respect to a Business Combination involving, such party or any of its affiliates which at the time of such termination shall not have been rejected by such party and its board of directors and withdrawn by the third party, and (y) within two and one-half years of any termination by the non-breaching party, the breaching party or an affiliate thereof becomes a subsidiary of such offeror or a subsidiary of an affiliate of such offeror or accepts a written offer to consummate or consummates a Business Combination with such offeror or an affiliate thereof, then such breaching party (jointly and severally with its affiliates), upon the signing of a definitive agreement relating to such a Business Combination, or, if no such agreement is signed then at the closing (and as a condition to the closing) of such breaching party becoming such a subsidiary or of such Business

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Combination, will pay to the non-breaching party an additional fee equal to \$75 million in cash.

(b) Additional Termination Fee. If (i) this Agreement (x) is terminated by any party pursuant to Section 9.1(e) or Section 9.1(f), (y) is terminated following a failure of the shareholders of any one of the parties to grant the necessary approvals described in Section 4.13 and Section 5.13 or (z) is terminated as a result of such party's material breach of Section 7.4, and (ii) at the time of such termination or prior to the meeting of such party's shareholders there shall have been a third-party tender offer for shares of, or a third-party offer or proposal with respect to a Business Combination involving, such party or any of its affiliates which at the time of such termination or of the meeting of such party's shareholders shall not have been (A) rejected by such party and its board of directors and (B) withdrawn by the third-party, and (iii) within two and one-half years of any such termination described in clause (i) above, the party or its affiliate which is the subject of the tender offer or offer or proposal with respect to a Business Combination (the "Target Party") becomes a subsidiary of such offeror or a subsidiary of an affiliate of such offeror or accepts a written offer to consummate or consummates a Business Combination with such offeror or affiliate thereof, then such Target Party (jointly and severally with its affiliates), upon the signing of a definitive agreement relating to such a Business Combination, or, if no such agreement is signed, then at the closing (and as a condition to the closing) of such Target Party becoming such a subsidiary or of such Business Combination, will pay to the other party a termination fee equal to \$75 million in cash plus the out-of-pocket fees and expenses incurred by the non-breaching party (including, without limitation, fees and expenses payable to all legal, accounting, financial, public relations and other professional advisors arising out of, in connection with or related to the Mergers or the transactions contemplated by this Agreement).

(c) Expenses. The parties agree that the agreements contained in this Section 9.3 are an integral part of the transactions contemplated by the Agreement and constitute liquidated damages and not a penalty. If one party fails to promptly pay to the other any fee due hereunder, the defaulting party shall pay the costs and expenses (including legal fees and expenses) in connection with any action, including the filing of any lawsuit or other legal action, taken to collect payment, together with interest on the amount of any unpaid fee at the publicly announced prime rate of Citibank, N.A. from the date such fee was required to be paid.

(d) Limitation of Termination Fees. Notwithstanding anything herein to the contrary, the aggregate amount payable to NSP and its affiliates pursuant to Section 9.3(a), Section 9.3(b) and the terms of the WEC Stock Option Agreement shall not exceed \$125 million and the aggregate amount payable to WEC and its affiliates pursuant to Section 9.3(a), Section 9.3(b) and the terms of the NSP Stock Option Agreement shall not exceed \$125 million (including reimbursement for fees and expenses payable pursuant to this Section 9.3). For purposes of this Section 9.3(d), the amount payable pursuant to the terms of the WEC Stock Option Agreement or the NSP Stock Option Agreement, as the case may be, shall be the amount paid pursuant to Section 7(a)(i) and 7(a)(ii) thereof.

Section 9.4 Amendment. This Agreement may be amended by the Boards of Directors of the parties hereto, at any time before or after approval hereof by the shareholders of NSP and WEC and prior to the Effective Time, but after such approvals, no such amendment shall (i) alter or change the amount or kind of shares, rights or any of the proceedings of the treatment of shares under Article II, (ii) alter or change any of the terms and conditions of this Agreement if any of the alterations or changes, alone or in the aggregate, would materially adversely affect the rights of holders of Old NSP Common Stock or WEC Common Stock, or (iii) alter or change any term of the Restated Articles of Incorporation of WEC (including the WEC Article Amendments) as approved by the shareholders of WEC, except for alterations or changes that could otherwise be adopted by the Board of Directors of the Company, without the further approval of such shareholders, as applicable. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 9.5 Waiver. At any time prior to the Effective Time, the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions contained herein, to the extent permitted by applicable law. Any agreement on the part of a party hereto to any such extension or waiver shall be valid if set forth in an instrument in writing signed on behalf of such party.

ARTICLE X

GENERAL PROVISIONS

Section 10.1 Non-Survival; Effect of Representations and Warranties. (a) All representations, warranties and agreements in this Agreement shall not survive the Mergers, except as otherwise provided in this Agreement and except for the agreements contained in this Section 10.1 and in Article II, Section 7.5, Section 7.9, Section 7.10, Section 7.11, Section 7.14, Section 7.15, Section 7.16, Section 7.17 and Section 10.7.

(b) No party may assert a claim for breach of any representation or warranty contained in this Agreement (whether by direct claim or counterclaim) except in connection with the cancellation of this Agreement pursuant to Section 9.1(g)(i) or Section 9.1(h)(i) (or pursuant to any other subsection of Section 9.1, if the terminating party would have been entitled to terminate this Agreement pursuant to Section 9.1(g)(i) or Section 9.1(h)(i)).

Section 10.2 Brokers. NSP represents and warrants that, except for Goldman, Sachs & Co. whose fees have been disclosed to WEC prior to the date hereof, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Mergers or the transactions contemplated by this Agreement based upon arrangements made by or on behalf of NSP. WEC represents and warrants that, except for Barr Devlin Associates, whose fees have been disclosed to NSP prior to the date hereof, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the

Mergers or the transactions contemplated by this Agreement based upon arrangements made by or on behalf of WEC.

Section 10.3 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if (i) delivered personally, (ii) sent by reputable overnight courier service, (iii) telecopied (which is confirmed), or (iv) five days after being mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

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(a) If to NSP, to:

Northern States Power Company
414 Nicollet Mall
Minneapolis, Minnesota 55401

Attention: Gary Johnson, Esq.
Telephone: (612) 330-7623
Telecopy: (612) 330-6222

with a copy to:

Gardner, Carton & Douglas
Quaker Tower, 31st Floor
321 North Clark Street
Chicago, Illinois 60610-4795

Attention: Peter Clarke, Esq.
Telephone: (312) 245-8685
Telecopy: (312) 644-3381

and a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019

Attention: Barry A. Bryer, Esq.
Seth A. Kaplan, Esq.
Telephone: (212) 403-1000
Telecopy: (212) 403-2000

(b) If to WEC, to:

Wisconsin Energy Corporation
231 West Michigan Street
Milwaukee, WI 53201

Attention: Walter T. Woelfle, Esq.
Telephone: (414) 221-2765
Telecopy: (414) 221-2412

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with a copy to:

Quarles & Brady
411 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

Attention: Patrick M. Ryan, Esq.
Telephone: (414) 277-5181
Telecopy: (414) 277-5174

and a copy to:

Skadden, Arps, Slate, Meagher & Flom
919 Third Avenue
New York, New York 10022

Attention: Sheldon S. Adler, Esq.
Telephone: (212) 735-3000
Telecopy: (212) 735-2000

Section 10.4 Miscellaneous. This Agreement (including the documents and instruments referred to herein) (i) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof other than the Confidentiality Agreement; (ii) shall not be assigned by operation of law or otherwise; and (iii) shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts executed in and to be fully performed in such State, without giving effect to its conflicts of law, rules or principles and except to the extent the provisions of this Agreement (including the documents or instruments referred to herein) are expressly governed by or derive their authority from the MBCA or the WBCL.

Section 10.5 Interpretation. When a reference is made in this Agreement to Sections or Exhibits, such reference shall be to a Section or Exhibit of this Agreement, respectively, unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation".

Section 10.6 Counterparts; Effect. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.

Section 10.7 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and, except for rights of Indemnified Parties as set forth in Section 7.5, nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement. Notwithstanding the foregoing and any other provision of this Agreement, and in addition to any other required action of the Board of Directors of the Company (a) a majority of the WEC Directors (or their successors) serving on the Board of Directors of the Company who are designated by WEC pursuant to Section 7.13 shall be entitled during the three year period commencing at the Effective Time (the "Three Year Period") to enforce the provisions of Section 7.9, Section 7.10, Section 7.11 and Section 7.14 on behalf of the WEC officers, directors and employees, as the case may be, and (b) a majority of the NSP directors (or their successors) serving on the Board of Directors of the Company who are designated by NSP pursuant to Section 7.13 shall be entitled during the Three Year Period to enforce the provisions of, Sections 7.9, Section 7.10, Section 7.11, and Section 7.14 on behalf of the NSP officers, directors and employees, as the case may be. Such directors' rights and remedies under the preceding sentence are cumulative and are in addition to any other rights and remedies they may have at law or in equity, but in no event shall this Section 10.7 be deemed to impose any additional duties on any such directors. The Company shall pay, at the time they are incurred, all costs, fees and expenses of such directors incurred in connection with the assertion of any rights on behalf of the persons set forth above pursuant to this Section 10.7.

Section 10.8 Waiver of Jury Trial and Certain Damages. Each party to this Agreement waives, to the fullest extent permitted by applicable law, (i) any right it may have to a trial by jury in respect of any action, suit or proceeding arising out of or relating to this Agreement and (ii) without limitation to Section 9.3, any right it may have to receive damages from any other party based on any theory of liability for any special, indirect, consequential (including lost profits) or punitive damages.

Section 10.9 Enforcement. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of the United States located in the State of New York or in New York state court, this being in

addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any federal court located in the State of New York or any New York state court in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than a federal or state court sitting in the State of New York.

IN WITNESS WHEREOF, NSP, WEC, New NSP and WEC Sub have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

NORTHERN STATES POWER COMPANY

	By: /s/ JAMES J. HOWARD
	Name: James J. Howard
	Title: Chairman and Chief Executive Officer
Attest: /s/ GARY R. JOHNSON Secretary	

WISCONSIN ENERGY CORPORATION

	By: /s/ RICHARD A. ABDOO
	Name: Richard A. Abdo
	Title: Chairman, President and Chief Executive Officer
Attest: /s/ JOHN H. GOETSCH____ Secretary	

NORTHERN POWER WISCONSIN CORP.

By: /s/ EDWARD J. McINTYRE

Attest: /s/ GARY R. JOHNSON
Secretary

Name: Edward J. McIntyre
Title: President

WEC SUB CORP.

Attest: /s/ ANN MARIE BRADY
Secretary

By: /s/ RICHARD A. ABDOO
Name: Richard A. Abdoo
Title: Chairman, President
and Chief Executive
Officer

WEC STOCK OPTION AGREEMENT

STOCK OPTION AGREEMENT, dated as of April 28, 1995 by and among Northern States Power Company, a Minnesota corporation ("NSP"), and Wisconsin Energy Corporation, a Wisconsin corporation (the "Company").

WHEREAS, concurrently with the execution and delivery of this Agreement, (i) NSP, the Company, Northern Power Wisconsin Corp., a Wisconsin corporation ("New NSP") and WEC Sub Corp., a Wisconsin corporation ("WEC Sub"), are entering into an Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), which provides, among other things, upon the terms and subject to the conditions thereof, for the merger of NSP with and into New NSP and the merger of WEC Sub with and into New NSP (the "Mergers"), and (ii) the Company and NSP are entering into a certain stock option agreement dated as of the date hereof whereby NSP grants to the Company an option with respect to certain shares of NSP's common stock on the terms and subject to the conditions set forth therein (the "NSP Stock Option Agreement"); and

WHEREAS, as a condition to NSP's willingness to enter into the Merger Agreement, NSP has requested that the Company agree, and the Company has so agreed, to grant to NSP an option with respect to certain shares of the Company's common stock, on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, to induce NSP to enter into the Merger Agreement, and in consideration of the mutual covenants and agreements set forth herein and in the Merger Agreement, the parties hereto agree as follows:

1. Grant of Option. The Company hereby grants NSP an irrevocable option (the "Company Option") to purchase up to 21,773,726 shares, subject to adjustment as provided in Section 11 (such shares being referred to herein as the "Company Shares") of common stock, par value \$.01 per share, of the Company (the "Company Common Stock") (being 19.9% of the number of shares of Company Common Stock outstanding on the date hereof) in the manner set forth below at a price (the "Exercise

Price") per Company Share of \$27.675 (which is equal to the Fair Market Value (as defined below) of a Company Share on the date hereof) payable, at NSP's option, (a) in cash or (b) subject to the Company's having obtained the approvals of any Governmental Authority required for the Company to acquire the NSP Shares (as defined below) from NSP, which approvals the Company shall use best efforts to obtain, in shares of common

stock, par value \$2.50 per share, of NSP ("NSP Shares") in either case in accordance with Section 4 hereof. Notwithstanding the foregoing, in no event shall the number of Company Shares for which the Company Option is exercisable exceed 19.9% of the number of issued and outstanding shares of Company Common Stock. As used herein, the "Fair Market Value" of any share shall be the average of the daily closing sales price for such share on the New York Stock Exchange (the "NYSE") during the 10 NYSE trading days prior to the fifth NYSE trading day preceding the date such Fair Market Value is to be determined. Capitalized terms used herein but not defined herein shall have the meanings set forth in the Merger Agreement.

2. Exercise of Option. The Company Option may be exercised by NSP, in whole or in part, at any time or from time to time after the Merger Agreement becomes terminable by NSP under circumstances which could entitle NSP to termination fees under either Section 9.3(a) of the Merger Agreement (provided that the events specified in Section 9.3(a)(ii)(x) of the Merger Agreement shall have occurred, although the events specified in Section 9.3(a)(ii)(y) thereof need not have occurred) or Section 9.3(b) of the Merger Agreement (regardless of whether the Merger Agreement is actually terminated or whether there occurs a closing of any Business Combination involving a Target Party or a closing by which a Target Party becomes a subsidiary), any such event by which the Merger Agreement becomes so terminable by NSP being referred to herein as a "Trigger Event." The Company shall notify NSP promptly in writing of the occurrence of any Trigger Event, it being understood that the giving of such notice by the Company shall not be a condition to the right of NSP to exercise the Company Option. In the event NSP wishes to exercise the Company Option, NSP shall deliver to the Company a written notice (an "Exercise Notice") specifying the total number of Company Shares it wishes to purchase. Each closing of a purchase of Company Shares (a "Closing") shall occur at a place, on a date

and at a time designated by NSP in an Exercise Notice delivered at least two business days prior to the date of the Closing. The Company Option shall terminate upon the earlier of: (i) the Effective Time; (ii) the termination of the Merger Agreement pursuant to Section 9.1 thereof (other than upon or during the continuance of a Trigger Event); or (iii) 180 days following any termination of the Merger Agreement upon or during the continuance of a Trigger Event (or if, at the expiration of such 180 day period the Company Option cannot be exercised by reason of any applicable judgment, decree, order, law or regulation, 10 business days after such impediment to exercise shall have been removed or shall have become final and not subject to appeal, but in no event under this clause (iii) later than October 31, 1997). Notwithstanding the foregoing,

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the Company Option may not be exercised if NSP is in material breach of any of its material representations or warranties, or in material breach of any of its covenants or agreements, contained in this Agreement or in the Merger Agreement. Upon the giving by NSP to the Company of the Exercise Notice and the tender of the applicable aggregate Exercise Price, NSP shall be deemed to be the holder of record of the Company Shares issuable upon such exercise, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such Company Shares shall not then be actually delivered to NSP.

3. Conditions to Closing. The obligation of the Company to issue the Company Shares to NSP hereunder is subject to the conditions, which (other than the conditions described in clauses (i), (iii) and (iv) below) may be waived by the Company in its sole discretion, that (i) all waiting periods, if any, under the HSR Act, applicable to the issuance of the Company Shares hereunder shall have expired or have been terminated; (ii) the Company Shares, and any NSP Shares which are issued in payment of the Exercise Price, shall have been approved for listing on the NYSE upon official notice of issuance; (iii) all consents, approvals, orders or authorizations of, or registrations, declarations or filings with, any federal, state or local administrative agency or commission or

other federal state or local Governmental Authority, if any, required in connection with the issuance of the Company Shares hereunder shall have been obtained or made, as the case may be, including, without limitation, the approval of the SEC under Section 10 of the 1935 Act of the acquisition of the Company Shares by NSP and, if applicable, the acquisition by the Company of the NSP Shares constituting the Exercise Price hereunder; and (iv) no preliminary or permanent injunction or other order by any court of competent jurisdiction prohibiting or otherwise restraining such issuance shall be in effect.

4. Closing. At any Closing, (a) the Company will deliver to NSP or its designee a single certificate in definitive form representing the number of the Company Shares designated by NSP in its Exercise Notice, such certificate to be registered in the name of NSP and to bear the legend set forth in Section 12, and (b) NSP will deliver to the Company the aggregate price for the Company Shares so designated and being purchased by (i) wire transfer of immediately available funds or certified check or bank check or (ii) subject to the condition in Section 1(b), a certificate or certificates representing the number of NSP Shares being issued by NSP in consideration thereof, as the case may be. For the purposes of this Agreement, the number of NSP Shares to be delivered to the Company shall be equal to the quotient obtained by dividing (i)

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the product of (x) the number of Company Shares with respect to which the Company Option is being exercised and (y) the Exercise Price by (ii) the Fair Market Value of the NSP Shares on the date immediately preceding the date the Exercise Notice is delivered to the Company. The Company shall pay all expenses, and any and all United States federal, state and local taxes and other charges that may be payable in connection with the preparation, issue and delivery of stock certificates under this Section 4 in the name of NSP or its designee.

5. Representations and Warranties of the Company. The Company represents and warrants to NSP that (a) except as set forth in Section 5.1 of the WEC Disclosure Schedule, the Company is a corporation duly organized, validly existing and

in active status under the laws of the State of Wisconsin and has the corporate power and authority to enter into this Agreement and, subject to obtaining the applicable approval of shareholders of the Company for the repurchase of Company Shares pursuant to Section 7(a) below under circumstances where Section 180.1134(1) of the WBCL or Article III D.(1) of the Company's Restated Articles of Incorporation ("Restated Articles") would be applicable (the "Buyback Approvals") and subject to any regulatory approvals referred to herein and to the provisions of Section 180.0640 of the WBCL, if applicable, to carry out its obligations hereunder, (b) the execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or any of the transactions contemplated hereby (other than any required Buyback Approvals), (c) such corporate action (including the approval of the Board of Directors of the Company) is intended to render inapplicable to this Agreement and the Merger Agreement and the transactions contemplated hereby and thereby, the provisions of the WBCL referred to in Section 5.15 of the Merger Agreement, (d) this Agreement has been duly executed and delivered by the Company, constitutes a valid and binding obligation of the Company and, assuming this Agreement constitutes a valid and binding obligation of NSP, is enforceable against the Company in accordance with its terms, (e) the Company has taken all necessary corporate action to authorize and reserve for issuance and to permit it to issue, upon exercise of the Company Option, and at all times from the date hereof through the expiration of the Company Option will have reserved, 21,773,726 authorized and unissued Company Shares, such amount being subject to adjustment as provided in Section 11, all of which, upon their issuance and delivery in accordance with the terms of this Agreement, will be validly issued, fully paid and nonassessable (subject to Section 180.0622(2)(b) of

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the WBCL, as judicially interpreted), (f) upon delivery of the Company Shares to NSP upon the exercise of the Company Option, NSP will acquire the Company Shares free and clear of all

claims, liens, charges, encumbrances and security interests of any nature whatsoever, (g) except as described in Section 5.4(b) of the Merger Agreement, the execution and delivery of this Agreement by the Company does not, and the consummation by the Company of the transactions contemplated hereby will not, violate, conflict with, or result in a breach of any provision of, or constitute a default (with or without notice or lapse of time, or both) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination, cancellation, or acceleration of any obligation or the loss of a material benefit under, or the creation of a lien, pledge, security interest or other encumbrance on assets (any such conflict, violation, default, right of termination, cancellation or acceleration, loss or creation, a "Violation") of the Company or any of its subsidiaries, pursuant to, (A) any provision of the Restated Articles or by-laws of the Company, (B) any provisions of any loan or credit agreement, note, mortgage, indenture, lease, Company benefit plan or other agreement, obligation, instrument, permit, concession, franchise, license or (C) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Company or its properties or assets, which Violation, in the case of each of clauses (B) and (C), could reasonably be expected to have a material adverse effect on the Company and its subsidiaries taken as a whole, (h) except as described in Section 5.4(c) of the Merger Agreement or Section 1(b) or Section 3 hereof, the execution and delivery of this Agreement by the Company does not, and the performance of this Agreement by the Company will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Authority, (i) none of the Company, any of its affiliates or anyone acting on its or their behalf has issued, sold or offered any security of the Company to any person under circumstances that would cause the issuance and sale of the Company Shares, as contemplated by this Agreement, to be subject to the registration requirements of the Securities Act as in effect on the date hereof and, assuming the representations of NSP contained in Section 6(h) are true and correct, the issuance, sale and delivery of the Company Shares hereunder would be exempt from the registration and prospectus delivery requirements of the Securities Act, as in effect on the date hereof (and the Company shall not take any action which would cause the issuance, sale and delivery of the Company Shares hereunder not to be exempt from such requirements), and (j) any NSP Shares acquired pursuant to this Agreement will be acquired for the Company's own account, for investment purposes only and will not be acquired

by the Company with a view to the public distribution thereof in violation of any applicable provision of the Securities Act.

6. Representations and Warranties of NSP. NSP represents and warrants to the Company that (a) NSP is a corporation duly organized, validly existing and in good standing under the laws of the State of Minnesota and has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder, (b) the execution and delivery of this Agreement by NSP and the consummation by NSP of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of NSP and no other corporate proceedings on the part of NSP are necessary to authorize this Agreement or any of the transactions contemplated hereby, (c) this Agreement has been duly executed and delivered by NSP and constitutes a valid and binding obligation of NSP, and, assuming this Agreement constitutes a valid and binding obligation of the Company, is enforceable against NSP in accordance with its terms, (d) prior to any delivery of NSP Shares in consideration of the purchase of Company Shares pursuant hereto, NSP will have taken all necessary corporate action to authorize for issuance and to permit it to issue such NSP Shares, all of which, upon their issuance and delivery in accordance with the terms of this Agreement, will be validly issued, fully paid and nonassessable, and to render inapplicable to the receipt by the Company of the NSP Shares the provisions of the MBCA referred to in Section 4.15 of the Merger Agreement, (e) upon any delivery of such NSP Shares to the Company in consideration of the purchase of Company Shares pursuant hereto, the Company will acquire the NSP Shares free and clear of all claims, liens, charges, encumbrances and security interests of any nature whatsoever, (f) except as described in Section 4.4(b) of the Merger Agreement, the execution and delivery of this Agreement by NSP does not, and the consummation by NSP of the transactions contemplated hereby will not, violate, conflict with, or result in the breach of any provision of, or constitute a default (with or without notice or lapse of time, or both) under, or result in any Violation by NSP or any of its subsidiaries, pursuant to (A) any provision of the Restated Articles of Incorporation or By-laws of NSP, (B) any provisions of any loan or credit agreement, note, mortgage, indenture, lease, NSP benefit plan or other agreement, obligation, instrument, permit, concession, franchise, license or (C) any judgment, order, decree, statute,

law, ordinance, rule or regulation applicable to NSP or its properties or assets, which Violation, in the case of each of clauses (B) and or (C), would have a material adverse effect on NSP and its subsidiaries taken as a whole, (g) except as described in Section 4.4(c) of the Merger Agreement or Section 1(b) or Section 3 hereof, the execution and delivery of this

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Agreement by NSP does not, and the consummation by NSP of the transactions contemplated hereby will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Authority and (h) any Company Shares acquired upon exercise of the Company Option will be acquired for NSP's own account, for investment purposes only and will not be, and the Company Option is not being, acquired by NSP with a view to the public distribution thereof in violation of any applicable provision of the Securities Act.

