

RECORDATION NO 18035 FILED 11/25
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INTERSTATE COMMERCE COMMISSION

CERTIFICATE

I, MARGARET M. PEARSON, Notary Public, State of Wisconsin, hereby certify that I have compared the attached copy of the Eighteenth Supplemental Indenture dated May 15, 1978 with the original instrument and found the copy to be complete and identical in all respects to the original.

Executed on this 9th day of December 1992.



Margaret M. Pearson
Notary Public, State of Wisconsin
My Commission expires March 19, 1995
Telephone: (414) 221-2235

(SEAL)

Conformed Copy

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WISCONSIN ELECTRIC POWER COMPANY INTERSTATE COMMERCE COMMISSION

TO

FIRST WISCONSIN TRUST COMPANY
As Trustee

Eighteenth Supplemental Indenture

DATED AS OF MAY 15, 1978

**First Mortgage Bonds,
8⁷/₈% Series due May 15, 2008**

WISCONSIN ELECTRIC POWER COMPANY
Eighteenth Supplemental Indenture dated as of May 15, 1978

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SUPPLEMENTAL INDENTURE, dated as of the fifteenth day of May, Nineteen hundred and seventy-eight (1978) made by and between **WISCONSIN ELECTRIC POWER COMPANY**, a corporation organized and existing under the laws of the State of Wisconsin (hereinafter called the "Company"), party of the first part, and **FIRST WISCONSIN TRUST COMPANY**, a corporation organized and existing under the laws of the State of Wisconsin (hereinafter called the "Trustee"), as Trustee under the Mortgage and Deed of Trust dated October 28, 1938, hereinafter mentioned, party of the second part;

WHEREAS, the Company has heretofore executed and delivered to the Trustee its Mortgage and Deed of Trust dated October 28, 1938, as amended June 1, 1946, May 1, 1952 and April 1, 1958 (said Mortgage and Deed of Trust, as so amended, being hereinafter sometimes referred to as the "Original Indenture" and, together with all supplemental indentures thereto being sometimes referred to herein collectively as the "Indenture"), to secure the payment of the principal of and the interest and premium, if any, on all Bonds at any time issued and outstanding thereunder, and to declare the terms and conditions upon which Bonds are to be issued thereunder; and indentures supplemental thereto dated October 28, 1938, June 1, 1946, March 1, 1949, June 1, 1950, May 1, 1952, May 1, 1954, April 15, 1956, April 1, 1958, November 15, 1960, November 1, 1966, November 15, 1967, May 15, 1968, May 15, 1969, November 1, 1969, July 15, 1976, as of January 1, 1978 and as of May 1, 1978, respectively, have heretofore been entered into between the Company and the Trustee; and

WHEREAS, Bonds have been issued by the Company under said Mortgage and Deed of Trust and indentures supplemental thereto prior to the date hereof as follows:

(1) \$55,000,000 principal amount of First Mortgage Bonds, $3\frac{1}{2}\%$ Series due 1968, all of which have been redeemed prior to the date of execution hereof;

(2) \$50,000,000 principal amount of First Mortgage Bonds, $2\frac{5}{8}\%$ Series due 1976, all of which have been retired for sinking fund purposes or paid at maturity prior to the date of execution hereof;

(3) \$10,000,000 principal amount of First Mortgage Bonds, $2\frac{7}{8}\%$ Series due 1979, which are described in the Supplemental Indenture dated March 1, 1949 (hereinafter called the "Supplemental Indenture of March 1, 1949"), of which \$7,574,000 principal amount remain outstanding at the date of execution hereof;

(4) \$15,000,