7. Certain Repurchases.

(a) NSP Put. At the request of NSP by written notice at any time during which the Company Option is exercisable pursuant to Section 2 (the "Repurchase Period"), the Company (or any successor entity thereof) shall repurchase from NSP all or any portion of the Company Option, at the price set forth in subparagraph (i) below, or, at the request of NSP by written notice at any time prior to April 30, 1997 (provided that such date shall be extended to October 31, 1997 under the circumstances where the date after which either party may terminate the Merger Agreement pursuant to Section 9.1(b) of the Merger Agreement has been extended to October 31, 1997), the Company (or any successor entity thereof) shall repurchase from NSP all or any portion of the Company Shares purchased by NSP pursuant to the Company Option, at the price set forth in subparagraph (ii) below:

(i) the difference between the "Market/Offer Price" for shares of Company Common Stock as of the date NSP gives notice of its intent to exercise its rights under this Section 7 (defined as the higher of (A) the price per share offered as of such date pursuant to any tender or

exchange offer or other offer with respect to a Business Combination which was made prior to such date and not terminated or withdrawn as of such date (the "Offer Price") and (B) the Fair Market Value of Company Common Stock as of such date (the "Market Price")) and the Exercise Price, multiplied by the number of Company Shares purchasable pursuant to the Company Option (or portion thereof with respect to which NSP is exercising its rights under this Section 7), but only if the Market/Offer Price is greater than the Exercise Price;

(ii) the product of (x) the sum of (A) the Exercise Price paid by NSP per Company Share acquired pursuant to the Company Option and (B) the difference between the Market/Offer Price and the Exercise Price, but only if the Market/Offer Price is greater than the Exercise Price, and (y) the number of Company Shares so to be repurchased

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pursuant to this Section 7. For purposes of this clause (ii), the Offer Price shall be the highest price per share offered pursuant to a tender or exchange offer or other Business Combination offer during the Repurchase Period prior to the delivery by NSP of a notice of repurchase.

(b) Redelivery of NSP Shares. If NSP elected to purchase Company Shares pursuant to the exercise of the Company Option by the issuance and delivery of NSP Shares, then the Company shall, if so requested by NSP, in fulfillment of its obligation pursuant to clause (A) of Section 7(a)(ii)(x) (that is, with respect to the Exercise Price only and without limitation to its obligation to pay additional consideration under clause (B) of Section 7(a)(ii)(x)), redeliver the certificate for such NSP Shares to NSP, free and clear of all liens, claims, damages, charges and encumbrances of any kind or nature whatsoever; provided, however, that if less than all of the Company Shares purchased by NSP pursuant to the Company Option are to be repurchased pursuant to this Section 7, then NSP shall issue to the Company a new certificate representing those NSP Shares which are not due to be redelivered to NSP pursuant to this Section 7 as they constituted payment of the Exercise

Price for the Company Shares not being repurchased.

(c) Payment and Redelivery of Company Option or Shares. In the event NSP exercises its rights under this Section 7, the Company shall, within 10 business days thereafter, pay the required amount to NSP in immediately available funds and NSP shall surrender to the Company the Company Option or the certificates evidencing the Company Shares purchased by NSP pursuant thereto, and NSP shall warrant that it owns the Company Option or such shares and that the Company Option or such shares are then free and clear of all liens, claims, damages, charges and encumbrances of any kind or nature whatsoever.

(d) NSP Call. If NSP has elected to purchase Company Shares pursuant to the exercise of the Company Option by the issuance and delivery of NSP Shares, notwithstanding that NSP may no longer hold any such Company Shares or that NSP elects not to exercise its other rights under this Section 7, NSP may require, at any time or from time to time prior to April 30, 1997 (provided that such date shall be extended to October 31, 1997 under the circumstances where the date after which either party may terminate the Merger Agreement pursuant to Section 9.1(b) of the Merger Agreement has been extended to October 31, 1997), the Company to sell to NSP any such NSP Shares at the price attributed to such NSP Shares pursuant to Section 4 plus interest at the rate of 6.5% per annum on such amount from the Closing Date relating to the exchange of such NSP Shares pursuant to Section 4 to the closing date under this

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Section 7(d) less any dividends on such NSP Shares paid during such period or declared and payable to stockholders of record on a date during such period.

(e) Repurchase Price Reduced at NSP's Option. In the event the repurchase price specified in Section 7(a) would subject the purchase of the Company Option or the Company Shares purchased by NSP pursuant to the Company Option to a vote of the shareholders of the Company pursuant to Section 180.1134 of the WBCL or Section D(1) of Article III of the Company's Restated Articles of Incorporation, then NSP may, at

its election, reduce the repurchase price to an amount which would permit such repurchase without the necessity for such a shareholder vote.

8. Voting of Shares. Following the date hereof and prior to the fifth anniversary of the date hereof (the "Expiration Date"), each party shall vote any shares of capital stock of the other party acquired by such party pursuant to this Agreement, including any NSP Shares issued pursuant to Section 1(b) ("Restricted Shares") or otherwise beneficially owned (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) by such party on each matter submitted to a vote of shareholders of such other party for and against such matter in the same proportion as the vote of all other shareholders of such other party are voted (whether by proxy or otherwise) for and against such matter.

9. Restrictions on Transfer.

(a) Restrictions on Transfer. Prior to the Expiration Date, neither party shall, directly or indirectly, by operation of law or otherwise, sell, assign, pledge, or otherwise dispose of or transfer any Restricted Shares beneficially owned by such party, other than (i) pursuant to Section 7, or (ii) in accordance with Section 9(b) or Section 10.

(b) Permitted Sales. Following the termination of the Merger Agreement, a party shall be permitted to sell any Restricted Shares beneficially owned by it if such sale is made pursuant to a tender or exchange offer that has been approved or recommended, or otherwise determined to be fair to and in the best interests of the shareholders of the other party, by a majority of the members of the Board of Directors of such other party which majority shall include a majority of directors who were directors prior to the announcement of such tender or exchange offer.

10. Registration Rights. Following the termination of the Merger Agreement, each party hereto (a "Designated Holder") may by written notice (the "Registration Notice") to the other party (the "Registrant") request the Registrant to register under the Securities Act all or any part of the Restricted Shares beneficially owned by such Designated Holder (the "Registrable Securities") pursuant to a bona fide firm commitment underwritten public offering in which the Designated Holder and the underwriters shall effect as wide a distribution of such Registrable Securities as is reasonably practicable and shall use their best efforts to prevent any person (including any Group (as used in Rule 13d-5 under the Exchange Act)) and its affiliates from purchasing through such offering Restricted Shares representing more than 1% of the outstanding shares of common stock of the Registrant on a fully diluted basis (a "Permitted Offering"). The Registration Notice shall include a certificate executed by the Designated Holder and its proposed managing underwriter, which underwriter shall be an investment banking firm of nationally recognized standing (the "Manager"), stating that (i) they have a good faith intention to commence promptly a Permitted Offering and (ii) the Manager in good faith believes that, based on the then prevailing market conditions, it will be able to sell the Registrable Securities at a per share price equal to at least 80% of the then Fair Market Value of such shares. The Registrant (and/or any person designated by the Registrant) shall thereupon have the option exercisable by written notice delivered to the Designated Holder within 10 business days after the receipt of the Registration Notice, irrevocably to agree to purchase all or any part of the Registrable Securities proposed to be so sold for cash at a price (the "Option Price") equal to the product of (i) the number of Registrable Securities to be so purchased by the Registrant and (ii) the then Fair Market Value of such shares. Any such purchase of Registrable Securities by the Registrant (or its designee) hereunder shall take place at a closing to be held at the principal executive offices of the Registrant or at the offices of its counsel at any reasonable date and time designated by the Registrant and/or such designee in such notice within 20 business days after delivery of such notice. Any payment for the shares to be purchased shall be made by delivery at the time of such closing of the Option Price in immediately available funds.

If the Registrant does not elect to exercise its option pursuant to this Section 10 with respect to all Registrable Securities, it shall use its best efforts to effect, as promptly as practicable, the registration under the Securities Act of the unpurchased Registrable Securities proposed to be so sold; provided, however, that (i) neither party shall be entitled to more than an aggregate of two effective registration

statements hereunder and (ii) the Registrant will not be required to file any such registration statement during any period of time (not to exceed 40 days after such request in the case of clause (A) below or 90 days in the case of clauses (B) and (C) below) when (A) the Registrant is in possession of material non-public information which it reasonably believes would be detrimental to be disclosed at such time and, in the opinion of counsel to the Registrant, such information would have to be disclosed if a registration statement were filed at that time; (B) the Registrant is required under the Securities Act to include audited financial statements for any period in such registration statement and such financial statements are not yet available for inclusion in such registration statement; or (C) the Registrant determines, in its reasonable judgment, that such registration would interfere with any financing, acquisition or other material transaction involving the Registrant or any of its affiliates. The Registrant shall use its reasonable best efforts to cause any Registrable Securities registered pursuant to this Section 10 to be qualified for sale under the securities or Blue-Sky laws of such jurisdictions as the Designated Holder may reasonably request and shall continue such registration or qualification in effect in such jurisdiction; provided, however, that the Registrant shall not be required to qualify to do business in, or consent to general service of process in, any jurisdiction by reason of this provision.

The registration rights set forth in this Section 10 are subject to the condition that the Designated Holder shall provide the Registrant with such information with respect to such holder's Registrable Securities, the plans for the distribution thereof, and such other information with respect to such holder as, in the reasonable judgment of counsel for the Registrant, is necessary to enable the Registrant to include in such registration statement all material facts required to be disclosed with respect to a registration thereunder.

A registration effected under this Section 10 shall be effected at the Registrant's expense, except for underwriting discounts and commissions and the fees and the expenses of

counsel to the Designated Holder, and the Registrant shall provide to the underwriters such documentation (including certificates, opinions of counsel and "comfort" letters from auditors) as are customary in connection with underwritten public offerings as such underwriters may reasonably require. In connection with any such registration, the parties agree (i) to indemnify each other and the underwriters in the customary manner, (ii) to enter into an underwriting agreement in form and substance customary for transactions of such type with the

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Manager and the other underwriters participating in such offering and (iii) to take all further actions which shall be reasonably necessary to effect such registration and sale (including, if the Manager deems it necessary, participating in road-show presentations).

The Registrant shall be entitled to include (at its expense) additional shares of its common stock in a registration effected pursuant to this Section 10 only if and to the extent the Manager determines that such inclusion will not adversely affect the prospects for success of such offering.

11. Adjustment Upon Changes in Capitalization. Without limitation to any restriction on the Company contained in this Agreement or in the Merger Agreement, in the event of any change in Company Common Stock by reason of stock dividends, splitups, mergers (other than the Mergers), recapitalizations, combinations, exchange of shares or the like, the type and number of shares or securities subject to the Company Option, and the purchase price per share provided in Section 1, shall be adjusted appropriately to restore to NSP its rights hereunder, including the right to purchase from the Company (or its successors) shares of Company Common Stock representing 19.9% of the outstanding Company Common Stock for the aggregate Exercise Price calculated as of the date of this Agreement as provided in Section 1.

12. Restrictive Legends. Each certificate representing shares of Company Common Stock issued to NSP hereunder,

and NSP Shares, if any, delivered to the Company at a Closing, shall include a legend in substantially the following form:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY BE REOFFERED OR SOLD ONLY IF SO REGISTERED OR IF AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE. SUCH SECURITIES ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AS SET FORTH IN THE STOCK OPTION AGREEMENT, DATED AS OF APRIL 28, 1995, A COPY OF WHICH MAY BE OBTAINED FROM THE ISSUER UPON REQUEST.

It is understood and agreed that: (i) the reference to the resale restrictions of the Securities Act in the above legend shall be removed by delivery of substitute certificate(s) without such reference if NSP or the Company, as the case may be, shall have delivered to the other party a copy of a letter from the staff of the Securities and Exchange Commission, or an opinion of counsel, in form and substance satisfactory to the other party, to the effect that such legend is not required for

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purposes of the Securities Act; (ii) the reference to the provisions to this Agreement in the above legend shall be removed by delivery of substitute certificate(s) without such reference if the shares have been sold or transferred in compliance with the provisions of this Agreement and under circumstances that do not require the retention of such reference; and (iii) the legend shall be removed in its entirety if the conditions in the preceding clauses (i) and (ii) are both satisfied. In addition, such certificates shall bear any other legend as may be required by law. Certificates representing shares sold in a registered public offering pursuant to Section 10 shall not be required to bear the legend set forth in this Section 12.

13. Binding Effect; No Assignment; No Third Party Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Except as expressly provided for in this Agreement, neither this Agreement nor the rights or

the obligations of either party hereto are assignable, except by operation of law, or with the written consent of the other party. Nothing contained in this Agreement, express or implied, is intended to confer upon any person other than the parties hereto and their respective permitted assigns any rights or remedies of any nature whatsoever by reason of this Agreement. Any Restricted Shares sold by a party in compliance with the provisions of Section 10 shall, upon consummation of such sale, be free of the restrictions imposed with respect to such shares by this Agreement, unless and until such party shall repurchase or otherwise become the beneficial owner of such shares, and any transferee of such shares shall not be entitled to the registration rights of such party.

14. Specific Performance. The parties recognize and agree that if for any reason any of the provisions of this Agreement are not performed in accordance with their specific terms or are otherwise breached, immediate and irreparable harm or injury would be caused for which money damages would not be an adequate remedy. Accordingly, each party agrees that, in addition to other remedies, the other party shall be entitled to an injunction restraining any violation or threatened violation of the provisions of this Agreement. In the event that any action should be brought in equity to enforce the provisions of the Agreement, neither party will allege, and each party hereby waives the defense, that there is adequate remedy at law.

15. Entire Agreement. This Agreement, the NSP Stock Option Agreement, the Confidentiality Agreement and the Merger Agreement (including the exhibits and schedules thereto) constitute the entire agreement among the parties with respect to

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the subject matter hereof and thereof and supersede all other prior agreements and understandings, both written and oral, among the parties or any of them with respect to the subject matter hereof and thereof.

16. Further Assurances. Each party will execute and deliver all such further documents and instruments and take all

such further action as may be necessary in order to consummate the transactions contemplated hereby.

17. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement, which shall remain in full force and effect. In the event any court or other competent authority holds any provisions of this Agreement to be null, void or unenforceable, the parties hereto shall negotiate in good faith the execution and delivery of an amendment to this Agreement in order, as nearly as possible, to effectuate, to the extent permitted by law, the intent of the parties hereto with respect to such provision and the economic effects thereof. If for any reason any such court or regulatory agency determines that NSP is not permitted to acquire, or the Company is not permitted to repurchase pursuant to Section 7, the full number of shares of Company Common Stock provided in Section 1 hereof (as the same may be adjusted), it is the express intention of the Company to allow NSP to acquire or to require the Company to repurchase such lesser number of shares as may be permissible, without any amendment or modification hereof. Each party agrees that, should any court or other competent authority hold any provision of this Agreement or part hereof to be null, void or unenforceable, or order any party to take any action inconsistent herewith, or not take any action required herein, the other party shall not be entitled to specific performance of such provision or part hereof or to any other remedy, including but not limited to money damages, for breach hereof or of any other provision of this Agreement or part hereof as the result of such holding or order.

18. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if (i) delivered personally, or (ii) sent by reputable overnight courier service, or (iii) telecopied (which is confirmed), or (iv) five days after being mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

A. If to NSP, to:

Northern States Power Company
4 Nicollet Mall
Minneapolis, MN 55401

Attention: Gary R. Johnson, Esq.
Telephone: (612) 330-7623
Telecopy: (612) 330-6222

with a copy to:

Gardner, Carton & Douglas
Quaker Tower
321 North Clark Street, 31st Floor
Chicago, IL 60610

Attention: Peter Clarke, Esq.
Telephone: (312) 245-8685
Telecopy: (312) 644-3381

and a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019

Attention: Barry A. Bryer, Esq.
Seth A. Kaplan, Esq.
Telephone: (212) 403-1000
Telecopy: (212) 403-2000

B. If to the Company, to:

Wisconsin Energy Corporation
231 West Michigan Street
Milwaukee, WI 53201

Attention: Walter T. Woelfle, Esq.
Telephone: (414) 221-2765
Telecopy: (414) 221-2412

with a copy to:

Quarles & Brady
411 East Wisconsin Avenue
Milwaukee, WI 53202

Attention: Patrick M. Ryan, Esq.
Telephone: (414) 277-5181
Telecopy: (414) 277-5174

and a copy to:

Skadden, Arps, Slate, Meagher & Flom
919 Third Avenue
New York, NY 10022

Attention: Sheldon S. Adler, Esq.
Telephone: (212) 735-3000
Telecopy: (212) 735-2000

19. Governing Law; Choice of Forum. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely within such State and without regard to its choice of law principles. Each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any federal court located in the State of New York or any New York state court in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than a federal court sitting in the state of New York or a New York state court.

20. Interpretation. When a reference is made in this Agreement to a Section such reference shall be to a Section of this Agreement unless otherwise indicated. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

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21. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed to be an original, but both of which, taken together, shall constitute one and the same instrument.

22. Expenses. Except as otherwise expressly provided herein or in the Merger Agreement, all costs and expenses incurred in connection with the transactions contemplated by this Agreement shall be paid by the party incurring such expenses.

23. Amendments; Waiver. This Agreement may be amended by the parties hereto and the terms and conditions hereof may be waived only by an instrument in writing signed on behalf of each of the parties hereto, or, in the case of a waiver, by an instrument signed on behalf of the party waiving compliance.

24. Extension of Time Periods. The time periods for exercise of certain rights under Sections 2, 6 and 7 shall be extended: (i) to the extent necessary to obtain all regulatory approvals for the exercise of such rights, and for the expiration of all statutory waiting periods; and (ii) to the extent necessary to avoid any liability under Section 16(b) of the Exchange Act by reason of such exercise.

25. Replacement of Company Option. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Agreement, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Agreement, if mutilated, the Company will execute and deliver a new Agreement of like tenor and date.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

NORTHERN STATES POWER COMPANY

By: /s/ JAMES J. HOWARD
Name: James J. Howard
Title: Chairman and Chief
Executive Officer

By: /s/ RICHARD A. ABDOO
Name: Richard A. Abdo
Title: Chairman, President and
Chief Executive Officer

NSP STOCK OPTION AGREEMENT

STOCK OPTION AGREEMENT, dated as of April 28, 1995 by and among Wisconsin Energy Corporation, a Wisconsin corporation ("WEC"), and Northern States Power Company, a Minnesota corporation (the "Company").

WHEREAS, concurrently with the execution and delivery of this Agreement, (i) the Company, WEC, Northern Power Wisconsin Corp., a Wisconsin corporation ("New NSP") and WEC Sub Corp., a Wisconsin corporation ("Sub"), are entering into an Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), which provides, among other things, upon the terms and subject to the conditions thereof, for the merger of the Company with and into New NSP and the merger of Sub with and into New NSP (the "Mergers"), and (ii) WEC and the Company are entering into a certain stock option agreement dated as of the date hereof whereby WEC grants to the Company an option with respect to certain shares of WEC's common stock on the terms and subject to the conditions set forth therein (the "WEC Stock Option Agreement"); and

WHEREAS, as a condition to WEC's willingness to enter into the Merger Agreement, WEC has requested that the Company agree, and the Company has so agreed, to grant to WEC an option with respect to certain shares of the Company's common stock, on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, to induce WEC to enter into the Merger Agreement, and in consideration of the mutual covenants and agreements set forth herein and in the Merger Agreement, the parties hereto agree as follows:

1. Grant of Option. The Company hereby grants WEC an irrevocable option (the "Company Option") to purchase up to 13,387,772 shares, subject to adjustment as provided in Section 11 (such shares being referred to herein as the "Company Shares") of common stock, par value \$2.50 per share, of the Company (the "Company Common Stock") (being 19.9% of the number of shares of Company Common Stock outstanding on the date hereof) in the manner set forth below at a price (the "Exercise

Price") per Company Share of 44.075 (which is equal to the Fair Market Value (as defined below) of a Company Share on the date hereof) payable, at WEC's option, (a) in cash or (b) subject to the Company's having obtained the approvals of any Governmental Authority required for the Company to acquire the WEC Shares (as defined below) from WEC, which approvals the Company shall use best efforts to obtain, in shares of common

stock, par value \$.01 per share, of WEC ("WEC Shares") in either case in accordance with Section 4 hereof. Notwithstanding the foregoing, in no event shall the number of Company Shares for which the Company Option is exercisable exceed 19.9% of the number of issued and outstanding shares of Company Common Stock. As used herein, the "Fair Market Value" of any share shall be the average of the daily closing sales price for such share on the New York Stock Exchange (the "NYSE") during the 10 NYSE trading days prior to the fifth NYSE trading day preceding the date such Fair Market Value is to be determined. Capitalized terms used herein but not defined herein shall have the meanings set forth in the Merger Agreement.

2. Exercise of Option. The Company Option may be exercised by WEC, in whole or in part, at any time or from time to time after the Merger Agreement becomes terminable by WEC under circumstances which could entitle WEC to termination fees under either Section 9.3(a) of the Merger Agreement (provided that the events specified in Section 9.3(a)(ii)(x) of the Merger Agreement shall have occurred, although the events specified in Section 9.3(a)(ii)(y) thereof need not have occurred) or Section 9.3(b) of the Merger Agreement (regardless of whether the Merger Agreement is actually terminated or whether there occurs a closing of any Business Combination involving a Target Party or a closing by which a Target Party becomes a subsidiary), any such event by which the Merger Agreement becomes so terminable by WEC being referred to herein as a "Trigger Event." The Company shall notify WEC promptly in writing of the occurrence of any Trigger Event, it being understood that the giving of such notice by the Company shall not be a condition to the right of WEC to exercise the Company Option. In the event WEC wishes to exercise the Company Option, WEC shall deliver to the Company a written notice (an "Exercise Notice") specifying the total number of Company Shares it wishes to purchase. Each closing of a purchase of Company Shares (a "Closing") shall occur at a place, on a date

and at a time designated by WEC in an Exercise Notice delivered at least two business days prior to the date of the Closing. The Company Option shall terminate upon the earlier of: (i) the Effective Time; (ii) the termination of the Merger Agreement pursuant to Section 9.1 thereof (other than upon or during the continuance of a Trigger Event); or (iii) 180 days following any termination of the Merger Agreement upon or during the continuance of a Trigger Event (or if, at the expiration of such 180 day period the Company Option cannot be exercised by reason of any applicable judgment, decree, order, law or regulation, 10 business days after such impediment to exercise shall have been removed or shall have become final and not subject to appeal, but in no event under this clause (iii) later than October 31, 1997). Notwithstanding the foregoing,

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the Company Option may not be exercised if WEC is in material breach of any of its material representations or warranties, or in material breach of any of its covenants or agreements, contained in this Agreement or in the Merger Agreement. Upon the giving by WEC to the Company of the Exercise Notice and the tender of the applicable aggregate Exercise Price, WEC shall be deemed to be the holder of record of the Company Shares issuable upon such exercise, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such Company Shares shall not then be actually delivered to WEC.

3. Conditions to Closing. The obligation of the Company to issue the Company Shares to WEC hereunder is subject to the conditions, which (other than the conditions described in clauses (i), (iii) and (iv) below) may be waived by the Company in its sole discretion, that (i) all waiting periods, if any, under the HSR Act, applicable to the issuance of the Company Shares hereunder shall have expired or have been terminated; (ii) the Company Shares, and any WEC Shares which are issued in payment of the Exercise Price, shall have been approved for listing on the NYSE upon official notice of issuance; (iii) all consents, approvals, orders or authorizations of, or registrations, declarations or filings with, any federal, state or local administrative agency or commission or

other federal state or local Governmental Authority, if any, required in connection with the issuance of the Company Shares hereunder shall have been obtained or made, as the case may be, including, without limitation, the approval of the SEC under Section 10 of the 1935 Act of the acquisition of the Company Shares by WEC and, if applicable, the acquisition by the Company of the WEC Shares constituting the Exercise Price hereunder; and (iv) no preliminary or permanent injunction or other order by any court of competent jurisdiction prohibiting or otherwise restraining such issuance shall be in effect.

4. Closing. At any Closing, (a) the Company will deliver to WEC or its designee a single certificate in definitive form representing the number of the Company Shares designated by WEC in its Exercise Notice, such certificate to be registered in the name of WEC and to bear the legend set forth in Section 12, and (b) WEC will deliver to the Company the aggregate price for the Company Shares so designated and being purchased by (i) wire transfer of immediately available funds or certified check or bank check or (ii) subject to the condition in Section 1(b), a certificate or certificates representing the number of WEC Shares being issued by WEC in consideration thereof, as the case may be. For the purposes of this Agreement, the number of WEC Shares to be delivered to the Company shall be equal to the quotient obtained by dividing (i)

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the product of (x) the number of Company Shares with respect to which the Company Option is being exercised and (y) the Exercise Price by (ii) the Fair Market Value of the WEC Shares on the date immediately preceding the date the Exercise Notice is delivered to the Company. The Company shall pay all expenses, and any and all United States federal, state and local taxes and other charges that may be payable in connection with the preparation, issue and delivery of stock certificates under this Section 4 in the name of WEC or its designee.

5. Representations and Warranties of the Company. The Company represents and warrants to WEC that (a) except as set forth in Section 4.1 of the NSP Disclosure Schedule, the Company is a corporation duly organized, validly existing and

in good standing under the laws of the State of Minnesota and has the corporate power and authority to enter into this Agreement and, subject to obtaining the applicable approval of shareholders of the Company for the repurchase of Company Shares pursuant to Section 7(a) below under circumstances where Subdivision 3 of Section 302A.553 of the MBCA would be applicable (the "Buyback Approvals") and subject to any regulatory approvals referred to herein and to the provisions of Section 302A.551 of the MBCA, if applicable, to carry out its obligations hereunder, (b) the execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or any of the transactions contemplated hereby (other than any required Buyback Approvals), (c) such corporate action (including the approval of the Board of Directors of the Company) is intended to render inapplicable to this Agreement and the Merger Agreement and the transactions contemplated hereby and thereby, the provisions of the MBCA referred to in Section 4.15 of the Merger Agreement, (d) this Agreement has been duly executed and delivered by the Company, constitutes a valid and binding obligation of the Company and, assuming this Agreement constitutes a valid and binding obligation of WEC, is enforceable against the Company in accordance with its terms, (e) the Company has taken all necessary corporate action to authorize and reserve for issuance and to permit it to issue, upon exercise of the Company Option, and at all times from the date hereof through the expiration of the Company Option will have reserved, 13,387,772 authorized and unissued Company Shares, such amount being subject to adjustment as provided in Section 11, all of which, upon their issuance and delivery in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, (f) upon delivery of the Company Shares to WEC upon

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the exercise of the Company Option, WEC will acquire the Company Shares free and clear of all claims, liens, charges, encumbrances and security interests of any nature whatsoever, (g)

except as described in Section 4.4(b) of the Merger Agreement, the execution and delivery of this Agreement by the Company does not, and the consummation by the Company of the transactions contemplated hereby will not, violate, conflict with, or result in a breach of any provision of, or constitute a default (with or without notice or lapse of time, or both) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination, cancellation, or acceleration of any obligation or the loss of a material benefit under, or the creation of a lien, pledge, security interest or other encumbrance on assets (any such conflict, violation, default, right of termination, cancellation or acceleration, loss or creation, a "Violation") of the Company or any of its subsidiaries, pursuant to, (A) any provision of the Restated Articles of Incorporation or by-laws of the Company, (B) any provisions of any loan or credit agreement, note, mortgage, indenture, lease, Company benefit plan or other agreement, obligation, instrument, permit, concession, franchise, license or (C) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Company or its properties or assets, which Violation, in the case of each of clauses (B) and (C), could reasonably be expected to have a material adverse effect on the Company and its subsidiaries taken as a whole, (h) except as described in Section 4.4(c) of the Merger Agreement or Section 1(b) or Section 3 hereof, the execution and delivery of this Agreement by the Company does not, and the performance of this Agreement by the Company will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Authority, (i) none of the Company, any of its affiliates or anyone acting on its or their behalf has issued, sold or offered any security of the Company to any person under circumstances that would cause the issuance and sale of the Company Shares, as contemplated by this Agreement, to be subject to the registration requirements of the Securities Act as in effect on the date hereof and, assuming the representations of WEC contained in Section 6(h) are true and correct, the issuance, sale and delivery of the Company Shares hereunder would be exempt from the registration and prospectus delivery requirements of the Securities Act, as in effect on the date hereof (and the Company shall not take any action which would cause the issuance, sale and delivery of the Company Shares hereunder not to be exempt from such requirements), and (j) any WEC Shares acquired pursuant to this Agreement will be acquired for the Company's own account, for investment purposes only and will not be acquired by the Company with a view to the public distribution thereof in violation of any applicable provision of the Securities Act.

6. Representations and Warranties of WEC. WEC represents and warrants to the Company that (a) WEC is a corporation duly organized, validly existing and in good standing under the laws of the State of Wisconsin and has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder, (b) the execution and delivery of this Agreement by WEC and the consummation by WEC of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of WEC and no other corporate proceedings on the part of WEC are necessary to authorize this Agreement or any of the transactions contemplated hereby, (c) this Agreement has been duly executed and delivered by WEC and constitutes a valid and binding obligation of WEC, and, assuming this Agreement constitutes a valid and binding obligation of the Company, is enforceable against WEC in accordance with its terms, (d) prior to any delivery of WEC Shares in consideration of the purchase of Company Shares pursuant hereto, WEC will have taken all necessary corporate action to authorize for issuance and to permit it to issue such WEC Shares, all of which, upon their issuance and delivery in accordance with the terms of this Agreement, will be validly issued, fully paid and nonassessable (subject to Section 180.0622(2)(b) of the WBCL, as judicially determined), and to render inapplicable to the receipt by the Company of the WEC Shares the provisions of the WBCL referred to in Section 5.15 of the Merger Agreement, (e) upon any delivery of such WEC Shares to the Company in consideration of the purchase of Company Shares pursuant hereto, the Company will acquire the WEC Shares free and clear of all claims, liens, charges, encumbrances and security interests of any nature whatsoever, (f) except as described in Section 5.4(b) of the Merger Agreement, the execution and delivery of this Agreement by WEC does not, and the consummation by WEC of the transactions contemplated hereby will not, violate, conflict with, or result in the breach of any provision of, or constitute a default (with or without notice or lapse of time, or both) under, or result in any Violation by WEC or any of its subsidiaries, pursuant to (A) any provision of the Restated Articles of Incorporation or By-laws of WEC, (B) any provisions of any loan or credit agreement, note, mortgage, indenture, lease, WEC benefit plan or other agreement, obligation, instrument, permit, concession, franchise, license or (C) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to WEC or its properties or assets, which Violation, in the case of each of

clauses (B) and or (C), would have a material adverse effect on WEC and its subsidiaries taken as a whole, (g) except as described in Section 5.4(c) of the Merger Agreement or Section 1(b) or Section 3 hereof, the execution and delivery of this Agreement by WEC does not, and the consummation by WEC of the transactions contemplated hereby will not, require any consent,

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approval, authorization or permit of, or filing with or notification to, any Governmental Authority and (h) any Company Shares acquired upon exercise of the Company Option will be acquired for WEC's own account, for investment purposes only and will not be, and the Company Option is not being, acquired by WEC with a view to the public distribution thereof in violation of any applicable provision of the Securities Act.

7. Certain Repurchases.

(a) WEC Put. At the request of WEC by written notice at any time during which the Company Option is exercisable pursuant to Section 2 (the "Repurchase Period"), the Company (or any successor entity thereof) shall repurchase from WEC all or any portion of the Company Option, at the price set forth in subparagraph (i) below, or, at the request of WEC by written notice at any time prior to April 30, 1997 (provided that such date shall be extended to October 31, 1997 under the circumstances where the date after which either party may terminate the Merger Agreement pursuant to Section 9.1(b) of the Merger Agreement has been extended to October 31, 1997), the Company (or any successor entity thereof) shall repurchase from WEC all or any portion of the Company Shares purchased by WEC pursuant to the Company Option, at the price set forth in subparagraph (ii) below:

(i) the difference between the "Market/Offer Price" for shares of Company Common Stock as of the date WEC gives notice of its intent to exercise its rights under this Section 7 (defined as the higher of (A) the price per share offered as of such date pursuant to any tender or exchange offer or other offer with respect to a Business Combination which was made prior to such date and not

terminated or withdrawn as of such date (the "Offer Price") and (B) the Fair Market Value of Company Common Stock as of such date (the "Market Price")) and the Exercise Price, multiplied by the number of Company Shares purchasable pursuant to the Company Option (or portion thereof with respect to which WEC is exercising its rights under this Section 7), but only if the Market/Offer Price is greater than the Exercise Price;

(ii) the product of (x) the sum of (A) the Exercise Price paid by WEC per Company Share acquired pursuant to the Company Option and (B) the difference between the Market/Offer Price and the Exercise Price, but only if the Market/Offer Price is greater than the Exercise Price, and (y) the number of Company Shares so to be repurchased pursuant to this Section 7. For purposes of this clause (ii), the Offer Price shall be the highest price per share

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offered pursuant to a tender or exchange offer or other Business Combination offer during the Repurchase Period prior to the delivery by WEC of a notice of repurchase.

(b) Redelivery of WEC Shares. If WEC elected to purchase Company Shares pursuant to the exercise of the Company Option by the issuance and delivery of WEC Shares, then the Company shall, if so requested by WEC, in fulfillment of its obligation pursuant to clause (A) of Section 7(a)(ii)(x) (that is, with respect to the Exercise Price only and without limitation to its obligation to pay additional consideration under clause (B) of Section 7(a)(ii)(x)), redeliver the certificate for such WEC Shares to WEC, free and clear of all liens, claims, damages, charges and encumbrances of any kind or nature whatsoever; provided, however, that if less than all of the Company Shares purchased by WEC pursuant to the Company Option are to be repurchased pursuant to this Section 7, then WEC shall issue to the Company a new certificate representing those WEC Shares which are not due to be redelivered to WEC pursuant to this Section 7 as they constituted payment of the Exercise Price for the Company Shares not being repurchased.

(c) Payment and Redelivery of Company Option or Shares. In the event WEC exercises its rights under this Section 7, the Company shall, within 10 business days thereafter, pay the required amount to WEC in immediately available funds and WEC shall surrender to the Company the Company Option or the certificates evidencing the Company Shares purchased by WEC pursuant thereto, and WEC shall warrant that it owns the Company Option or such shares and that the Company Option or such shares are then free and clear of all liens, claims, damages, charges and encumbrances of any kind or nature whatsoever.

(d) WEC Call. If WEC has elected to purchase Company Shares pursuant to the exercise of the Company Option by the issuance and delivery of WEC Shares, notwithstanding that WEC may no longer hold any such Company Shares or that WEC elects not to exercise its other rights under this Section 7, WEC may require, at any time or from time to time prior to April 30, 1997 (provided that such date shall be extended to October 31, 1997 under the circumstances where the date after which either party may terminate the Merger Agreement pursuant to Section 9.1(b) of the Merger Agreement has been extended to October 31, 1997), the Company to sell to WEC any such WEC Shares at the price attributed to such WEC Shares pursuant to Section 4 plus interest at the rate of 6.5% per annum on such amount from the Closing Date relating to the exchange of such WEC Shares pursuant to Section 4 to the closing date under this Section 7(d) less any dividends on such WEC Shares paid during

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such period or declared and payable to stockholders of record on a date during such period.

(e) Repurchase Price Reduced at WEC's Option. In the event the repurchase price specified in Section 7(a) would subject the repurchase of the Company Option or the Company Shares purchased by WEC pursuant to the Company Option to a vote of the shareholders of the Company pursuant to Section 302A.553, Subd. 3 of the MBCA, then WEC may, at its election, reduce the repurchase price to an amount which would permit such repurchase without the necessity for such a shareholder

vote.

8. Voting of Shares. Following the date hereof and prior to the fifth anniversary of the date hereof (the "Expiration Date"), each party shall vote any shares of capital stock of the other party acquired by such party pursuant to this Agreement, including any WEC Shares issued pursuant to Section 1(b) ("Restricted Shares") or otherwise beneficially owned (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) by such party on each matter submitted to a vote of shareholders of such other party for and against such matter in the same proportion as the vote of all other shareholders of such other party are voted (whether by proxy or otherwise) for and against such matter.

9. Restrictions on Transfer.

(a) Restrictions on Transfer. Prior to the Expiration Date, neither party shall, directly or indirectly, by operation of law or otherwise, sell, assign, pledge, or otherwise dispose of or transfer any Restricted Shares beneficially owned by such party, other than (i) pursuant to Section 7, or (ii) in accordance with Section 9(b) or Section 10.

(b) Permitted Sales. Following the termination of the Merger Agreement, a party shall be permitted to sell any Restricted Shares beneficially owned by it if such sale is made pursuant to a tender or exchange offer that has been approved or recommended, or otherwise determined to be fair to and in the best interests of the shareholders of the other party, by a majority of the members of the Board of Directors of such other party which majority shall include a majority of directors who were directors prior to the announcement of such tender or exchange offer.

10. Registration Rights. Following the termination of the Merger Agreement, each party hereto (a "Designated Holder") may by written notice (the "Registration Notice") to

the other party (the "Registrant") request the Registrant to register under the Securities Act all or any part of the Restricted Shares beneficially owned by such Designated Holder (the "Registrable Securities") pursuant to a bona fide firm commitment underwritten public offering in which the Designated Holder and the underwriters shall effect as wide a distribution of such Registrable Securities as is reasonably practicable and shall use their best efforts to prevent any person (including any Group (as used in Rule 13d-5 under the Exchange Act)) and its affiliates from purchasing through such offering Restricted Shares representing more than 1% of the outstanding shares of common stock of the Registrant on a fully diluted basis (a "Permitted Offering"). The Registration Notice shall include a certificate executed by the Designated Holder and its proposed managing underwriter, which underwriter shall be an investment banking firm of nationally recognized standing (the "Manager"), stating that (i) they have a good faith intention to commence promptly a Permitted Offering and (ii) the Manager in good faith believes that, based on the then prevailing market conditions, it will be able to sell the Registrable Securities at a per share price equal to at least 80% of the then Fair Market Value of such shares. The Registrant (and/or any person designated by the Registrant) shall thereupon have the option exercisable by written notice delivered to the Designated Holder within 10 business days after the receipt of the Registration Notice, irrevocably to agree to purchase all or any part of the Registrable Securities proposed to be so sold for cash at a price (the "Option Price") equal to the product of (i) the number of Registrable Securities to be so purchased by the Registrant and (ii) the then Fair Market Value of such shares. Any such purchase of Registrable Securities by the Registrant (or its designee) hereunder shall take place at a closing to be held at the principal executive offices of the Registrant or at the offices of its counsel at any reasonable date and time designated by the Registrant and/or such designee in such notice within 20 business days after delivery of such notice. Any payment for the shares to be purchased shall be made by delivery at the time of such closing of the Option Price in immediately available funds.

If the Registrant does not elect to exercise its option pursuant to this Section 10 with respect to all Registrable Securities, it shall use its best efforts to effect, as promptly as practicable, the registration under the Securities Act of the unpurchased Registrable Securities proposed to be so sold; provided, however, that (i) neither party shall be entitled to more than an aggregate of two effective registration statements hereunder and (ii) the Registrant will not be required to file any such registration statement during any period of time (not to exceed 40 days after such request in the

case of clause (A) below or 90 days in the case of clauses (B) and (C) below) when (A) the Registrant is in possession of material non-public information which it reasonably believes would be detrimental to be disclosed at such time and, in the opinion of counsel to the Registrant, such information would have to be disclosed if a registration statement were filed at that time; (B) the Registrant is required under the Securities Act to include audited financial statements for any period in such registration statement and such financial statements are not yet available for inclusion in such registration statement; or (C) the Registrant determines, in its reasonable judgment, that such registration would interfere with any financing, acquisition or other material transaction involving the Registrant or any of its affiliates. The Registrant shall use its reasonable best efforts to cause any Registrable Securities registered pursuant to this Section 10 to be qualified for sale under the securities or Blue-Sky laws of such jurisdictions as the Designated Holder may reasonably request and shall continue such registration or qualification in effect in such jurisdiction; provided, however, that the Registrant shall not be required to qualify to do business in, or consent to general service of process in, any jurisdiction by reason of this provision.

The registration rights set forth in this Section 10 are subject to the condition that the Designated Holder shall provide the Registrant with such information with respect to such holder's Registrable Securities, the plans for the distribution thereof, and such other information with respect to such holder as, in the reasonable judgment of counsel for the Registrant, is necessary to enable the Registrant to include in such registration statement all material facts required to be disclosed with respect to a registration thereunder.

A registration effected under this Section 10 shall be effected at the Registrant's expense, except for underwriting discounts and commissions and the fees and the expenses of counsel to the Designated Holder, and the Registrant shall provide to the underwriters such documentation (including certificates, opinions of counsel and "comfort" letters from au-

ditors) as are customary in connection with underwritten public offerings as such underwriters may reasonably require. In connection with any such registration, the parties agree (i) to indemnify each other and the underwriters in the customary manner, (ii) to enter into an underwriting agreement in form and substance customary for transactions of such type with the Manager and the other underwriters participating in such offering and (iii) to take all further actions which shall be

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reasonably necessary to effect such registration and sale (including, if the Manager deems it necessary, participating in road-show presentations).

The Registrant shall be entitled to include (at its expense) additional shares of its common stock in a registration effected pursuant to this Section 10 only if and to the extent the Manager determines that such inclusion will not adversely affect the prospects for success of such offering.

11. Adjustment Upon Changes in Capitalization. Without limitation to any restriction on the Company contained in this Agreement or in the Merger Agreement, in the event of any change in Company Common Stock by reason of stock dividends, splitups, mergers (other than the Mergers), recapitalizations, combinations, exchange of shares or the like, the type and number of shares or securities subject to the Company Option, and the purchase price per share provided in Section 1, shall be adjusted appropriately to restore to WEC its rights hereunder, including the right to purchase from the Company (or its successors) shares of Company Common Stock representing 19.9% of the outstanding Company Common Stock for the aggregate Exercise Price calculated as of the date of this Agreement as provided in Section 1.

12. Restrictive Legends. Each certificate representing shares of Company Common Stock issued to WEC hereunder, and WEC Shares, if any, delivered to the Company at a Closing, shall include a legend in substantially the following form:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY BE REOFFERED OR SOLD ONLY IF SO REGISTERED OR IF AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE. SUCH SECURITIES ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AS SET FORTH IN THE STOCK OPTION AGREEMENT, DATED AS OF APRIL 28, 1995, A COPY OF WHICH MAY BE OBTAINED FROM THE ISSUER UPON REQUEST.

It is understood and agreed that: (i) the reference to the resale restrictions of the Securities Act in the above legend shall be removed by delivery of substitute certificate(s) without such reference if WEC or the Company, as the case may be, shall have delivered to the other party a copy of a letter from the staff of the Securities and Exchange Commission, or an opinion of counsel, in form and substance satisfactory to the other party, to the effect that such legend is not required for purposes of the Securities Act; (ii) the reference to the provisions to this Agreement in the above legend shall be removed

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by delivery of substitute certificate(s) without such reference if the shares have been sold or transferred in compliance with the provisions of this Agreement and under circumstances that do not require the retention of such reference; and (iii) the legend shall be removed in its entirety if the conditions in the preceding clauses (i) and (ii) are both satisfied. In addition, such certificates shall bear any other legend as may be required by law. Certificates representing shares sold in a registered public offering pursuant to Section 10 shall not be required to bear the legend set forth in this Section 12.

13. Binding Effect; No Assignment; No Third Party Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Except as expressly provided for in this Agreement, neither this Agreement nor the rights or the obligations of either party hereto are assignable, except by operation of law, or with the written consent of the other

party. Nothing contained in this Agreement, express or implied, is intended to confer upon any person other than the parties hereto and their respective permitted assigns any rights or remedies of any nature whatsoever by reason of this Agreement. Any Restricted Shares sold by a party in compliance with the provisions of Section 10 shall, upon consummation of such sale, be free of the restrictions imposed with respect to such shares by this Agreement, unless and until such party shall repurchase or otherwise become the beneficial owner of such shares, and any transferee of such shares shall not be entitled to the registration rights of such party.

14. Specific Performance. The parties recognize and agree that if for any reason any of the provisions of this Agreement are not performed in accordance with their specific terms or are otherwise breached, immediate and irreparable harm or injury would be caused for which money damages would not be an adequate remedy. Accordingly, each party agrees that, in addition to other remedies, the other party shall be entitled to an injunction restraining any violation or threatened violation of the provisions of this Agreement. In the event that any action should be brought in equity to enforce the provisions of the Agreement, neither party will allege, and each party hereby waives the defense, that there is adequate remedy at law.

15. Entire Agreement. This Agreement, the WEC Stock Option Agreement, the Confidentiality Agreement and the Merger Agreement (including the exhibits and schedules thereto) constitute the entire agreement among the parties with respect to the subject matter hereof and thereof and supersede all other prior agreements and understandings, both written and oral,

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among the parties or any of them with respect to the subject matter hereof and thereof.

16. Further Assurances. Each party will execute and deliver all such further documents and instruments and take all such further action as may be necessary in order to consummate the transactions contemplated hereby.

17. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement, which shall remain in full force and effect. In the event any court or other competent authority holds any provisions of this Agreement to be null, void or unenforceable, the parties hereto shall negotiate in good faith the execution and delivery of an amendment to this Agreement in order, as nearly as possible, to effectuate, to the extent permitted by law, the intent of the parties hereto with respect to such provision and the economic effects thereof. If for any reason any such court or regulatory agency determines that WEC is not permitted to acquire, or the Company is not permitted to repurchase pursuant to Section 7, the full number of shares of Company Common Stock provided in Section 1 hereof (as the same may be adjusted), it is the express intention of the Company to allow WEC to acquire or to require the Company to repurchase such lesser number of shares as may be permissible, without any amendment or modification hereof. Each party agrees that, should any court or other competent authority hold any provision of this Agreement or part hereof to be null, void or unenforceable, or order any party to take any action inconsistent herewith, or not take any action required herein, the other party shall not be entitled to specific performance of such provision or part hereof or to any other remedy, including but not limited to money damages, for breach hereof or of any other provision of this Agreement or part hereof as the result of such holding or order.

18. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if (i) delivered personally, or (ii) sent by reputable overnight courier service, or (iii) telecopied (which is confirmed), or (iv) five days after being mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

A. If to WEC, to:

Wisconsin Energy Corporation
231 West Michigan Street
Milwaukee, WI 53201

Attention: Walter T. Woelfle, Esq.
Telephone: (414) 221-2765
Telecopy: (414) 221-2412

with a copy to:

Quarles & Brady
411 East Wisconsin Avenue
Milwaukee, WI 53202

Attention: Patrick M. Ryan, Esq.
Telephone: (414) 277-5181
Telecopy: (414) 277-5174

and a copy to:

Skadden, Arps, Slate, Meagher & Flom
919 Third Avenue
New York, NY 10022

Attention: Sheldon S. Adler, Esq.
Telephone: (212) 735-3000
Telecopy: (212) 735-2000

B. If to the Company, to:

Northern States Power Company
4 Nicollet Mall
Minneapolis, MN 55401

Attention: Gary R. Johnson, Esq.
Telephone: (612) 330-7623
Telecopy: (612) 330-6222

with a copy to:

Gardner, Carton & Douglas
Quaker Tower
321 North Clark Street, 31st Floor
Chicago, IL 60610

Attention: Peter Clarke, Esq.
Telephone: (312) 245-8685
Telecopy: (312) 644-3381

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and a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019

Attention: Barry A. Bryer, Esq.
Seth A. Kaplan, Esq.
Telephone: (212) 403-1000
Telecopy: (212) 403-2000

19. Governing Law; Choice of Forum. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely within such State and without regard to its choice of law principles. Each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any federal court located in the State of New York or any New York state court in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than a federal court sitting in the state of New York or a New York state court.

20. Interpretation. When a reference is made in this Agreement to a Section such reference shall be to a Section of this Agreement unless otherwise indicated. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of

this Agreement.

21. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed to be an original, but both of which, taken together, shall constitute one and the same instrument.

22. Expenses. Except as otherwise expressly provided herein or in the Merger Agreement, all costs and expenses incurred in connection with the transactions contemplated by this Agreement shall be paid by the party incurring such expenses.

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23. Amendments; Waiver. This Agreement may be amended by the parties hereto and the terms and conditions hereof may be waived only by an instrument in writing signed on behalf of each of the parties hereto, or, in the case of a waiver, by an instrument signed on behalf of the party waiving compliance.

24. Extension of Time Periods. The time periods for exercise of certain rights under Sections 2, 6 and 7 shall be extended: (i) to the extent necessary to obtain all regulatory approvals for the exercise of such rights, and for the expiration of all statutory waiting periods; and (ii) to the extent necessary to avoid any liability under Section 16(b) of the Exchange Act by reason of such exercise.

25. Replacement of Company Option. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Agreement, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Agreement, if mutilated, the Company will execute and deliver a new Agreement of like tenor and date.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

WISCONSIN ENERGY CORPORATION

By: /s/ RICHARD A. ABDOO
Name: Richard A. Abdoo
Title: Chairman, President and
Chief Executive Officer

By: /s/ JAMES J. HOWARD
Name: James J. Howard
Title: Chairman and Chief
Executive Officer

Exhibit 7.13

BOARD COMMITTEES

The Board of Directors of the Company shall have the following committees. Each of such committees will have four (4) members, with WEC selecting two (2) members of each such committee and NSP selecting two (2) members of each such committee. The chair of each such committee shall be selected by the party set forth below:

Committee	Chair Selected By
Executive Committee	NSP
Nominating Committee	WEC
Compensation Committee	NSP
Audit Committee	NSP
Finance Committee	WEC
Nuclear Oversight Committee	WEC

EMPLOYMENT AGREEMENT

THIS AGREEMENT by and between [_____], a Wisconsin corporation (the "Company"), and James J. Howard (the "Executive"), dated as of the ____ day of _____, 199_.

W I T N E S S E T H T H A T

WHEREAS, Northern States Power Company, a Minnesota corporation ("NSP") and Wisconsin Energy Corporation, a Wisconsin corporation ("WEC") have entered into an Agreement and Plan of Merger dated as of April 28, 1995 (the "Merger Agreement"), whereby the NSP and WEC organizations will merge, with the Company as the surviving parent; and

WHEREAS, NSP and WEC wish to provide for the orderly succession of management of the Company following the Effective Time (as defined in the Merger Agreement); and

WHEREAS, NSP and WEC further wish to provide for the employment by the Company of the Executive, and the Executive wishes to serve the Company, in the capacities and

on the terms and conditions set forth in this Agreement;

NOW, THEREFORE, it is hereby agreed as follows:

1. Employment Period. The Company shall employ the Executive, and the Executive shall serve the Company, on

the terms and conditions set forth in this Agreement, for an initial period (the "Initial Period") and a further period (the "Secondary Period") (the Initial Period and the Secondary Period are hereinafter referred to in the aggregate as the "Employment Period"). The Initial Period shall begin at the Effective Time (as defined in the Merger Agreement), and end on the later of (i) the date of the annual meeting of shareholders of the Company that occurs in 1998, and (ii) the last day of the sixteenth full month following the Effective Time. The Secondary Period shall begin at the end of the Initial Period and end on the later of July 1, 2000 and the second anniversary of the last day of the Initial Period.

2. Position and Duties. (a) During the Initial Period, the Executive shall serve as Chairman of the Board of Directors of the Company (the "Board") and Chief Executive Officer of the Company, and during the Secondary Period, the Executive shall serve as Chairman of the Board, in each case

as an employee of the Company and with such duties and responsibilities as are customarily assigned to such positions, and such other duties and responsibilities not inconsistent therewith as may from time to time be assigned to him by the Board. The Executive shall be a member of the Board on the first day of the Employment Period, and the Board shall propose the Executive for re-election to the Board throughout the Employment Period.

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(b) During the Initial Period: (i) as is customary, the Chief Operating Officer of the Company shall report to the Executive in his capacity as Chief Executive Officer; (ii) the subsidiary of the Company that provides administrative and other services to the Company's utility company subsidiaries (the "Service Company"), as well as the Company's subsidiary NRG Energy, Inc. ("NRG"), and their respective chief executive officers, shall report to the Executive; and (iii) the subsidiaries of the Company (other than the Service Company and NRG) that are operating companies, and their respective chief executive officers,

shall report to the Chief Operating Officer of the Company.

(c) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive shall devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive under this Agreement, use the Executive's reasonable best efforts to carry out such responsibilities faithfully and efficiently. It shall not be considered a violation of the foregoing for the Executive to serve on corporate, industry, civic or charitable boards or committees, so long as such

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activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement.

(d) The Executive's services shall be performed primarily at the Company's headquarters in Minneapolis, Minnesota.

3. Compensation. (a) Base Salary. The Executive's compensation during the Employment Period shall be determined by the Board upon the recommendation of the Compensation Committee of the Board, subject to the next sentence and Section 3(b). During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary") of not less than his annual base salary from NSP as in effect immediately before the Effective Time. The Annual Base Salary shall be payable in accordance with the Company's regular payroll practice for its senior executives, as in effect from time to time. During the Employment Period, the Annual Base Salary shall be reviewed for possible increase at least annually. Any increase in the Annual Base Salary shall not limit or reduce any other obligation of the Company under this Agreement. The Annual Base Salary shall not be reduced after any such increase, and the term "Annual Base Salary" shall thereafter refer to the Annual Base Salary as so increased.

(b) Incentive Compensation. During the Employment Period, the Executive shall participate in short-term incentive compensation plans and long-term incentive compensation plans (the latter to consist of plans offering stock options, restricted stock and other long-term incentive compensation) providing him with the opportunity to earn, on a year-by-year basis, short-term and long-term incentive compensation (the "Incentive Compensation") at least equal to the amounts that he had the opportunity to earn under the comparable plans of NSP as in effect immediately before the Effective Time.

(c) Other Benefits. (i) Supplemental Executive Retirement Plan. During the Employment Period, the Executive shall participate in a supplemental executive retirement plan ("SERP") such that the aggregate value of the retirement benefits that he and his spouse will receive at the end of the Employment Period under all defined benefit plans of the Company and its affiliates (whether qualified or not) will be not less than the aggregate value of the benefits he would have received had he continued, through the end of the Employment Period, to accrue the supplemental retirement benefits provided by the terms of his employment agreement with NSP as in effect immediately before the Effective Time], and to participate in the NSP Deferred

Compensation Plan, the NSP Excess Benefit Plan, and the NSP Pension Plan, all as in effect immediately before the Effective Time; provided, that notwithstanding the terms of the foregoing agreement and plans, in determining benefits under the SERP, benefits pursuant to the foregoing plans shall be computed as if they were based upon the Executive's average compensation for the three consecutive years in which his compensation was the highest. In addition, the SERP shall offer the Executive the option to receive his benefits thereunder in a single lump sum payment on terms and conditions no less favorable than those in effect with respect to the supplemental retirement benefits of Richard A. Abdoo pursuant to the letter agreement dated November 21, 1994 regarding supplemental benefits from WEC to Richard A. Abdoo or otherwise, as in effect immediately before the Effective Time; provided, that such lump sum payment option shall be subject to the consent of the Board in its sole discretion. Finally, if the Executive dies while employed, or deemed pursuant to paragraph (a) of Section 5 to be employed, by the Company, his surviving spouse (or, if he has no surviving spouse, his estate) shall be entitled to receive

a SERP benefit equal in value to the SERP benefit that the Executive would have received under the SERP if he had retired (rather than died) on the date of his death and received a lump sum SERP benefit; provided, that in the case

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where the Executive has no surviving spouse, the benefit pursuant to this sentence shall be paid in a lump sum; and provided, further, that in the case where the Executive has a surviving spouse, the benefit pursuant to this sentence shall be paid in the form of a single life annuity for her life unless she elects a single lump sum payment and the Board, in its sole discretion, consents to the lump sum payment. The Company shall maintain and fund one or more grantor trusts (the "Trusts"), or such other funding mechanism as may be satisfactory to the Executive, which shall comply with the following sentence and which shall at all times be adequate to provide for the payment of all benefits under the SERP to the Executive and his spouse, as well as any elective deferrals of Annual Cash Incentives by the Executive (with such adequacy being determined by an independent consulting firm

acceptable to the Executive, whose fees shall be paid by the Company). The assets of the Trusts (if any) shall be subject to the claims of the Company's creditors, and the Trusts (if any) shall in all other respects be designed to prevent the Executive and his spouse from being taxed on the assets or income thereof, except as and when such assets or income are paid to them.

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(ii) During the Employment Period, the Company shall provide the Executive with life insurance coverage (the "Life Insurance Coverage") providing a death benefit to such beneficiary or beneficiaries as the Executive may designate of not less than three times his Annual Base Salary. Following the Employment Period, the Company shall provide the Executive with a life insurance benefit at least equal to the benefit that would have been provided to the Executive after termination of employment under the Northern States Power Company Officer Survivor Benefit Plan as in

effect immediately before the Effective Time.

(iii) In addition, and without limiting the generality of the foregoing, during the Employment Period and thereafter: (A) the Executive shall be entitled to participate in all applicable incentive, savings and retirement plans, practices, policies and programs of the Company to the same extent as other senior executives (or, where applicable, retired senior executives) of the Company; and (B) the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in, and shall receive all benefits under, all applicable welfare benefit plans, practices, policies and programs provided by the Company, other than severance plans, practices, policies and programs but including, without limitation, medical, prescription, dental, disability, salary continuance, employee

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life insurance, group life insurance, accidental death and travel accident insurance plans and programs, to the same extent as other senior executives (or, where applicable, retired senior executives) of the Company.

(d) Fringe Benefits. During the Employment Period, the Executive shall be entitled to receive fringe benefits on the same terms and conditions as he received such fringe benefits from NSP immediately before the Effective Time or, if more favorable, the terms and conditions that fringe benefits were available to Richard A. Abdoo from WEC immediately before the Effective Time.

4. Termination of Employment. (a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. The Company shall be entitled to terminate the Executive's employment because of the Executive's Disability during the Employment Period. "Disability" means that (i) the Executive has been unable, for a period of 180 consecutive business days, to perform the Executive's duties under this Agreement, as a result of physical or mental illness or injury, and (ii) a physician selected by the Company or its insurers, and acceptable to the Executive or the Executive's legal representative, has determined that the Executive's incapacity is total and permanent. A termination

of the Executive's employment by the Company for Disability shall be communicated to the Executive by written notice, and shall be effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), unless the Executive returns to full-time performance of the Executive's duties before the Disability Effective Date.

(b) By the Company. (i) The Company may terminate the Executive's employment during the Employment Period for Cause or without Cause. "Cause" means:

A. the willful and continued failure of the Executive substantially to perform the Executive's duties under this Agreement (other than as a result of physical or mental illness or injury), after the Board of the Company delivers to the Executive a written demand for substantial performance that specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties; or

B. illegal conduct or gross misconduct by the Executive, in either case that is willful and results in material and demonstrable damage to the business or reputation of the Company.

No act or failure to act on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act or failure to act that is based upon authority given pursuant to a resolution

Company, shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company.

(ii) A termination of the Executive's employment for Cause shall be effected in accordance with the following procedures. The Company shall give the Executive written notice ("Notice of Termination for Cause") of its intention to terminate the Executive's employment for Cause, setting forth in reasonable detail the specific conduct of the Executive that it considers to constitute Cause and the specific provision(s) of this Agreement on which it relies, and stating the date, time and place of the Special Board Meeting for Cause. The "Special Board Meeting for Cause" means a meeting of the Board called and held specifically for the purpose of considering the Executive's termination for Cause, that takes place not less than ten and not more than twenty business days after the Executive receives the Notice of Termination for Cause. The Executive shall be given an

opportunity, together with counsel, to be heard at the Special Board Meeting for Cause. The Executive's termination for Cause shall be effective when and if a resolution is duly adopted at the Special Board Meeting for Cause by affirmative vote of a majority of the entire membership of the Board, excluding employee directors, stating that in the good faith opinion of the Board, the Executive is guilty of the conduct

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described in the Notice of Termination for Cause, and that conduct constitutes Cause under this Agreement.

(iii) A termination of the Executive's employment without Cause shall be effected in accordance with the following procedures. The Company shall give the Executive written notice ("Notice of Termination without Cause") of its intention to terminate the Executive's employment without Cause, stating the date, time and place of the Special Board Meeting without Cause. The "Special Board Meeting without Cause" means a meeting of the Board called and held specifically for the purpose of considering the Executive's termination without Cause, that takes place not less than ten and not more than twenty business days after

the Executive receives the Notice of Termination without Cause. The Executive shall be given an opportunity, together with counsel, to be heard at the Special Board Meeting without Cause. The Executive's termination without Cause shall be effective when and if a resolution is duly adopted at the Special Board Meeting without Cause by affirmative vote of a majority of the entire membership of the Board, excluding employee directors, stating that the Executive is terminated without Cause.

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(c) Good Reason. (i) The Executive may terminate employment for Good Reason or without Good Reason.

"Good Reason" means:

A. the assignment to the Executive of any duties inconsistent in any respect with paragraph (a) of Section 2 of this Agreement, or any other action by the Company that results in a diminution in the Executive's position, authority, duties or responsibilities, other than an isolated, insubstantial and inadvertent action that is not taken in bad faith and is remedied by the Company promptly.

tly after receipt of notice thereof from the Executive;

B. any failure by the Company to comply with any provision of Section 3 of this Agreement, other than an isolated, insubstantial and inadvertent failure that is not taken in bad faith and is remedied by the Company promptly after receipt of notice thereof from the Executive;

C. any requirement by the Company that the Executive's services be rendered primarily at a location or locations other than that provided for in paragraph (d) of Section 2 of this Agreement;

D. any purported termination of the Executive's employment by the Company for a reason or in a manner not expressly permitted by this Agreement;

E. any failure by the Company to comply with paragraph (c) of Section 11 of this Agreement; or

F. any other substantial breach of this Agreement by the Company that either is not taken in good faith or is not remedied by the Company promptly after receipt of notice thereof from the Executive.

(ii) A termination of employment by the Executive for Good Reason shall be effectuated by giving the

Company written notice ("Notice of Termination for Good Reason") of the termination, setting forth in reasonable detail

the specific conduct of the Company that constitutes Good Reason and the specific provision(s) of this Agreement on which the Executive relies. A termination of employment by the Executive for Good Reason shall be effective on the fifth business day following the date when the Notice of Termination for Good Reason is given, unless the notice sets forth a later date (which date shall in no event be later than 30 days after the notice is given).

(iii) A termination of the Executive's employment by the Executive without Good Reason shall be effected by giving the Company written notice of the termination.

(d) No Waiver. The failure to set forth any fact or circumstance in a Notice of Termination for Cause, a Notice of Termination without Cause or a Notice of Termination for Good Reason shall not constitute a waiver of the right to assert, and shall not preclude the party giving notice from asserting, such fact or circumstance in an attempt to enforce any right under or provision of this Agreement.

(e) Date of Termination. The "Date of Termination" means the date of the Executive's death, the Disability Effective Date, the date on which the termination of the Executive's employment by the Company for Cause or without Cause or by the Executive for Good Reason is effective, or the date on which the Executive gives the Company notice of a termination of employment without Good Reason, as the case may be.

5. Obligations of the Company upon Termination.

(a) By the Company Other Than for Cause or Disability; By the Executive for Good Reason. If, during the Employment Period, the Company terminates the Executive's employment, other than for Cause or Disability, or the Executive terminates employment for Good Reason, the Company shall continue to provide the Executive with the compensation and benefits set forth in paragraphs (a), (b) and (c) of Section 3 as if he had remained employed by the Company pursuant to this Agreement through the end of the Employment Period and then retire (at which time he will be treated as eligible for all retiree welfare benefits and other benefits provided to retired senior executives, as set forth in Section 3(c)(ii) and (iii)); provided, that the Incentive Compensation for

such period shall be equal to the maximum Incentive Compensation that the Executive would have been eligible to earn for such period; provided, further, that in lieu of

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stock options, restricted stock and other stock-based awards, the Executive shall be paid cash equal to the fair market value (without regard to any restrictions) of the stock options, restricted stock and other stock-based awards that would otherwise have been granted; provided, further, that to the extent any benefits described in paragraph (c) of Section 3 cannot be provided pursuant to the plan or program maintained by the Company for its executives, the Company shall provide such benefits outside such plan or program at no additional cost (including without limitation tax cost) to the Executive and his family; and provided, finally, that during any period when the Executive is eligible to receive benefits of the type described in clause (B) of paragraph (c) (iii) of Section 3 under another employer-provided plan, the benefits provided by the Company under this paragraph (a) of Section 5 may be made secondary to those provided under such other plan. In addition to the foregoing, any re-

stricted stock outstanding on the Date of Termination shall be fully vested as of the Date of Termination and all options outstanding on the Date of Termination shall be fully vested and exercisable and shall remain in effect and exercisable through the end of their respective terms, without regard to the termination of the Executive's employment. The payments and benefits provided pursuant to this paragraph (a) of

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Section 5 are intended as liquidated damages for a termination of the Executive's employment by the Company other than for Cause or Disability or for the actions of the Company leading to a termination of the Executive's employment by the Executive for Good Reason, and shall be the sole and exclusive remedy therefor.

(b) Death or Disability. If the Executive's employment is terminated by reason of the Executive's death or Disability during the Employment Period, the Company shall pay to the Executive or, in the case of the Executive's death, to the Executive's designated beneficiaries (or, if

there is no such beneficiary, to the Executive's estate or legal representative), in a lump sum in cash within 30 days after the Date of Termination, the sum of the following amounts (the "Accrued Obligations"): (1) any portion of the Executive's Annual Base Salary through the Date of Termination that has not yet been paid; (2) an amount representing the Incentive Compensation for the period that includes the Date of Termination, computed by assuming that the amount of all such Incentive Compensation would be equal to the maximum amount of such Incentive Compensation that the Executive would have been eligible to earn for such period, and multiplying that amount by a fraction, the numerator of which is the number of days in such period through the Date of Termination, and the denominator of which is the total number

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of days in the relevant period; (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) that has not yet been paid; and (4) any accrued but unpaid Incentive Compensation and vacation pay; and the Company shall have no further obligations under this Agreement, except as specified in Section 6 below.

(c) By the Company for Cause; By the Executive Other than for Good Reason. If the Executive's employment is terminated by the Company for Cause during the Employment Period, the Company shall pay the Executive the Annual Base Salary through the Date of Termination and the amount of any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon), in each case to the extent not yet paid, and the Company shall have no further obligations under this Agreement, except as specified in Section 6 below. If the Executive voluntarily terminates employment during the Employment Period, other than for Good Reason, the Company shall pay the Accrued Obligations to the Executive in a lump sum in cash within 30 days of the Date of Termination, and the Company shall have no further obligations under this Agreement, except as specified in Section 6 below.

6. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing

or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies for which the Executive may qualify, nor, subject to paragraph (f) of Section 12, shall anything in this Agreement limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Vested benefits and other amounts that the Executive is otherwise entitled to receive under the Incentive Compensation, the SERP, the Life Insurance Coverage, or any other plan, policy, practice or program of, or any contract or agreement with, the Company or any of its affiliated companies on or after the Date of Termination shall be payable in accordance with the terms of each such plan, policy, practice, program, contract or agreement, as the case may be, except as explicitly modified by this Agreement.

7. Full Settlement. The Company's obligation to make the payments provided for in, and otherwise to perform its obligations under, this Agreement shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action that the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as

specifically provided in paragraph (a) of Section 5 with respect to benefits described in clause (B) of paragraph (c) (iii) of Section 3, such amounts shall not be reduced, regardless of whether the Executive obtains other employment.

8. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies and their respective businesses that the Executive obtains during the Executive's employment by the Company or any of its affiliated companies and that is not public knowledge (other than as a result of the Executive's violation of this Section 8) ("Confidential Information"). The Executive shall not communicate, divulge or disseminate Confidential Information at any time during or after the Executive's employment with the Company, except with the prior written consent of the Company or as otherwise required by law or legal process. In no event shall any asserted violation of the provisions of this Section 8 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this

Agreement.

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9. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 9) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Pay-

ment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of paragraph (c) of this Section 9, all determinations required to be made under this Section 9, including whether and when a Gross-Up

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Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a certified public accounting firm designated by the Executive (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accoun-

tant or auditor for the individual, entity or group effecting the change of control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should

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have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to paragraph (c) of this Section 9 and the Executive thereafter is required to

make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this paragraph (c) of Section 9, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative

tribunal, in a court of initial jurisdiction and in one or

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more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and provided, further, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other tax-

ing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to paragraph (c) of this Section 9, the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of paragraph (c) of this Section 9) promptly pay to the Company

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the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to paragraph (c) of this Section 9, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

10. Attorneys' Fees. The Company agrees to pay, as incurred, to the fullest extent permitted by law, all legal fees and expenses that the Executive may reasonably incur as a result of any contest (regardless of the outcome) by the Company, the Executive or others of the validity or enforceability of or liability under, or otherwise involving, any provision of this Agreement, together with interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code.

11. Successors. (a) This Agreement is personal to the Executive and, without the prior written consent of

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the Company, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean both the Company as defined above and any such successor that assumes and agrees to perform this Agreement, by operation of law or otherwise.

12. Miscellaneous. (a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of Minnesota, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified except

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by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications under this Agreement shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

If to the Company:

Attention: General Counsel

or to such other address as either party furnishes to the other in writing in accordance with this paragraph (b) of Section 12. Notices and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision,

together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

(d) Notwithstanding any other provision of this Agreement, the Company may withhold from amounts payable under this Agreement all federal, state, local and foreign taxes that are required to be withheld by applicable laws or regulations.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision of, or to assert any right under, this Agreement (including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to paragraph (c) of Section 4 of this Agreement) shall not be deemed to be a waiver of such provision or right or of any other provision of or right under this Agreement.

(f) The Executive and the Company acknowledge that this Agreement supersedes any other agreement between them concerning the subject matter hereof.

(g) The rights and benefits of the Executive

under this Agreement may not be anticipated, assigned, alienated or subject to attachment, garnishment, levy, execution or other legal or equitable process except as required by

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law. Any attempt by the Executive to anticipate, alienate, assign, sell, transfer, pledge, encumber or charge the same shall be void. Payments hereunder shall not be considered assets of the Executive in the event of insolvency or bankruptcy.

(h) This Agreement may be executed in several counterparts, each of which shall be deemed an original, and said counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization of its Board of Directors, the Company has caused this Agreement to be executed in its name on its behalf, all as of the day and year first above written.

[COMPANY]

By

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EMPLOYMENT AGREEMENT

THIS AGREEMENT by and between _____,
a Wisconsin corporation (the "Company"), and Richard A. Abdo
(the "Executive"), dated as of the ___ day of _____, 199_.

W I T N E S S E T H T H A T

WHEREAS, Northern States Power Company, a Minnesota corporation ("NSP") and Wisconsin Energy Corporation, a Wisconsin corporation ("WEC") have entered into an Agreement and Plan of Merger dated as of April 28, 1995 (the "Merger Agreement"), whereby the NSP and WEC organizations will merge, with the Company as the surviving parent; and

WHEREAS, NSP and WEC wish to provide for the orderly succession of management of the Company following the Effective Time (as defined in the Merger Agreement); and

WHEREAS, NSP and WEC further wish to provide for the employment by the Company of the Executive, and the Executive wishes to serve the Company, in the capacities and on the terms and conditions set forth in this Agreement;

NOW, THEREFORE, it is hereby agreed as follows:

1. Employment Period. The Company shall employ the Executive, and the Executive shall serve the Company, on the terms and conditions set forth in this Agreement, for an initial period (the "Initial Period") and a further period (the "Secondary Period") (the Initial Period and the Secondary Period are hereinafter referred to in the aggregate as the "Employment Period"). The Initial Period shall begin at the Effective Time (as defined in the Merger Agreement), and end on the earlier of: (i) such date as James J. Howard ceases to be Chief Executive Officer of the Company for any reason; or (ii) the later of (a) the date of the annual meeting of shareholders of the Company that occurs in 1998, and (b) the last day of the sixteenth full month following the Effective Time. The Secondary Period shall begin at the end of the Initial Period and end on that date which is the later of: (x) January 31, 2002; or (y) five (5) years after the first day of the Initial Period; except that on the third, fourth and fifth anniversaries of the first day of the Employment Period, the Secondary Period shall be extended by one year unless either party gives written notice to the other, at least 60 days before the Secondary Period would otherwise be so extended, that the Secondary Period shall not be so extended.

2. Position and Duties. (a) During the Initial Period, the Executive shall serve as Vice Chairman of the Board of Directors of the Company (the "Board"), President and Chief Operating Officer of the Company; during the Secondary Period, the Executive shall serve as Vice Chairman of the Board, President and Chief Executive Officer of the Company; and on and after any date during the Employment Period as of which James J. Howard ceases to be Chairman of the Board, the Executive shall serve as the Chairman of the Board; in each case with such duties and responsibilities as are customarily

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assigned to such positions, and such other duties and responsibilities not inconsistent therewith as may from time to time be assigned to him by the Board. The Executive shall be a member of the Board on the first day of the Employment Period, and the Board shall propose the Executive for re-election to the Board throughout the Employment Period.

(b) During the Initial Period: (i) as is customary, the Executive shall report to the Chief Executive Officer of the Company; (ii) the subsidiary of the Company that provides administrative and other services to the Company's utility company subsidiaries (the "Service Company"), as well

as the Company's subsidiary NRG Energy Inc. ("NRG"), and their respective chief executive officers, shall report to the Chief Executive Officer of the Company; and (iii) all other subsidiaries of the Company (other than the Service Company and NRG), and their respective chief executive officers, shall report to the Executive.

(c) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive shall devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive under this Agreement, use the Executive's reasonable best efforts to carry out such responsibilities faithfully and efficiently. It shall not be considered a violation of the foregoing for the

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Executive to serve on corporate, industry, civic or charitable boards or committees, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement.

(d) The Company's headquarters shall be located in Minneapolis, Minnesota and the Executive shall reside in the general area of the Twin Cities of Minneapolis and St. Paul, Minnesota. The Company shall assure that the Executive suffers no financial loss on the sale of Executive's Milwaukee residence (including the value of loss of tax deferrals which may occur if Executive does not reinvest all of the proceeds of the sale of such residence in accordance with the provisions of Section 1034 of the Internal Revenue Code of 1986, as amended and a gross up payment for the additional income taxes payable by the Executive as a result of such payment). The Company shall reimburse the Executive for all of his moving expenses incurred in relocating Executive's residence to the Twin Cities area. During the period from the first day of the Employment Period through the earlier of the end of the last day of the sixth full calendar month of the Employment Period and the date of such relocation, the Company shall provide the Executive with an apartment in the Twin Cities area and reimburse him for reasonable expenses while in the Twin Cities area and travel between the Twin Cities area and his principal residence, provided in each case that the Executive complies with the policies, practices and procedures of the Company for submission of

expense reports, receipts, or similar documentation of such expenses.

3. Compensation. (a) Base Salary. The Executive's compensation during the Employment Period shall be determined by the Board upon the recommendation of the Compensation Committee of the Board, subject to the next sentence and Section 3(b). During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary") of not less than his annual base salary from WEC as in effect immediately before the Effective Time. The Annual Base Salary shall be payable in accordance with the Company's regular payroll practice for its senior executives, as in effect from time to time. During the Employment Period, the Annual Base Salary shall be reviewed for possible increase at least annually. Any increase in the Annual Base Salary shall not limit or reduce any other obligation of the Company under this Agreement. The Annual Base Salary shall not be reduced after any such increase, and the term "Annual Base Salary" shall thereafter refer to the Annual Base Salary as so increased.

(b) Incentive Compensation. During the Employment Period, the Executive shall participate in short-term incentive compensation plans and long-term incentive compensation plans (the latter to consist of plans offering stock options, restricted stock and other long-term incentive com-

compensation) providing him with the opportunity to earn, on a

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year-by-year basis, short-term and long-term incentive compensation (the "Incentive Compensation") at least equal to the amounts that he had the opportunity to earn under the comparable plans of WEC as in effect immediately before the Effective Time.

(c) Other Benefits. (i) Supplemental Executive Retirement Plan. During the Employment Period, the Executive shall participate in a supplemental executive retirement plan ("SERP") such that the aggregate value of the retirement benefits that he and his spouse will receive at the end of the Employment Period under all defined benefit plans of the Company and its affiliates (whether qualified or not) will be not less than the benefits he would have received had he continued, through the end of the Employment Period, to participate in the WEC Defined Benefit Pension Plan, Supplemental Executive Retirement Plan A, Supplemental Executive Retirement Plan B, the special supplemental benefits letter dated November 21, 1994 as amended on April 26, 1995 between WEC and the Execu-

tive, and Executive Deferred Compensation Plan (collectively, the "WEC Plans"), as in effect immediately before the Effective Time. The Company shall maintain and fund one or more grantor trusts (the "Trusts"), the assets of which shall at all times be adequate to provide for the payment of all benefits under the SERP to the Executive and his spouse, as well as any elective deferrals of Incentive Compensation by the Executive (with such adequacy being determined by an independent consulting firm acceptable to the Executive, whose fees shall be paid by

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the Company). The assets of the Trusts shall be subject to the claims of the Company's creditors, and the Trusts shall in all other respects be designed to prevent the Executive and his spouse from being taxed on the assets or income thereof, except as and when such assets or income are paid to them.

(ii) During the Employment Period, the Company shall provide the Executive with life insurance coverage (the "Life Insurance Coverage") providing a death benefit to such beneficiary or beneficiaries as the Executive may designate of not less than three times his Annual Base Salary.

(iii) In addition, and without limiting the generality of the foregoing, during the Employment Period and

thereafter: (A) the Executive shall be entitled to participate in all applicable incentive, savings and retirement plans, practices, policies and programs of the Company to the same extent as other senior executives (or, where applicable, retired senior executives) of the Company, and (B) the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in, and shall receive all benefits under, all applicable welfare benefit plans, practices, policies and programs provided by the Company, other than severance plans, practices, policies and programs but including, without limitation, medical, prescription, dental, disability, salary continuance, employee life insurance, group life insurance, accidental death and travel accident insurance plans and

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programs, to the same extent as other senior executives (or, where applicable, retired senior executives) of the Company.

(d) Fringe Benefits. During the Employment Period, the Executive shall be entitled to receive fringe benefits on the same terms and conditions as he received such fringe benefits from WEC immediately before the Effective Time.

4. Termination of Employment. (a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. The Company shall be entitled to terminate the Executive's employment because of the Executive's Disability during the Employment Period. "Disability" means that (i) the Executive has been unable, for a period of 180 consecutive business days, to perform the Executive's duties under this Agreement, as a result of physical or mental illness or injury, and (ii) a physician selected by the Company or its insurers, and acceptable to the Executive or the Executive's legal representative, has determined that the Executive's incapacity is total and permanent. A termination of the Executive's employment by the Company for Disability shall be communicated to the Executive by written notice, and shall be effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), unless the Executive returns to full-time performance of the Executive's duties before the Disability Effective Date.

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(b) By the Company. (i) The Company may ter-

minate the Executive's employment during the Employment Period for Cause or without Cause. "Cause" means:

A. the willful and continued failure of Executive substantially to perform the Executive's duties under this Agreement (other than as a result of physical or mental illness or injury), after the Board of the Company delivers to the Executive a written demand for substantial performance that specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties; or

B. illegal conduct or gross misconduct by the Executive, in either case that is willful and results in material and demonstrable damage to the business or reputation of the Company.

No act or failure to act on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act or failure to act that is based upon authority given pursuant to a resolution duly adopted by the Board, or the advice of counsel for the Company, shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company.

(ii) A termination of the Executive's employment for Cause shall be effected in accordance with the following procedures. The Company shall give the Executive written notice ("Notice of Termination for Cause") of its

intention to terminate the Executive's employment for Cause,

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setting forth in reasonable detail the specific conduct of the Executive that it considers to constitute Cause and the specific provision(s) of this Agreement on which it relies, and stating the date, time and place of the Special Board Meeting for Cause. The "Special Board Meeting for Cause" means a meeting of the Board called and held specifically for the purpose of considering the Executive's termination for Cause, that takes place not less than ten and not more than twenty business days after the Executive receives the Notice of Termination for Cause. The Executive shall be given an opportunity, together with counsel, to be heard at the Special Board Meeting for Cause. The Executive's termination for Cause shall be effective when and if a resolution is duly adopted at the Special Board Meeting for Cause by affirmative vote of a majority of the entire membership of the Board, excluding employee directors, stating that in the good faith opinion of the Board, the Executive is guilty of the conduct described in the Notice of Termination for Cause, and that conduct constitutes Cause under this Agreement.

(iii) A termination of the Executive's

employment without Cause shall be effected in accordance with the following procedures. The Company shall give the Executive written notice ("Notice of Termination without Cause") of its intention to terminate the Executive's employment without Cause, stating the date, time and place of the Special Board Meeting without Cause. The "Special Board Meeting without

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Cause" means a meeting of the Board called and held specifically for the purpose of considering the Executive's termination without Cause, that takes place not less than ten and not more than twenty business days after the Executive receives the Notice of Termination without Cause. The Executive shall be given an opportunity, together with counsel, to be heard at the Special Board Meeting without Cause. The Executive's termination without Cause shall be effective when and if a resolution is duly adopted at the Special Board Meeting without Cause by affirmative vote of a majority of the entire membership of the Board, excluding employee directors, stating that the Executive is terminated without Cause.

(c) Good Reason. (i) The Executive may terminate employment for Good Reason or without Good Reason.

"Good Reason" means:

A. the assignment to the Executive of any duties inconsistent in any respect with paragraph (a) of Section 2 of this Agreement, or any other action by the Company that results in a diminution in the Executive's position, authority, duties or responsibilities, other than an isolated, insubstantial and inadvertent action that is not taken in bad faith and is remedied by the Company promptly after receipt of notice thereof from the Executive;

B. any failure by the Company to comply with any provision of Section 3 of this Agreement, other than an isolated, insubstantial and inadvertent failure that is not taken in bad faith and is remedied by the Company promptly after receipt of notice thereof from the Executive;

C. any requirement by the Company that the Executive's services be rendered primarily

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at a location or locations other than that provided for in paragraph (d) of Section 2 of this Agreement;

D. any purported termination of the Executive's employment by the Company for a reason or in a manner not expressly permitted by this Agreement; or

E. any failure by the Company to comply with paragraph (c) of Section 11 of this Agreement; or

F. any other substantial breach of this Agreement by the Company that either is not taken in good faith or is not remedied by the

Company promptly after receipt of notice thereof from the Executive.

(ii) A termination of employment by the Executive for Good Reason shall be effectuated by giving the Company written notice ("Notice of Termination for Good Reason") of the termination, setting forth in reasonable detail the specific conduct of the Company that constitutes Good Reason and the specific provision(s) of this Agreement on which the Executive relies. A termination of employment by the Executive for Good Reason shall be effective on the fifth business day following the date when the Notice of Termination for Good Reason is given, unless the notice sets forth a later date (which date shall in no event be later than 30 days after the notice is given).

(iii) A termination of the Executive's employment by the Executive without Good Reason shall be effected by giving the Company written notice of the termination.

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(d) No Waiver. The failure to set forth any fact or circumstance in a Notice of Termination for Cause, a

Notice of Termination without Cause or a Notice of Termination for Good Reason shall not constitute a waiver of the right to assert, and shall not preclude the party giving notice from asserting, such fact or circumstance in an attempt to enforce any right under or provision of this Agreement.

(e) Date of Termination. The "Date of Termination" means the date of the Executive's death, the Disability Effective Date, the date on which the termination of the Executive's employment by the Company for Cause or without Cause or by the Executive for Good Reason is effective, or the date on which the Executive gives the Company notice of a termination of employment without Good Reason, as the case may be.

5. Obligations of the Company upon Termination.

(a) Other Than for Cause, Death or Disability; Good Reason. If, during the Employment Period, the Company terminates the Executive's employment, other than for Cause or Disability, or the Executive terminates employment for Good Reason, the Company shall continue to provide the Executive with the compensation and benefits set forth in paragraphs (a), (b) and (c) of Section 3 as if he had remained employed by the Company pursuant to this Agreement through the end of the Employment Period and then retired [at which time he will be treated as eligible for all retiree welfare benefits and other benefits provided to retired senior executives, as set forth in Section 3(c)(iii)];

provided, that the Incentive Compensation for such period shall be equal to the maximum Incentive Compensation that the Executive would have been eligible to earn for such period; provided, further that in lieu of stock options, restricted stock and other stock-based awards, the Executive shall be paid cash equal to the fair market value (without regard to any restrictions) of the stock options, restricted stock and other stock-based awards that would otherwise have been granted; and provided, further, that to the extent any benefits described in paragraph (c) of Section 3 cannot be provided pursuant to the plan or program maintained by the Company for its executives, the Company shall provide such benefits outside such plan or program at no additional cost (including without limitation tax cost) to the Executive and his family; and provided, finally, that during any period when the Executive is eligible to receive benefits of the type described in clause (B) of paragraph (c)(iii) of Section 3 under another employer-provided plan, the benefits provided by the Company under this paragraph (a) of Section 5 may be made secondary to those provided under such other plan. In addition to the foregoing, any restricted stock outstanding on the Date of Termination shall be fully vested as of the Date of Termination and all options outstand-

ing on the Date of Termination shall be fully vested and exercisable and shall remain in effect and exercisable through the end of their respective terms, without regard to the termination of the Executive's employment. The payments and benefits provided pursuant to this paragraph (a) of Section 5 are

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intended as liquidated damages for a termination of the Executive's employment by the Company other than for Cause or Disability or for the actions of the Company leading to a termination of the Executive's employment by the Executive for Good Reason, and shall be the sole and exclusive remedy therefor.

(b) Death and Disability. If the Executive's employment is terminated by reason of the Executive's death or Disability during the Employment Period, the Company shall pay to the Executive or, in the case of the Executive's death, to the Executive's designated beneficiaries (or, if there is no such beneficiary, to the Executive's estate or legal representative), in a lump sum in cash within 30 days after the Date of Termination, the sum of the following amounts (the "Accrued Obligations"): (1) any portion of the Executive's Annual Base Salary through the Date of Termination that has not yet been

paid; (2) an amount representing the Incentive Compensation for the period that includes the Date of Termination, computed by assuming that the amount of all such Incentive Compensation would be equal to the maximum amount of such Incentive Compensation that the Executive would have been eligible to earn for such period, and multiplying that amount by a fraction, the numerator of which is the number of days in such period through the Date of Termination, and the denominator of which is the total number of days in the relevant period; (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) that has not yet been paid; and (4) any accrued but unpaid Incentive Compensation and

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vacation pay; and the Company shall have no further obligations under this Agreement, except as specified in Section 6 below.

(c) By the Company for Cause; By the Executive Other than for Good Reason. If the Executive's employment is terminated by the Company for Cause during the Employment Period, the Company shall pay the Executive the Annual Base Salary through the Date of Termination and the amount of any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon), in each case to

the extent not yet paid, and the Company shall have no further obligations under this Agreement, except as specified in Section 6 below. If the Executive voluntarily terminates employment during the Employment Period, other than for Good Reason, the Company shall pay the Accrued Obligations to the Executive in a lump sum in cash within 30 days of the Date of Termination, and the Company shall have no further obligations under this Agreement, except as specified in Section 6 below.

6. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies for which the Executive may qualify, nor, subject to paragraph (f) of Section 12, shall anything in this Agreement limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Vested benefits and other amounts that

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the Executive is otherwise entitled to receive under the Incentive Compensation, the SERP, the Life Insurance Coverage, or any other plan, policy, practice or program of, or any contract or agreement with, the Company or any of its affiliated

companies on or after the Date of Termination shall be payable in accordance with the terms of each such plan, policy, practice, program, contract or agreement, as the case may be, except as explicitly modified by this Agreement.

7. Full Settlement. The Company's obligation to make the payments provided for in, and otherwise to perform its obligations under, this Agreement shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action that the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as specifically provided in paragraph (a) of Section 5 with respect to benefits described in clause (B) of paragraph (c)(iii) of Section 3, such amounts shall not be reduced, regardless of whether the Executive obtains other employment.

8. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies and their respective businesses that the Executive obtains during the

Executive's employment by the Company or any of its affiliated companies and that is not public knowledge (other than as a result of the Executive's violation of this Section 8) ("Confidential Information"). The Executive shall not communicate, divulge or disseminate Confidential Information at any time during or after the Executive's employment with the Company, except with the prior written consent of the Company or as otherwise required by law or legal process. In no event shall any asserted violation of the provisions of this Section 8 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

9. Certain Additional Payments by the Company. (a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 9) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are

hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or

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penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of paragraph (c) of this Section 9, all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a certified public accounting firm designated by the Executive (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the

Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the change of control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any

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determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to paragraph (c) of this Section 9 and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has

occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of

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such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably

request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this paragraph (c) of Section 9, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any

administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and provided, further, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to paragraph (c) of this Section 9, the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of paragraph

(c) of this Section 9) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If after the receipt

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by the Executive of an amount advanced by the Company pursuant to paragraph (c) of this Section 9, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

10. Attorneys' Fees. The Company agrees to pay, as incurred, to the fullest extent permitted by law, all legal fees and expenses that the Executive may reasonably incur as a result of any contest (regardless of the outcome) by the Company, the Executive or others of the validity or enforceability of or liability under, or otherwise involving, any provision of this Agreement, together with interest on any delayed payment at the applicable federal rate provided for in Section

11. Successors. (a) This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

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(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean both the Company as defined above and any such successor that assumes and agrees to perform this Agree-

ment, by operation of law or otherwise.

12. Miscellaneous. (a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of Minnesota, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified except by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications under this Agreement shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

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If to the Executive:

If to the Company:

Attention: General Counsel

or to such other address as either party furnishes to the other in writing in accordance with this paragraph (b) of Section 12. Notices and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

(d) Notwithstanding any other provision of this Agreement, the Company may withhold from amounts payable under this Agreement all federal, state, local and foreign taxes that are required to be withheld by applicable laws or regulations.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provisions of, or to assert any right under, this Agreement (including, without

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limitation, the right of the Executive to terminate employment

for Good Reason pursuant to paragraph (c) of Section 4 of this Agreement) shall not be deemed to be a waiver of such provision or right or of any other provision of or right under this Agreement.

(f) The Executive and the Company acknowledge that this Agreement supersedes any other agreement between them concerning the subject matter hereof.

(g) The rights and benefits of the Executive under this Agreement may not be anticipated, assigned, alienated or subject to attachment, garnishment, levy, execution or other legal or equitable process except as required by law. Any attempt by the Executive to anticipate, alienate, assign, sell, transfer, pledge, encumber or charge the same shall be void. Payments hereunder shall not be considered assets of the Executive in the event of insolvency or bankruptcy.

(h) This Agreement may be executed in several counterparts, each of which shall be deemed an original, and said counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Executive has hereunto set
the Executive's hand and, pursuant to the authorization of its
Board of Directors, the Company has caused this Agreement to be
executed in its name on its behalf, all as of the day and year
first above written.

Richard A. Abdoo

By

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
NORTHERN POWER WISCONSIN CORP.
(a Wisconsin corporation)

These Restated Articles of Incorporation supersede and take the place of the existing Articles of Incorporation and all prior amendments thereto and restatements thereof.

ARTICLE I. NAME, REGISTERED OFFICE AND AGENT

The name of this corporation shall be NORTHERN POWER WISCONSIN CORP. At the time of the adoption of these Articles, the address of the registered office of the Corporation is 44 East Mifflin Street, Madison, Wisconsin 53703 and its registered agent at such address is C T CORPORATION SYSTEM.

ARTICLE II. PURPOSE

The corporation is organized to engage in any lawful activity within the purposes for which a corporation may be organized under the WBCL, including but not limited to acquiring, maintaining and operating facilities by or through which the corporation can provide communication, transportation, water, light, heat, or power to the public and to acquire and hold rights and franchises for the occupation and use of property for providing public utility services.

ARTICLE III. DURATION

The period of duration of this Corporation shall be perpetual.

ARTICLE IV. DIRECTORS

1. Board of Directors

The management of this Corporation shall be vested in a Board of Directors composed of not less than three (3) and not more than seventeen (17) members, who shall be elected by

the stockholders of the Corporation in the manner provided by the Bylaws. It shall not be necessary that directors be stockholders in the Corporation. The number of directors shall be fixed from time to time by the Bylaws, and such number may be increased or decreased within the above limits in such manner as may be provided by the Bylaws. Vacancies in the Board caused by an increase in the number of directors or by death,

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resignation, disqualification, or other cause, may be filled by the remaining directors or by the stockholders at an annual or special meeting, as may be provided by the Bylaws.

ARTICLE V. DESCRIPTION OF CAPITAL STOCK

The total authorized number of shares that may be issued by the Corporation and that the Corporation will henceforth be authorized to have is one hundred sixty-seven million (167,000,000) of the par value per share hereinafter set forth.

A description of the classes of shares and a statement of the number of shares in each class and the relative rights, voting power, and preferences granted to and restrictions imposed upon the shares of each class are as follows:

1. Authorized Number and Classes of Shares.

Such shares shall be divided into two classes to be designated, respectively, Preferred Stock and Common Stock. The total authorized number of shares of Preferred Stock is seven million (7,000,000) having a par value of one hundred dollars (\$100) per share, and the total authorized number of shares of Common Stock is one hundred sixty million (160,000,000) having a par value of two dollars and fifty cents (\$2.50) per share.

2. Issuance and Terms of Preferred Stock

The Preferred Stock may be issued in series, each of

which series shall have such distinctive designation as may be fixed by the Board of Directors prior to the issuance or allotment of any share of such series, provided that such designation shall in each case include the words "Preferred Stock". The Board of Directors is hereby authorized, within the limitations and restrictions hereinafter stated and within the limits of the WBCL, to fix from time to time, in respect of shares of Preferred Stock at the time unallotted, the dividend rates and times of payment, the redemption price, and liquidation price or preference as to assets in voluntary liquidation of the shares of any series of Preferred Stock (except the series designated "Cumulative Preferred Stock, \$3.60 Series," in respect of which such provisions are hereinafter set forth) and the number of shares constituting any series of Preferred Stock.

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3. Preferences of Preferred Stock

a. Dividends

The holders of shares of Preferred Stock, irrespective of the series thereof, shall be entitled to receive in preference to the Common Stock, when and as declared by the Board of Directors of the Corporation, out of its net earnings or surplus, cumulative dividends at such rate as shall have been fixed for the series of which such shares are a part, and no more, payable to shareholders of record on such dates and for such dividend periods as shall be fixed by the Board of Directors of the Corporation. So long as dividends are in default in whole or in part on a series of Preferred Stock for any prior dividend period for such series of Preferred Stock, any dividends on the Preferred Stock shall be divided among the outstanding series of Preferred Stock for which dividends are accumulated and unpaid for any prior dividend period applicable thereto in proportion to the aggregate amounts that then would be distributable to the holders of Preferred Stock of each such series if all dividends accumulated thereon and unpaid for all prior dividend periods applicable thereto were paid and de-

clared thereon. Dividends on each share of Preferred Stock shall begin to accrue on the first day of the dividend period during which the original issue of a certificate for such share shall occur; provided, however, that, in the case of any series of Preferred Stock issued in exchange for a series of preferred stock, par value \$2.50 per share of Northern States Power Company, a Minnesota corporation, which was created after May 6, 1970, the Board of Directors, in its discretion, may fix the date of original issue of the shares of such series as the date from which dividends shall accrue.

b. Liquidation and Dissolution

In the event of any distribution of assets of the Corporation other than by dividends from net earnings or surplus, whether upon voluntary liquidation or dissolution or upon involuntary liquidation or dissolution of the Corporation, the holders of the shares of Preferred Stock shall be entitled, in preference to the Common Stock, to one hundred dollars (\$100) per share in the case of involuntary liquidation or dissolution and to such amount per share in the case of voluntary liquidation or dissolution (which may differ from that payable in involuntary liquidation or dissolution) as shall have been fixed by the Board of Directors for the shares of the series of which they are a part, plus in each case an amount equal to all dividends accumulated and unpaid thereon, and no more. The consolidation or merger of this Corporation with or into any other

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corporation or corporations shall not be deemed to be distribution of assets or liquidation or dissolution of the Corporation within the meaning of any provisions hereof.

If upon any such distribution of assets of the Corporation the assets distributable among the holders of the Preferred Stock of all series shall be insufficient to pay in full the amounts to which the holders of Preferred Stock of all series are entitled under the foregoing provisions, the amount distributable to the holders of all shares of Preferred Stock of all series shall be apportioned among them ratably in proportion to the amounts to which they are, respectively, enti-

tled in accordance with such foregoing provisions.

c. Dividend Arrearages

Dividends may be paid upon the Common Stock only when dividends have been paid, or declared and set apart for payment in full, on the Preferred Stock of all series from the date on which dividends thereon began to accrue to the beginning of the current dividend periods, but whenever all such dividends have been paid, or declared and funds set apart for the payment thereof in full, upon the Preferred Stock of all series then dividends upon the Common Stock may be declared, payable then or thereafter out of any net earnings or surplus then remaining. The holders of Preferred Stock shall not be entitled to receive any amounts upon any distribution of the assets of the Corporation other than by dividends from net earnings or surplus in excess of the amount to which they are, respectively, entitled in accordance with the foregoing provisions hereof, but after the payment of such amounts in accordance with the provisions hereinabove set forth, the holders of Common Stock, subject to the rights of holders of stock of any other class hereafter authorized, shall receive all further amounts in distribution of such assets of the Corporation.

4. Redemption of Preferred Stock

The Corporation, at its option, may at any time and from time to time redeem the whole or any part of the Preferred Stock of any series or all series, upon at least thirty days' previous notice by mail or publication given to the holders of record of the shares to be redeemed or upon such other period and form of notice as shall be fixed by the Board of Directors in the resolution establishing such series, by paying for each share to be redeemed the redemption price which shall have been fixed, as herein provided, for the shares of the series of which it is a part plus in each case an amount equal to the dividends upon such shares so to be redeemed at the rate or rates fixed with respect to such shares from the date or dates

on which dividends on such shares began to accrue to the date fixed for the redemption thereof less the amount of dividends

theretofore paid thereon, such payment to be made only on presentation and surrender for cancellation of the certificate or certificates representing the share or shares so called for redemption properly endorsed or assigned by the owner of record thereof. If less than all the outstanding shares of the Preferred Stock are to be redeemed, the shares to be redeemed shall be determined by the Board of Directors of the Corporation, either by lot, or by redemption pro rata, as the Board of Directors see fit. If the notice of redemption hereinabove provided for shall have been given as hereinabove provided and if on or before the redemption date specified in such notice funds necessary for the redemption of the share or shares to be redeemed shall have been set apart, as a trust fund, so as to be available therefor, then notwithstanding that any certificate for the shares of Preferred Stock so to be redeemed shall not have been surrendered for cancellation, the shares represented thereby from and after the date of redemption so specified shall no longer be deemed outstanding and the right to receive dividends thereon shall cease to accrue and all rights of the holders of the shares to be redeemed as shareholders of the Corporation, except the right to receive the redemption price without interest upon endorsement and surrender of the certificates for said shares so redeemed, shall cease and terminate.

5. Voting Rights

a. Number of Votes

The holders of the Preferred Stock (other than Preferred Stock of the series designated "Cumulative Preferred Stock, \$3.60 Series") shall be entitled to one vote for each share thereof held by them, the holders of Preferred Stock heretofore or hereafter issued of the series designated "Cumulative Preferred Stock, \$3.60 Series" shall be entitled to three votes for each share thereof held by them, and the holders of the Common Stock shall be entitled to one vote for each share thereof held by them; provided, however, that:

(i) If and when dividends payable on the Preferred Stock of any series at the time outstanding are in default in an amount equivalent to the amount payable thereon during the immediately preceding twelve month period, and until such default shall have been remedied as hereinafter provided, the preferred shareholders, voting as a class and without regard to series, shall be entitled to elect the smallest number of directors necessary to constitute

a majority of the full Board of Directors, and the common shareholders, voting separately as a class, shall be entitled to elect the remaining directors of the Corporation. Upon accrual of such special right of the Preferred Stock, a meeting of the preferred and the common shareholders for the election of directors shall be held upon notice promptly given as provided in the Bylaws for a special meeting by the President or the Secretary of the Corporation. If within fifteen days after the accrual of such special right of the Preferred Stock the President and the Secretary of the Corporation shall fail to call such meeting, then such meeting shall be held upon notice, as provided in the Bylaws for a special meeting, given by the holders of not less than 1,000 shares of the Preferred Stock after filing with the Corporation of notice of their intention to do so. The terms of office of all persons who may be directors of the Corporation at the time shall terminate upon the election of a majority of the Board of Directors by the preferred shareholders, whether or not the common shareholders shall at the time of such termination have elected the remaining directors of the Corporation; thereafter during the continuance of such special right of the Preferred Stock to elect a majority of the Board of Directors, the holders of such stock, voting as a class, shall be entitled to elect a majority of the Board of Directors and the holders of the Common Stock, voting separately as a class, shall be entitled to elect the remaining directors of the corporation; and all directors so elected, whether at such special meeting or any adjournment thereof, or at any subsequent annual meeting for the election of directors, held during the continuance of such special right, shall hold office until the next succeeding annual election and until their respective successors, elected by the preferred shareholders, voting as a class, and the common shareholders, voting as a class, are elected and qualified, unless their terms of office shall be sooner terminated as hereinafter provided. However, if and when all dividends then in default on the Preferred Stock shall thereafter be paid (and such dividends shall be declared and paid out of any funds legally available

therefor as soon as reasonably practicable), the Preferred Stock shall thereupon be divested of such special right herein provided for to elect a majority of the Board of Directors, but subject always to the same provisions for the vesting of such special right

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in such stock in the case of any similar future default or defaults, and the election of directors by the preferred and common shareholders, voting without regard to class, shall take place at the next succeeding annual meeting for the election of directors, or at any adjournment thereof. The terms of office of all persons who may be directors of the Corporation at the time of such divestment shall terminate upon the election of the directors at such annual meeting or adjournment thereof.

b. First Meeting for Election of Directors

At the first meeting for the election of directors after any accrual of the special right of the preferred shareholders to elect a majority of the Board of Directors, as provided above, and at any subsequent annual meeting for the election of directors held during the continuance of such special right, the presence in person or by proxy of the holders of record of a majority of the outstanding shares of Preferred Stock without regard to series shall be necessary to constitute a quorum for the election of the directors whom the preferred shareholders are entitled to elect, and the presence in person or by proxy of the holders of record of a majority of the outstanding shares of Common Stock shall be necessary to constitute a quorum for the election of the directors whom the common shareholders are entitled to elect. If at any such meeting there shall not be such a quorum of the preferred shareholders, the meeting shall be adjourned from time to time without notice other than announcement at the meeting until such quorum shall have been obtained; provided that, if such quorum shall not have been obtained within ninety (90) days from the date of such meeting as originally called (or, in the case of any annual meeting held during the continuance of such special right,

from the date for such annual meeting), the presence in person or by proxy of the holders of record of one-third of the outstanding shares of the Preferred Stock, without regard to series, shall then be sufficient to constitute a quorum for the election of the directors whom such shareholders are then entitled to elect. The absence of a quorum of the preferred shareholders as a class or of the common shareholders as a class shall not, except as hereinafter provided for, prevent or invalidate the election by the other class of shareholders of the directors whom they are entitled to elect, if the necessary quorum of shareholders of such other class is present in person or represented by proxy at any such meeting or any adjournment thereof. However, at the first meeting for the election of directors after any accrual of the special right of the preferred shareholders to elect a majority of the Board of Directors, the absence of a quorum of the preferred shareholders

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shall prevent the election of directors by the common shareholders, until a quorum of the preferred shareholders shall be obtained.

c. Cumulative Voting

The holders of shares of stock of any class entitled to vote at a meeting for the election of directors shall have the right to cumulate their votes at such election in the manner provided by the WBCL.

6. Special Voting Rights of Preferred Stock

a. Act Requiring Majority Vote of Preferred Stock

So long as any of the Preferred Stock is outstanding, the Corporation shall not, without the consent (given in writing or by vote at a meeting duly called for the purpose in accordance with the provisions of the Bylaws) of the holders of a majority of the total number of shares of such stock, without regard to series, present or represented by proxy at such meeting, at which meeting a quorum as hereinafter provided shall be present or represented by proxy;

(i) Issue any unsecured notes, debentures, or other securities representing unsecured indebtedness, or assume any such unsecured securities, for purposes other than the refunding of outstanding unsecured securities theretofore issued or assumed by the Corporation or the redemption or other retirement of outstanding shares of one or more series of the Preferred Stock, if, immediately after such issue or assumption, the total principal amount of all unsecured notes, debentures, or other securities representing unsecured indebtedness issued or assumed by the Corporation and then outstanding (including unsecured securities then to be issued or assumed) would exceed twenty percent (20%) of the aggregate of (a) the total principal amount of all bonds or other securities representing secured indebtedness issued or assumed by the Corporation and then to be outstanding, and (b) the capital and surplus of the Corporation (including all earned surplus, paid-in surplus, capital surplus, or other surplus of the Corporation) as then to be stated on the books of account of the Corporation; or

(ii) merge or consolidate with or into any other corporation or corporations, unless such merger or consolidation, or the issuance or assumption of all

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securities to be issued or assumed in connection with any such merger or consolidation, shall have been ordered, approved, or permitted by the Securities and Exchange Commission under the provisions of the Public Utility Holding Company Act of 1935 or by any successor commission or regulatory authority of the United States of America having jurisdiction in the premises; provided that the provisions of this clause (ii) shall not apply to a purchase or other acquisition by the Corporation of the franchises or other assets of another corporation, or otherwise apply in any matter which does not involve a merger or consolidation.

b. Quorum of Preferred Stockholders

For the purpose of this Section 6, the presence in person or by proxy of the holders or record of a majority of the outstanding shares of Preferred Stock, without regard to series, shall be necessary to constitute a quorum; provided, that if such quorum shall not have been obtained at such meeting or at any adjournment thereof within thirty (30) days from the date of such meeting as originally called, the presence in person or by proxy of the holders of record of one-third (1/3) of the outstanding shares of such stock, without regard to series, shall then be sufficient to constitute a quorum; and provided further that in the absence of a quorum, such meeting or any adjournment thereof may be adjourned from time to time by the officer or officers of the Corporation who shall have called the meeting (but at intervals of not less than seven days unless all shareholders present or represented by proxy shall agree to a shorter interval) without notice other than announcement at the meeting until a quorum as above provided shall be obtained.

c. Acts which Include Redemption of Preferred Stock

No vote or consent of the holders of any series of the Preferred Stock shall be required, however, if, at or prior to the issue of any such securities representing unsecured indebtedness, or such consolidation, merger, or sale, provision is made for the redemption or other retirement of all shares of such series then outstanding.

d. Additional to Other Voting Requirements

The provisions set forth in this Section 6 are in addition to any other vote required by any provision of the Articles of Incorporation of the Corporation, as amended, or applicable statute, and shall be so construed.

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7. Issuance in Amount of Preferred Stock

So long as any of the Preferred Stock is outstanding, the Corporation shall not, without the consent (given by vote

at a meeting duly called for the purpose in accordance with the provisions of the Bylaws) of the holders of a majority of the total number of shares of such stock then outstanding, without regard to class or series, present or represented by proxy at such meeting, increase the total authorized amount of Preferred Stock (other than as authorized by this Article V) or authorize any other preferred stock ranking on a parity with the Preferred Stock as to assets or dividends (other than through the reclassification of then authorized but unissued shares of Preferred Stock into shares of such other preferred stock).

8. Issuance of Stock Preferred over Preferred Stock

So long as any of the Preferred Stock is outstanding, the Corporation shall not, without the consent (given by vote at a meeting duly called for the purpose in accordance with the provisions of the Bylaws) of the holders of at least sixty-six and two-thirds per cent ($66\frac{2}{3}\%$) of the total number of shares of Preferred Stock, without regard to series, then outstanding, present or represented by proxy at such meeting, authorize any class of stock which shall be preferred as to assets or dividends over the Preferred Stock; or, without the consent of the holders of at least sixty-six and two-thirds percent ($66\frac{2}{3}\%$) of the total number of shares of Preferred Stock then outstanding, given as above provided in this Section 8, amend the Articles of Incorporation, to change the express terms and provisions of the Preferred Stock in any manner substantially prejudicial to the holders thereof.

9. Effecting and Validating Additional Stock or Securities Convertible into Stock

So long as any shares of Preferred Stock are outstanding, the consent of the holders of at least two-thirds ($\frac{2}{3}$) of the Preferred Stock at the time outstanding, voting as a class and without regard to series, given in person or by proxy, either in writing or by vote at any meeting called for the purpose, shall be necessary for effecting or validating the issue of any additional shares of Preferred Stock (other than and not exceeding 275,000 shares of the Cumulative Preferred Stock, \$3.60 Series), or any shares of stock, or of any security convertible into stock, of any class ranking on a parity with the Preferred Stock, unless

(i) the net income of the Corporation (determined as hereinafter provided) for any twelve consecutive calendar months within the fifteen calendar months immediately preceding the month within which the issuance of such additional shares is authorized by the Board of Directors of the Corporation shall have been in the aggregate not less than one and one-half times the sum of the interest requirements for one year on all of the indebtedness of the Corporation to be outstanding at the date of such proposed issue and the full dividend requirements for one year on all shares of Preferred Stock, and all other stock, if any, ranking prior to or on a parity with the Preferred Stock, to be outstanding at the date of such proposed issue, including the shares then proposed to be issued but excluding any such indebtedness and any such shares proposed to be retired in connection with such proposed issue. For purposes of calculating the dividend requirements for one year applicable to any series of Preferred Stock proposed to be issued which will have dividends determined according to an adjustable, floating or variable rate, the dividend rate used shall be the higher of (A) the dividend rate applicable to such series of Preferred Stock on the date of such calculation, or (B) the average dividend rate payable on all series of Preferred Stock outstanding during the twelve month period immediately preceding the date of such calculation. For purposes of calculating the dividend or interest requirements for one year applicable to any series of Preferred Stock or indebtedness outstanding at the date of such proposed issue and having dividends or interest determined according to an adjustable, floating or variable rate, the dividend or interest rate used shall be: (A) if such series of Preferred Stock or indebtedness has been outstanding for at least twelve months, the actual amount of dividends or interest paid on account of such series of Preferred Stock or indebtedness for the twelve month period immediately preceding the date of such calculation, or (B) if such series of Preferred Stock or indebtedness has been outstanding for less than twelve months, the higher of (1) the dividend or interest rate applicable to such series

of Preferred Stock or indebtedness on the date of such calculation or (2) the average dividend or interest rate payable on all series of Preferred Stock or indebtedness outstanding during the twelve month period immediately preceding the date of such calculation. "Net income" for any period for the purpose

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of this Section 9 shall be computed by adding to the net income of the Corporation for said period, determined in accordance with generally accepted accounting practices, as adjusted by action of the Board of Directors of the Corporation as hereinafter provided, the amount deducted for interest before arriving at such net income (adjusted as above provided). In determining such net income for any period, there shall be deducted the provisions for depreciation and depletion as recorded on such books or the minimum amount required therefor under the provisions of any then existing trust indenture or supplements thereto of the Corporation, whichever is larger. In the determination of such net income, the Board of Directors of the Corporation may, in the exercise of due discretion, make adjustments by way of increase or decrease in such net income to give effect to changes therein resulting from any acquisition of properties or to any redemption, acquisition, purchase, sale, or exchange of securities by the Corporation either prior to the issuance of any shares of Preferred Stock, or stock, or securities convertible into stock, ranking on a parity therewith then to be issued or in connection therewith; and

(ii) the aggregate of the capital of the Corporation applicable to all stock of any class ranking junior to the Preferred Stock, plus the surplus of the Corporation, shall be not less than the aggregate amount payable upon involuntary liquidation, dissolution, or winding up of the affairs of the Corporation to the holders of all shares of Preferred Stock and of any shares of stock of any class ranking on a parity therewith to be outstanding immediately

after such proposed issue, excluding from such computation all indebtedness and stock to be retired through such proposed issue. No portion of the surplus of the Corporation utilized to satisfy the foregoing requirements shall be available for dividends (other than dividends payable in stock of any class ranking junior to the Preferred Stock) or other distributions upon or in respect of shares of stock of the Corporation of any class ranking junior to the Preferred Stock for the purchase of shares of such junior stock until such number of additional shares of Preferred Stock or of stock, or securities convertible into stock, ranking on a parity with the Preferred Stocks are retired or until and to the extent that the capital applicable to such junior stock shall have been increased.

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10. Dividends on Common Stock

So long as any shares of the Preferred Stock are outstanding, the Corporation shall not pay any dividends on its Common Stock (other than dividends payable in Common Stock) or make any distribution on or purchase or otherwise acquire for value any of its Common Stock (each such payment, distribution, purchase and/or acquisition being herein referred to as a "Common Stock dividend"), except to the extent permitted by the following provisions of this Section 10.

a. No Common Stock dividend shall be declared or paid in an amount which, together with all other Common Stock dividends declared in the year ending on (and including) the date of the declaration of such Common Stock dividend, would in the aggregate exceed fifty per cent (50%) of the net income of the Corporation for the period consisting of the twelve consecutive calendar months ending on the last day of the second calendar month next preceding the declaration of such Common Stock dividend after deducting from such net income, dividends accruing on any preferred stock of the Corporation during such period, if at the end of such period the ratio (herein referred to as the "capitalization ratio") of the sum of (1) the capital repre-

sented by the Common Stock (including premiums on capital stock) and (2) the surplus accounts, of the Corporation, to the sum of (1) the total capital and (2) the surplus accounts, of the Corporation (after adjustment of the surplus accounts to reflect payment of such Common Stock dividend) would be less than twenty per cent (20%).

b. If such capitalization ratio, determined as aforesaid shall be twenty per cent (20%) or more, but less than twenty-five per cent (25%) no Common Stock dividend shall be declared or paid in an amount which, together with all other Common Stock dividends declared in the year ending on [and including] the date of the declaration of such Common Stock dividend, would in the aggregate exceed seventy-five per cent (75%) of the net income of the Corporation for the period consisting of the twelve consecutive calendar months ending on the last day of the second calendar month next preceding the declaration of such Common Stock dividend after deducting from such net income, dividends accruing on any preferred stock of the Corporation during such period; and

c. If such capitalization ratio, determined as aforesaid, shall be in excess of twenty-five per cent (25%), no Common Stock dividend shall be declared or paid which would reduce such capitalization ratio to less than

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twenty-five per cent (25%) except to the extent permitted by the next preceding paragraphs (a) and (b) hereof. For the purpose of this condition:

(i) The total capital of the Corporation shall be deemed to consist of the aggregate of (1) the principal amount of all outstanding indebtedness of the Corporation maturing more than one year after the date of issue thereof and (2) the par value of or the stated capital applicable to all outstanding capital stock (including premiums on capital stock) of all classes of the Corporation. All indebtedness and capital stock owned by the Corporation shall be excluded in determining total capital. Surplus ac-

counts shall be deemed to include all earned surplus, paid-in surplus, capital surplus, or any other surplus of the Corporation.

(ii) Such surplus accounts upon which capitalization ratios are computed shall be adjusted to eliminate (1) the amount, if any, by which fifteen per cent (15%) of the gross operating revenues of the Corporation (calculated in the manner provided in the covenants relating to payment of Common Stock dividends embodied in the indentures and supplemental indentures securing the mortgage bonds of the Corporation) for the entire period from July 1, 1946, to the end of the second calendar month immediately preceding the date of the proposed payment of Common Stock dividends exceeds the total amount expended by the Corporation during such period for maintenance and repairs and the total provision made by the Corporation during such period for depreciation, all as shown by the books of the Corporation, and (2) any amounts on the books of the Corporation known or estimated, if not known, to represent the excess, if any, of recorded value over original cost of used and useful utility plant and other property, and any item set forth on the asset side of the balance sheet of the Corporation as a result of accounting convention, such as unamortized debt discount and expense, capital stock discount and expense, and the excess, if any, of the aggregate amount payable on involuntary dissolution, liquidation, or winding up of the Corporation upon all outstanding shares of preferred stock of all series over the aggregate stated or par value of such shares, unless any such amount or item, as the case may be, is being amortized or is being provided for by a reserve; and

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(iii) In computing net income of the Corporation applicable to the Common Stock of the Corporation for any particular twelve (12) months' period for the purposes of this condition, operating expenses, among

other things, shall include the greater of (1) the provision for depreciation for such period as recorded on the books of the Corporation or (2) the amount by which fifteen percent (15%) of the gross operating revenues of the Corporation for such period (calculated in the manner provided in the above mentioned covenants relating to payment of Common Stock dividends) exceeds the total amount expended by the Corporation during such periods for maintenance and repairs as shown by the books of the Corporation.

11. Acceptance of Shares

In consideration of the issue by the Corporation, and the acceptance by the holders thereof, of shares of the capital stock of the Corporation, each and every present and future holder of shares of the Preferred Stock, the Common Stock and of any stock hereafter authorized by the Corporation shall be conclusively deemed, by acquiring or holding such shares, to have expressly consented to all and singular the terms and provisions of this Article V and to have agreed that the voting rights of such holder and the restrictions and qualifications thereof shall be as set forth in this Article.

12. Outstanding Stock or Evidence of Indebtedness

No share of stock or evidence of indebtedness shall be deemed to be "outstanding," as that term is used in this Article V, if, prior to or concurrently with the event in reference to which a determination as to the amount thereof outstanding is to be made, the requisite funds for the redemption thereof shall be deposited in trust for that purpose and the requisite notice for the redemption thereof shall be given or the depository of such funds shall be irrevocably authorized and directed to give or complete such notice of redemption.

13. Right of Unissued Stock or Other Securities

No holder of any stock of the Corporation shall be entitled, as of right, to purchase or subscribe for any part of any unissued shares of stock of the Corporation or for any additional shares of stock, of any class or series, which may at any time be issued, whether now or hereafter authorized, or for any rights, options, or warrants to purchase or receive shares of stock or for any bonds, certificates of indebtedness, debentures, or other securities convertible into shares of stock,

or any class or series thereof; but any such unissued or additional shares, rights, options, or warrants or convertible securities of the Corporation may, from time to time, be issued and disposed of by the Board of Directors to such persons, firms, corporations, or associations, and upon such terms, as the Board of Directors may, in its discretion, determine, without offering any part thereof to any shareholders of any class or series then of record; and any shares, rights, options or warrants or convertible securities which the Board of Directors may at any time determine to offer to shareholders for subscription may be offered to holders of shares of any class or series at the time existing, to the exclusion of holders of shares of any or all other classes or series at the time existing, in each case as the Board of Directors may, in its discretion, determine.

14. Series of Preferred Stock

a. Cumulative Preferred Stock, \$3.60 Series

Anything herein to the contrary notwithstanding, there shall be and is hereby created a series of preferred stock which is hereby designated "Cumulative Preferred Stock, \$3.60 Series," dividends on which shares of Cumulative Preferred Stock, \$3.60 Series, shall be payable, if declared, on the 15th days of January, April, July and October of each year; which dividends shall be cumulative from the first day of the respective quarter-yearly period in which the respective shares of such series shall have been originally issued, the term "quarter-yearly period" as used herein referred to the period from July 1, 1946, to and including September 30, 1946, and thereafter to each quarterly-yearly period of three (3) consecutive months, beginning with October 1, 1946; the dividend rate of which series is hereby fixed at Three Dollars and Sixty Cents (\$3.60) per share per annum; the redemption price of the shares of which series is hereby fixed at One Hundred and Five Dollars and Seventy-Five Cents (\$105.75) per share in case of redemption on or prior to September 30, 1951; One Hundred and Four Dollars and Seventy-Five Cents (\$104.75) per share in case of redemption subsequent to September 30, 1951, and on or prior to September 30, 1956; and One Hundred and Three Dollars and Seventy-Five Cents (\$103.75) per share in case of redemption subsequent to September 30, 1956, in each case plus the amount payable thereon in accordance with the provisions hereof equal

to the cumulative dividends accrued and unpaid thereon; the amount which the shares of such series are entitled to receive in preference to the Common Stock upon any distribution of assets other than by dividends from net earnings or surplus upon voluntary liquidation or dissolution of the Corporation is hereby fixed at the then redemption price thereof, plus the

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amount payable thereon in accordance with the provisions hereof equal to the cumulative dividends accrued and unpaid thereon; the amount which the shares of such series are entitled to receive in preference to the Common Stock upon any distribution of assets, other than by dividends from net earnings or surplus, upon any involuntary liquidation or dissolution of the Corporation is hereby fixed at One Hundred Dollars (\$100) Dollars per share, plus the amount payable thereon in accordance with the provisions hereof equal to the cumulative dividends accrued and unpaid thereon.

b. Cumulative Preferred Stock, \$4.10 Series

(i) There be and there hereby is created from the authorized and unallotted shares of Preferred Stock of the Company, a new series of Preferred Stock of the Company which is hereby designated "Cumulative Preferred Stock, \$4.10 Series," and the number of shares constituting said new series is hereby fixed at 175,000 shares.

(ii) The dividend rate of the shares of said new series is hereby fixed at \$4.10 per share per annum; dividends on said shares shall be payable on the 15th day of January, April, July and October for the quarter-yearly period ending with the last day of the preceding month, when and as declared by the Board of Directors.

(iii) The redemption price of the shares of said new series is hereby fixed at \$105.50 per share in case of redemption on or prior to December 31, 1955; \$104.50 per share in case of redemption subsequent to December 31, 1955 and on or prior to December 31,

1960; \$103.50 per share in case of redemption subsequent to December 31, 1960 and on or prior to December 31, 1965; and \$102.50 per share in case of redemption subsequent to December 31, 1965; plus in each case an amount equal to the dividends at the rate of \$4.10 per share per annum from the date dividends on the shares to be redeemed began to accrue to the date fixed for redemption thereof less the amount of dividends theretofore paid thereon.

(iv) The amount which the shares of said new series are entitled to receive in preference to the Common Stock upon any distribution of assets, other than by dividends from net earnings or surplus, upon any involuntary liquidation or dissolution of the corporation is hereby fixed at \$100 per share plus an

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amount equal to all dividends accumulated and unpaid thereon and the amount which the shares of said new series are entitled to receive in preference to the Common Stock upon any distribution of assets, other than by dividends from net earnings or surplus, upon voluntary liquidation or dissolution of the Corporation is hereby fixed as the then redemption price, including an amount equal to all dividends accumulated and unpaid thereon.

c. Cumulative Preferred Stock, \$4.08 Series

(i) There be and there hereby is created from the authorized and unallotted shares of Preferred Stock of the Company, a new series of Preferred Stock of the Company which is hereby designated "Cumulative Preferred Stock, \$4.08 Series," and the number of shares constituting said new series is hereby fixed at 150,000 shares.

(ii) The dividend rate of the shares of said new series is hereby fixed at \$4.08 per share per annum; dividends on said shares shall be payable on the 15th day of January, April, July and October for the

quarter-yearly period ending with the last day of the preceding month, when and as declared by the Board of Directors.

(iii) The redemption price of the shares of said new series is hereby fixed at \$105 per share in case of redemption on or prior to December 31, 1959; \$104 per share in case of redemption subsequent to December 31, 1959 and on or prior to December 31, 1964; \$103 per share in case of redemption subsequent to December 31, 1964 and on or prior to December 31, 1969; plus in each case an amount equal to the dividends at the rate of \$4.08 per share per annum from the date dividends on the shares to be redeemed began to accrue to the date fixed for redemption thereof less the amount of dividends theretofore paid thereon.

(iv) The amount which the shares of said new series are entitled to receive in preference to the Common Stock upon any distribution of assets, other than by dividends from net earnings or surplus, upon voluntary liquidation or dissolution of the corporation is hereby fixed as the then redemption price, including an amount equal to all dividends accumulated and unpaid thereon.

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d. Cumulative Preferred Stock, \$4.11 Series

(i) There be and there hereby is created from the authorized and unallotted shares of Preferred Stock of the Company, a new series of Preferred Stock of the Company which is hereby designated "Cumulative Preferred Stock, \$4.11 Series," and the number of shares constituting said new series is hereby fixed at 200,000 shares.

(ii) The dividend rate of the shares of said new series is hereby fixed at \$4.11 per share per annum; dividends on said shares shall be payable on the 15th day of January, April, July and October for the

quarter-yearly period ending with the last day of the preceding month, when and as declared by the Board of Directors.

(iii) The redemption prices of the shares of said new series are hereby fixed at \$105.732 per share in case of redemption on or prior to December 31, 1959; \$104.732 per share in case of redemption subsequent to December 31, 1959 and on or prior to December 31, 1964; and \$103.732 per share in case of redemption subsequent to December 31, 1964; plus in each case an amount equal to the dividends at the rate of \$4.11 per share per annum from the date dividends on the shares to be redeemed began to accrue to the date fixed for redemption thereof less the amount of dividends theretofore paid thereon.

(iv) The amount which the shares of said new series are entitled to receive in preference to the Common Stock upon any distribution of assets, other than by dividends from net earnings or surplus, upon voluntary liquidation or dissolution of the corporation is hereby fixed as the then redemption price, plus an amount equal to all dividends accumulated and unpaid thereon.

e. Cumulative Preferred Stock, \$4.16 Series

(i) There be and there hereby is created from the authorized and unallotted shares of Preferred Stock of the Company, a new series of Preferred Stock of the Company which is hereby designated "Cumulative Preferred Stock, \$4.16 Series," and the number of shares constituting said new series is hereby fixed at 100,000 shares.

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(ii) The dividend rate of the shares of said new series is hereby fixed at \$4.16 per share per annum; dividends on said shares shall be payable on the 15th day of January, April, July and October for the

quarter-yearly period ending with the last day of the preceding month, when and as declared by the Board of Directors.

(iii) The redemption prices of the shares of said new series are hereby fixed at \$106.25 per share in case of redemption on or prior to December 31, 1961; \$105.75 per share in case of redemption subsequent to December 31, 1961 and on or prior to December 31, 1966; \$104.75 per share in case of redemption subsequent to December 31, 1966 and on or prior to December 31, 1971; and \$103.75 per share in case of redemption subsequent to December 31, 1972; plus in each case an amount equal to the dividends at the rate of \$4.16 per share per annum from the date dividends on the shares to be redeemed began to accrue to the date fixed for redemption thereof, less the amount of dividends theretofore paid thereon.

(iv) The amount which the shares of said new series are entitled to receive in preference to the Common Stock upon any distribution of assets, other than by dividends from net earnings or surplus, upon voluntary liquidation or dissolution of the corporation is hereby fixed as the then redemption price, plus an amount equal to all dividends accumulated and unpaid thereon.

f. Cumulative Preferred Stock \$4.56 Series

(i) There be and there hereby is created from the authorized and unallotted shares of Preferred Stock of the Company, a new series of Preferred Stock of the Company which is hereby designated "Cumulative Preferred Stock, \$4.56 Series," and the number of shares constituting said new series is hereby fixed at 150,000 shares.

(ii) The dividend rate of the shares of said new series is hereby fixed at \$4.56 per share per annum; dividends on said shares shall be payable on the 15th day of January, April, July and October for the quarter-yearly period ending with the last day of the preceding month, when and as declared by the Board of Directors.

(iii) The redemption prices of the shares of said new series are hereby fixed at \$105.89 per share in case of redemption on or prior to December 31, 1969; \$104.75 per share in case of redemption subsequent to December 31, 1969 and on or prior to December 31, 1974; \$103.61 per share in case of redemption subsequent to December 31, 1974 and on or prior to December 31, 1979; and \$102.47 per share in case of redemption subsequent to December 31, 1979; plus in each case an amount equal to the dividends at the rate of \$4.56 per share per annum from the date dividends on the shares to be redeemed began to accrue to the date fixed for redemption thereof, less the amount of dividends theretofore paid thereon.

(iv) The amount which the shares of said new series are entitled to receive in preference to the Common Stock upon any distribution of assets, other than by dividends from net earnings or surplus, upon voluntary liquidation or dissolution of the corporation is hereby fixed as the then redemption price, including an amount equal to all dividends accumulated and unpaid thereon.

g. Cumulative Preferred Stock, \$6.80 Series

(i) There be and there hereby is created from the authorized and unallotted shares of Preferred Stock of the Company, a new series of Preferred Stock of the Company which is hereby designated "Cumulative Preferred Stock, \$6.80 Series," and the number of shares constituting said new series is hereby fixed at 200,000 shares.

(ii) The dividend rate of the shares of said new series is hereby fixed at \$6.80 per share per annum; dividends on said shares shall be payable on the 15th day of January, April, July and October for the quarter-yearly period ending with the last day of the preceding month, when and as declared by the Board of Directors.

(iii) The redemption prices of the shares of said new series are hereby fixed at \$106.29 per share in

case of redemption on or prior to December 31, 1973; \$105.59 per share in case of redemption subsequent to December 31, 1973 and on or prior to December 31,

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1978; \$104.89 per share in case of redemption subsequent to December 31, 1978 and on or prior to December 31, 1983; and \$103.19 per share in case of redemption subsequent to December 31, 1983; plus in each case an amount equal to the dividends at the rate of \$6.80 per share per annum from the date dividends on the shares to be redeemed begin to accrue to the date fixed for redemption thereof, less the amount of dividends theretofore paid thereon; provided, however, that the shares of said new series shall not be redeemable prior to May 1, 1973 from the proceeds of any refunding of shares of said new series through the incurring of debt, or through the issuance of preferred stock ranking equally with or prior to the shares of said new series as to dividends or on liquidation, if such debt has an effective interest cost or such preferred stock has an effective dividend cost to the Company of less than the effective dividend cost to the Company of the said new series.

(iv) The amount which the shares of said new series are entitled to receive in preference to the Common Stock upon any distribution of assets, other than by dividends from net earnings or surplus, upon voluntary liquidation or dissolution of the corporation is hereby fixed as the then redemption price, plus an amount equal to all dividends accumulated and unpaid thereon.

h. Cumulative Preferred Stock, \$7.00 Series

(i) There be and there hereby is created from the authorized and unallotted shares of Preferred

Stock of the Company, a new series of Preferred Stock of the Company which is hereby designated "Cumulative Preferred Stock \$7.00 Series," and the number of shares constituting said new series is hereby fixed at 200,000 shares.

(ii) The dividend rate of the shares of said new series is hereby fixed at \$7.00 per share per annum; dividends on said shares shall be payable on the 15th day of January, April, July and October for the quarter-yearly period ending with the last day of the preceding month, when and as declared by the Board of Directors.

(iii) The redemption prices of the shares of said new series are hereby fixed at \$108.45 per share in

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case of redemption on or prior to December 31, 1974; \$106.79 per share in case of redemption subsequent to December 31, 1974 and on or prior to December 31, 1979; \$104.95 per share in case of redemption subsequent to December 31, 1979 and on or prior to December 31, 1984; and \$103.20 per share in case of redemption subsequent to December 31, 1984; plus in each case an amount equal to the dividends at the rate of \$7.00 per share per annum from the date dividends on the shares to be redeemed begin to accrue to the date fixed for redemption thereof less the amount of dividends theretofore paid thereon; provided, however, that the shares of said new series shall not be redeemable prior to January 1, 1974 from the proceeds of any refunding of shares of said new series through the incurring of debt, or through the issuance of preferred stock ranking equally with or prior to the shares of said new series as to dividends or on liquidation, if such debt has an effective interest cost or such preferred stock has an effective dividend cost to the Company of less than the effective dividend cost to the Company of the said new series.

(iv) The amount which the shares of said new series are entitled to receive in preference to the Common Stock upon any distribution of assets, other than by dividends from net earnings or surplus, upon voluntary liquidation or dissolution of the corporation is hereby fixed as the then redemption price, plus an amount equal to all dividends accumulated and unpaid thereon.

i. Cumulative Preferred Stock, Adjustable Rate Series A

(i) There be and there hereby is created from the authorized and unallocated shares of Cumulative Preferred Stock of the Company, a new series of Cumulative Preferred Stock of the Company which is hereby designated "Cumulative Preferred Stock, Adjustable Rate Series A" and the number of shares constituting said new series is hereby fixed at 300,000 shares.

(ii) The dividend rate of the shares of said new series of Cumulative Preferred Stock is hereby fixed at: (A) 6.15% per annum for the initial dividend period from and including the date of original issuance through June 30, 1986 and (B) the Applicable Rate, as hereinafter defined, from time to time in

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effect, for each subsequent dividend period; dividends on said shares, when and as declared by the Board of Directors, shall be payable on the 15th day of January, April, July and October for the quarterly period ending with the last day of the preceding month; except that the dividend period for the first such dividend shall begin with and include the date of original issuance; the dividends payable on said new series of Cumulative Preferred Stock for the period from and including the date of original issuance of said new series of Cumulative Preferred Stock to and including June 30, 1986 and for any period less than a full quarterly dividend period shall be computed on the basis of a 360-day year of twelve 30-

day months and the actual number of days elapsed in the period for which the dividends are payable; the dividends payable for each full quarterly dividend period commencing after June 30, 1986 shall be computed by dividing the Applicable Rate for such dividend period by four (rounded to the nearest one-hundredth of a percent) and applying such computed rate against the par value per share of said new series of Cumulative Preferred Stock.

The Applicable Rate with respect to each dividend period will be calculated as promptly as practicable by the Company according to the appropriate method described herein. The Company will cause notice of such Applicable Rate to be enclosed with, or mailed concurrently with, the dividend payment checks next mailed to the holders of shares of said new series of Cumulative Preferred Stock.

Applicable Rate. Except as provided below in this paragraph, the "Applicable Rate" for any dividend period will be equal to 76% of the highest of: (A) the Treasury Bill Rate, (B) the Ten Year Constant Maturity Rate and (C) the Thirty Year Constant Maturity Rate (each as hereinafter defined) for such dividend period. If the Company determines, in good faith, that for any reason one or more of (A) the Treasury Bill Rate, (B) the Ten Year Constant Maturity Rate, and (C) the Thirty Year Constant Maturity Rate cannot be determined for any dividend period, then the Applicable Rate for such dividend period shall be based on the higher of whichever such rates can be so determined. If the Company determines, in good faith, that neither (A) the Treasury Bill Rate, (B) the Ten Year Constant Maturity Rate nor (C) the Thirty Year Constant Maturity Rate can be determined

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for any dividend period, then the Applicable Rate in effect for the preceding dividend period shall be continued for such dividend period. Notwithstanding anything to the contrary herein, the Applicable Rate

for any dividend shall not be less than 5.50% per annum or greater than 10.25% per annum.

Treasury Bill Rate. Except as provided below in this paragraph, the "Treasury Bill Rate" for each dividend period will be the arithmetic average of the two most recently weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate shall be published during the relevant Calendar Period, as defined below) for three-month U.S. Treasury Bills, published by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") during the Calendar Period immediately prior to the last ten calendar days of the June, September, December or March, next preceding the dividend period for which the dividend rate on the shares of the new series of Cumulative Preferred Stock is being determined. If the Federal Reserve Board does not publish such a weekly per annum market discount rate during such Calendar Period, then the Treasury Bill Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate shall be published during such Calendar Period) for three-month U.S. Treasury Bills, published during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. If a per annum market discount rate for three-month U.S. Treasury Bills shall not be published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Treasury Bill Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate shall be published during such Calendar Period) for all of the U.S. Treasury Bills then having maturities of not less than 80 days nor more than 100 days, published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board shall not publish such rates, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. If the Company determines, in good faith, that no such U.S.

Treasury Bill rates are published as provided above during such Calendar Period, then the Treasury Bill Rate for such dividend period shall be the arithmetic average of the per annum market discount rates based upon the closing bids during such Calendar Period for each of the issues of marketable non-interest bearing U.S. Treasury securities with a maturity of not less than 80 days nor more than 100 days from the date of each such quotation, as chosen and quoted daily, for each business day in New York City (or less frequently if daily quotations shall not be generally available), to the Company by at least three recognized dealers in U.S. Government securities selected by the Company. If the Company determines, in good faith, that for any reason the Company cannot determine the Treasury Bill Rate for any dividend period as provided above in this paragraph, then the Treasury Bill Rate for such dividend period shall be the arithmetic average of the per annum market discount rates based upon the closing bids during such Calendar Period for each of the issues of marketable interest-bearing U.S. Treasury securities with a maturity of not less than 80 days nor more than 100 days from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the Company by at least three recognized dealers in U.S. Government securities selected by the Company. The weekly per annum market discount rate for three-month U.S. Treasury Bills shall be the secondary market rate.

Ten Year Constant Maturity Rate. Except as provided below in this paragraph, the "Ten Year Constant Maturity Rate" for each dividend period shall be the arithmetic average of the two most recent weekly per annum Ten Year Average Yields as hereinafter defined (or the one weekly per annum Ten Year Average Yield, if only one such Yield shall be published during the relevant Calendar Period as defined below), published by the Federal Reserve Board during the Calendar Period immediately prior to the last ten calendar days of the June, September, December or March, next preceding the dividend period for which

the dividend rate on the shares of the new series of Cumulative Preferred Stock is being determined. If the Federal Reserve Board does not publish such a weekly per annum Ten year Average Yield during such Calendar Period, then the Ten Year Constant Maturity Rate for such dividend period shall be the arithmetic

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average of the two most recent weekly per annum Ten Year Average Yields (or the one weekly per annum Ten Year Average Yield, if only one such Yield shall be published during such Calendar Period), published during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. If a per annum Ten Year Average Yield shall not be published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Ten Year Constant Maturity rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum average yields to maturity (or the one weekly per annum average yield to maturity, if only one such yield shall be published during such Calendar Period) for all of the actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities, as defined below) then having maturities of not less than eight years nor more than twelve years, published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board shall not publish such yield, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. If the Company determines in good faith that for any reason the Company cannot determine the Ten Year Constant Maturity Rate for any dividend period as provided above in this paragraph, then the Ten Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the per annum average yields to maturity based upon the closing bids during such Calendar Period for each of the issues of actively traded marketable U.S. Treasury fixed interest rate securities

(other than Special Securities) with a final maturity date not less than eight years nor more than twelve years from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the Company by at least three recognized dealers in U.S. Government securities selected by the Company.

Thirty Year Constant Maturity Rate. Except as provided below in this paragraph, the "Thirty Year Constant Maturity Rate" for each dividend period shall be the arithmetic average of the two most recent weekly per annum Thirty Year Average Yields as hereinafter defined (or the one weekly per annum Thirty Year Average Yield, if only one such Yield

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shall be published during the relevant Calendar Period as defined below), published by the Federal Reserve Board during the Calendar Period immediately prior to the last ten calendar days of the June, September, December or March, next preceding the dividend period for which the dividend rate on the shares of the new series of Cumulative Preferred Stock is being determined. If the Federal Reserve Board does not publish such a weekly per annum Thirty Year Average Yield during such Calendar Period, then the Thirty Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum Thirty Year Average Yields (or the one weekly per annum Thirty Year Average Yield, if only one such Yield shall be published during such Calendar Period), published during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. If a per annum Thirty Year Average Yield shall not be published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Thirty Year Constant Maturity Rate for such dividend period shall be the arithmetic av-

erage of the two most recent weekly per annum average yields to maturity (or the one weekly per annum average yield to maturity, if only one such Yield shall be published during such Calendar Period) for all of the actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) than having maturities of not less than twenty-eight nor more than thirty years, published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board shall not publish such yields, by any Federal Reserve Bank or by a U.S. Government department or agency selected by the Company. If the Company determines in good faith that for any reason the Company cannot determine the Thirty Year Constant Maturity Rate for any dividend period as provided above in this paragraph, then the Thirty Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the per annum average yields to maturity based upon the closing bids during such Calendar Period for each of the issues of actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) with a final maturity date not less than twenty-eight years nor more than thirty years from the date of each such quotation, as chosen and quoted daily for each business day in New York City

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(or less frequently if daily quotations shall not be generally available) to the Company by at least three recognized dealers in U.S. Government securities selected by the Company.

Certain Definitions. As used herein: (A) the term "Calendar Period" means a period of fourteen calendar days; (B) the term "Special Securities" means securities which can, at the option of the holder, be surrendered at face value in payment of any Federal estate tax or which provide tax benefits to the holder and are priced to reflect such tax benefits or which were originally issued at a deep or substantial discount; (C) the term "Ten Year Average

Yield" means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities of ten years); and (D) the term "Thirty Year Average Yield" means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities of thirty years).

(iii) The redemption prices of the shares of said new series of Cumulative Preferred Stock are hereby fixed at (A) \$106.15 per share in case of redemption on or prior to June 30, 1991; (B) \$103.00 per share in case of redemption subsequent to June 30, 1991, and on or prior to June 30, 1996; and (C) \$100.00 per share in case of redemption subsequent to June 30, 1996, plus in each case an amount equal to the dividends at the respective Applicable Rates (as defined above) per share per annum from the date dividends on the shares of the new series of Cumulative Preferred Stock to be redeemed began to accrue to the date fixed for redemption thereof, less the amount of dividends theretofore paid thereon; provided, however, that the shares of said new series of Cumulative Preferred Stock shall not be redeemable, directly or indirectly, prior to July 1, 1991 with the proceeds from borrowed funds, or from the issuance of any preferred stock ranking prior to or on a parity with the shares of said new series of Cumulative Preferred Stock as to dividends or on liquidation, having an effective cost to the Company, computed in accordance with generally accepted financial practice, of less than 6.15% per annum.

(iv) The amount which the shares of said new series of Cumulative Preferred Stock are entitled to

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receive in preference to the Common Stock upon any distribution of assets, other than by dividends from net earnings or surplus, upon voluntary liquidation or dissolution of the Company is hereby fixed as the

then redemption price, plus an amount equal to all dividends accumulated and unpaid thereon.

j. Cumulative Preferred Stock, Adjustable Rate Series B

(i) There be and there hereby is created from the authorized and unallotted shares of Cumulative Preferred Stock of the Company, a new series of Cumulative Preferred Stock of the Company which is hereby designated "Cumulative Preferred Stock, Adjustable Rate Series B" and the number of shares constituting said new series is hereby fixed at 650,000 shares.

(ii) The dividend rate of the shares of said new series of Cumulative Preferred Stock is hereby fixed at: (A) 6.80% per annum for the initial dividend period from and including the date of original issuance through June 30, 1987 and (B) the Applicable Rate, as hereinafter defined, from time to time in effect, for each subsequent dividend period; dividends on said shares, when and as declared by the Board of Directors, shall be payable on the 15th day of January, April, July and October of each year for the quarterly period ending with the last day of the preceding month; except that the dividend period for the first such dividend shall begin with and include the date of original issuance; the dividends payable on said new series of Cumulative Preferred Stock for the period from and including the date of original issuance of said new series of Cumulative Preferred Stock to and including June 30, 1987 and for any period less than a full quarterly dividend period shall be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in the period for which the dividends are payable; the dividends payable for each full quarterly dividend period commencing after June 30, 1987 shall be computed by dividing the Applicable Rate for such dividend period by four (rounded to the nearest one-hundredth of a percent) and applying such computed rate against the par value per share of said new series of Cumulative Preferred Stock.

The Applicable Rate with respect to each dividend period will be calculated as promptly as practicable by the Company according to the appropriate method described herein. The Company will cause notice of such Applicable Rate to be enclosed with, or mailed concurrently with, the dividend payment checks next mailed to the holders of shares of said new series of Cumulative Preferred Stock.

Applicable Rate. Except as provided below in this paragraph, the "Applicable Rate" for any dividend period will be equal to 78% of the highest of: (A) the Treasury Bill Rate, (B) the Ten Year Constant Maturity Rate and (C) the Thirty Year Constant Maturity Rate (each as hereinafter defined) for such dividend period. If the Company determines, in good faith, that for any reason one or more of (A) the Treasury Bill Rate, (B) the Ten Year Constant Maturity Rate, and (C) the Thirty Year Constant Maturity Rate cannot be determined for any dividend period, then the Applicable Rate for such dividend period shall be based on the higher of whichever such rates can be so determined. If the Company determines, in good faith, that neither (A) the Treasury Bill Rate, (B) the Ten Year Constant Maturity Rate nor (C) the Thirty Year Constant Maturity Rate can be determined for any dividend period, then the Applicable Rate in effect for the preceding dividend period shall be continued for such dividend period. Notwithstanding anything to the contrary herein, the Applicable Rate for any dividend period shall not be less than 5.50% per annum or greater than 11.00% per annum.

Treasury Bill Rate. Except as provided below in this paragraph, the "Treasury Bill Rate" for each dividend period will be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate shall be published during the relevant Calendar Period, as defined below) for three-month U.S. Treasury Bills, published by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") during the Calendar Period immediately prior to the last ten calendar days of

the June, September, December or March, next preceding the dividend period for which the dividend rate on the shares of the new series of Cumulative Preferred Stock is being determined. If the Federal Reserve Board does not publish such a weekly per annum market discount rate during such Calendar Period,

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then the Treasury Bill Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate shall be published during such Calendar Period) for three-month U.S. Treasury Bills, published during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. If a per annum market discount rate for three-month U.S. Treasury Bills shall not be published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Treasury Bill Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate shall be published during such Calendar Period) for all of the U.S. Treasury Bills then having maturities of not less than 80 days nor more than 100 days, published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board shall not publish such rates, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. If the Company determines, in good faith, that no such U.S. Treasury Bill rates are published as provided above during such Calendar Period, then the Treasury Bill Rate for such dividend period shall be the arithmetic average of the per annum market discount rates based upon the closing bids during such Calendar Period for each of the issues of marketable non-interest bearing U.S. Treasury securities with a maturity of not less than 80 days nor more than 100 days from the date of

each such quotation, as chosen and quoted daily, for each business day in New York City (or less frequently if daily quotations shall not be generally available), to the Company by at least three recognized dealers in U.S. Government securities selected by the Company. If the Company determines, in good faith, that for any reason the Company cannot determine the Treasury Bill Rate for any dividend period as provided above in this paragraph, then the Treasury Bill Rate for such dividend period shall be the arithmetic average of the per annum market discount rates based upon the closing bids during such Calendar Period for each of the issues of marketable interest-bearing U.S. Treasury securities with a maturity of not less than 80 days nor more than 100 days from the date of each such quotation, as chosen

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and quoted daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the Company by at least three recognized dealers in U.S. Government securities selected by the Company. The weekly per annum market discount rate for three-month U.S. Treasury Bills shall be the secondary market rate.

Ten Year Constant Maturity Rate. Except as provided below in this paragraph, the "Ten Year Constant Maturity Rate" for each dividend period shall be the arithmetic average of the two most recent weekly per annum Ten Year Average Yields as hereinafter defined (or the one weekly per annum Ten Year Average Yield, if only one such Yield shall be published during the relevant Calendar Period as defined below), published by the Federal Reserve Board during the Calendar Period immediately prior to the last ten calendar days of the June, September, December or March next preceding the dividend period for which the dividend rate on the shares of the new series of Cumulative Preferred Stock is being determined. If the Federal Reserve Board does not publish such a weekly per annum Ten Year Average Yield during such

Calendar Period, then the Ten Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum Ten Year Average Yields (or the one weekly per annum Ten Year Average Yield, if only one such Yield shall be published during such Calendar Period), published during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. If a per annum Ten Year Average Yield shall not be published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Ten Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum average yields to maturity (or the one weekly per annum average yield to maturity, if only one such yield shall be published during such Calendar Period) for all of the actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities, as defined below) then having maturities of not less than eight years nor more than twelve years, published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board shall not publish such yields, by any Federal Reserve Bank or by any U.S. Government department or

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agency selected by the Company. If the Company determines in good faith that for any reason the Company cannot determine the Ten Year Constant Maturity Rate for any dividend period as provided above in this paragraph, then the Ten Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the per annum average yields to maturity based upon the closing bids during such Calendar Period for each of the issues of actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) with a final maturity date not less than eight years nor more than twelve years from the date of each such quotation, as chosen and quoted daily for each business day in New York

City (or less frequently if daily quotations shall not be generally available) to the Company by at least three recognized dealers in U.S. Government securities selected by the Company.

Thirty Year Constant Maturity Rate. Except as provided below in this paragraph, the "Thirty Year Constant Maturity Rate" for each dividend period shall be the arithmetic average of the two most recent weekly per annum Thirty Year Average Yields as hereinafter defined (or the one weekly per annum Thirty Year Average Yield, if only one such Yield shall be published during the relevant Calendar Period as defined below), published by the Federal Reserve Board during the Calendar Period immediately prior to the last ten calendar days of the June, September, December or March next preceding the dividend period for which the dividend rate on the shares of the new series of Cumulative Preferred Stock is being determined. If the Federal Reserve Board does not publish such a weekly per annum Thirty Year Average Yield during such Calendar Period, then the Thirty Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum Thirty Year Average Yields (or the one weekly per annum Thirty Year Average Yield, if only one such Yield shall be published during such Calendar Period), published during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. If a per annum Thirty Year Average Yield shall not be published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Thirty Year Constant Maturity Rate

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for such dividend period shall be the arithmetic average of the two most recent weekly per annum average yields to maturity (or the one weekly per annum average yield to maturity, if only one such Yield shall

be published during such Calendar Period) for all of the actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) then having maturities of not less than twenty-eight years nor more than thirty years, published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board shall not publish such yields, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. If the Company determines in good faith that for any reason the Company cannot determine the Thirty Year Constant Maturity Rate for any dividend period as provided above in this paragraph, then the Thirty Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the per annum average yields to maturity based upon the closing bids during such Calendar Period for each of the issues of actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) with a final maturity date not less than twenty-eight years nor more than thirty years from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the Company by at least three recognized dealers in U.S. Government securities selected by the Company.

Certain Definitions. As used herein: (A) the term "Calendar Period" means a period of fourteen calendar days; (B) the term "Special Securities" means securities which can, at the option of the holder, be surrendered at face value in payment of any Federal estate tax or which provide tax benefits to the holder and are priced to reflect such tax benefits or which were originally issued at a deep or substantial discount; (C) the term "Ten Year Average Yield" means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities of ten years); and (D) the term "Thirty Year Average Yield" means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities of thirty years).

(iii) The redemption prices of the shares of said new series of Cumulative Preferred Stock are hereby fixed at (A) \$106.80 per share in case of redemption on or before May 31, 1992; (B) \$103.00 per share in case of redemption subsequent to May 31, 1992, and on or prior to May 31, 1995; and (C) \$100.00 per share in case of redemption subsequent to May 31, 1995, plus in each case an amount equal to the dividends at the respective Applicable Rates (as defined above) per share per annum from the date dividends on the shares of the new series of Cumulative Preferred Stock to be redeemed began to accrue to the date fixed for redemption thereof, less the amount of dividends theretofore paid thereon; provided, however, that the shares of said new series of Cumulative Preferred Stock shall not be redeemable, directly or indirectly, prior to May 31, 1992 with the proceeds from borrowed funds, or from the issuance of any preferred stock ranking prior to or on a parity with the shares of said new series of Cumulative Preferred Stock as to dividends or on liquidation, having an effective cost to the Company, computed in accordance with generally accepted financial practice, of less than 6.80% per annum.

(iv) The amount which the shares of said new series of Cumulative Preferred Stock are entitled to receive in preference to the Common Stock upon any distribution of assets, other than by dividends from net earnings or surplus, upon voluntary liquidation or dissolution of the Company is hereby fixed as the then redemption price, plus an amount equal to all dividends accumulated and unpaid thereon.

ARTICLE VI. LIMITATION OF DIRECTOR LIABILITY

A director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, except to the extent provided by applicable law for (i) liability based on a breach of the duty of loyalty to the Corporation or the shareholders; (ii) liability for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (iii) liability based on the payment of an im-

proper dividend or an improper repurchase of the Corporation's stock under Section 180.0833 of the Wisconsin Business Corporation Law or for liability arising under Section 551.59 of the Wisconsin Statutes for the unlawful sale of securities; (iv) liability for any transaction from which the director derived an improper personal benefit; or (v) liability for any act or

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omission occurring prior to May 28, 1987. If the Wisconsin Business Corporation Law is further amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by any amendment to the Wisconsin Business Corporation Law. Any repeal or modification of this Article by the shareholders of the Corporation shall not adversely affect any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE VII. AMENDMENT OF BYLAWS

Authority to make and alter the Bylaws of the Corporation is hereby vested in the Board of Directors of the Corporation, subject to the power of the stockholders to change or repeal such Bylaws; provided, however, the Board of Directors shall not make or alter any bylaw fixing their number, qualifications, classifications or term of office.

[LETTERHEAD OF NORTHERN STATES POWER]

May 1, 1995

NORTHERN STATES POWER, WISCONSIN ENERGY
ANNOUNCE STRATEGIC BUSINESS COMBINATION

Minneapolis, Minn., and Milwaukee, Wis. -- Northern States Power Company (NYSE: NSP) of Minneapolis, and Wisconsin Energy Corporation (NYSE: WEC) of Milwaukee, two of the nation's leading utility companies, today announced that they have signed a definitive agreement to engage in a strategic business combination.

The merger-of-equals transaction, which was unanimously approved by both companies' Boards of Directors, will join two companies whose current combined market capitalization is approximately \$6.0 billion, and will create the tenth-largest investor-owned utility company in the United States, based on market capitalization. For the year ended December 31, 1994, the combined revenues of Wisconsin Energy and Northern States Power were \$4.2 billion, with assets of more than \$10.0 billion.

In view of both companies' management teams, this transaction creates a combined enterprise well-positioned for an increasingly competitive energy industry environment. It is designed to achieve continued competitive energy rates over the long term for the companies' respective customers and to enhance value for the shareholders of both companies. A preliminary estimate indicates that the merger will result in net savings of approximately \$2.0 billion over 10 years.

Upon completion of the merger, the synergies created will allow the companies to implement a modest retail electric rate reduction followed by a rate freeze for retail electric customers through the year 2000.

As a result of the transaction, a registered public utility holding company, which will be known as Primergy Corporation (Primergy), will be the parent of both NSP and the current operating subsidiaries of Wisconsin Energy. Primergy will serve 2.3 million electric customers and 750,000 natural gas customers, and its service territory will include portions of Minnesota, Wisconsin, North Dakota, South Dakota and the Upper Peninsula of Michigan. The business of Primergy will

consist of utility operations and various non-utility enterprises, including independent power projects.

After giving effect to the transaction, holders of Northern States Power (NSP) common stock will own 1.626 shares of stock of Primergy for each share of NSP stock they own, and Wisconsin Energy (WEC) shareholders will own one share of Primergy common stock for each share of Wisconsin Energy common stock they own. As of April 20, 1995, Wisconsin Energy had 109.4 million shares outstanding, and Northern States Power had 67.3 million shares outstanding. Accordingly, based on the number of outstanding common shares, 50% of the common equity of Primergy would be held by existing Northern States Power Company shareholders and 50% by existing Wisconsin Energy common shareholders. The holders of preferred stock of Northern States Power will receive preferred stock in a successor corporation with identical terms. The preferred stock of Wisconsin Electric Power Company will remain outstanding after the transaction. It is a condition of closing that the parties receive an Internal Revenue Service ruling that the exchange of stock qualifies as a tax-free transaction, and obtain appropriate accounting assurances that the transaction will be accounted for as a pooling of interests.

It is anticipated that Primergy will adopt NSP's dividend payment level adjusted for the exchange ratio. NSP currently pays \$2.64 per share annually, and WEC's annual dividend rate is currently \$1.47 per share. Based on the exchange ratio and NSP's current dividend rate, the pro forma dividend rate for Primergy would be \$1.62 per share. Both companies have historically increased their dividends consistently, and anticipate that such policies will continue, both before and after the merger, subject to earnings performance and regulatory constraints.

James J. Howard, chairman, president and chief executive officer of NSP, said: "This transaction is the best and most financially conservative way to ensure continued competitive rates over the long term for the customers of both companies. By doing that, we will help our communities attract new business, add jobs and strengthen the economy in our combined service territory. That, in turn, will position the combined company to build long-term value for all its shareholders -- many of whom are also customers."

Richard A. Abdoo, chairman, president and chief executive officer of Wisconsin Energy Corporation, said: "This merger gets us in front of the changing energy marketplace. We are initiating a thoughtful combining of resources and talents to manage successfully in the much more demanding times ahead.

Our common goal is to be a premier investor-owned energy company -- in meeting customer needs, having competitive rates and creating shareholder value."

Following completion of the merger, Howard, 59, will serve as chairman and chief executive officer of Primergy. Abdoo, 51, will become vice chairman, president and chief operating officer of Primergy. Abdoo will become chief executive officer of Primergy in May 1998. Howard will continue as chairman of the new company until his expected normal retirement date in July 2000, at which time Abdoo will become chairman.

After the merger, Northern States Power Company and Wisconsin Energy Company (a consolidation of Wisconsin Energy's existing utility subsidiaries Wisconsin Electric Power Company and Wisconsin Natural Gas Company) will continue to operate under those names as the principal subsidiaries of Primergy. It is anticipated that, following the merger, NSP-Wisconsin will merge into Wisconsin Energy. The headquarters of the two utilities will remain in their current locations, NSP's in Minneapolis and Wisconsin Energy's in Milwaukee. The headquarters of Primergy, a Wisconsin corporation, will be in Minneapolis. The Board of Directors of Primergy will be composed of six current directors of NSP and six current directors of WEC.

"The benefits of this strategic combination for

shareholders are expected to be substantial," Howard said. "Value will be obtained from the strengthening and improved cost-efficiency of our combined product lines. The professional, productive attitudes of both employee groups will combine to enhance solid traditions of quality customer service."

"We intend to be a winner in the new market ahead," Abdoo stated, "and that means first and foremost a clear focus on customers. Knowing what our customers want, and meeting those needs quickly, efficiently and with quality is what this merger of two great companies is all about."

According to Howard and Abdoo, an additional benefit of the merger is that it will leverage the complementary environmental expertise and leadership of both companies. The combined entity will utilize the most efficient, least-polluting generation sources available to provide customers with reliable electricity systemwide.

Both NSP and WEC recognize that the divestiture of their existing gas operations and certain non-utility operations is a possibility under the new registered holding company

structure, but will seek approval from the Securities and Exchange Commission to maintain such businesses. If divestiture is ultimately required, the SEC has historically allowed companies sufficient time to accomplish divestitures in a manner that protects shareholder values.

The merger is subject to approval by the shareholders of both companies and various regulatory agencies including the Securities and Exchange Commission; the Federal Energy Regulatory Commission; state regulators in Minnesota, Wisconsin and certain other states where the companies conduct business; and the Nuclear Regulatory Commission. The merger is also subject to the termination or expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act. It is expected that preliminary proxy materials will be filed with the Securities and Exchange Commission in the near future. While the timing of the regulatory process cannot be predicted with certainty, the parties currently expect completion of the transaction in the fourth quarter of 1996.

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Wisconsin Energy Corporation

Wisconsin Energy (WEC), headquartered in Milwaukee, is a holding company with seven wholly owned subsidiaries and approximately 5,000 employees. The utility subsidiaries are Wisconsin Electric Power Company (WEPCO) and Wisconsin Natural Gas Company (WNG).

WEPCO serves about 945,000 electric customers in three non-contiguous areas which include southeastern Wisconsin (including the Milwaukee area), eastern Wisconsin (including Appleton), and northeastern Wisconsin and the Upper Peninsula of Michigan. WEPCO also sells steam utility service in downtown Milwaukee to both space heating and manufacturing customers.

WEC's electric energy mix is 64% coal, 27% nuclear, 7% purchased power and 2% other. The Point Beach nuclear units 1 and 2 provide 19% of company-owned generating capability.

WNG services about 350,000 gas customers in southeastern Wisconsin, the Fox Valley, and in the Prairie du Chien area. In 1994, WNG acquired Wisconsin Southern Gas Company, Inc. If regulatory approvals are obtained, WNG will merge with WEPCO December 31, 1995.

Wisconsin Energy's non-utility subsidiaries -- WisPark Corp., Witech Corp., Wisvest Corp., Badger Service Co.,

and Wisconsin Michigan Investment Corp. -- are devoted primarily to stimulating economic growth in the utilities' service territories and to capitalizing on diversified investment opportunities for shareholders.

Northern States Power Company

Northern States Power Company (NSP), with headquarters in Minneapolis, serves customers in Minnesota, Wisconsin, North Dakota, South Dakota and Michigan. NSP generates, transmits and distributes electricity to about 1.4 million customers and distributes natural gas to approximately 400,000 customers. The company employs approximately 7,000 people.

NSP-Minnesota operates in Minnesota, North Dakota and South Dakota. NSP-Wisconsin is a wholly owned subsidiary operating in Wisconsin and the Upper Peninsula of Michigan.

NSP's electric energy mix is 48% coal, 28% nuclear, 20% purchased power and 4% hydro and renewables. NSP's Prairie Island and Monticello nuclear plants provide 22% of company-owned generating capability.

NRG Energy, Inc., with headquarters in Minneapolis, is a wholly owned subsidiary operating non-regulated energy business activities.

Cenergy, Inc., a wholly owned subsidiary of NSP, markets natural gas and energy-related services throughout the United States. In December 1994, the Federal Energy Regulatory Commission granted the company a license to also market electricity.

Viking Gas Transmission Company, also a wholly owned subsidiary, owns and operates a 500-mile natural gas pipeline serving the Upper Midwest. The pipeline provides transportation services and has direct access to four major interstate and international pipelines linked to the majority of natural gas supplies in North America.

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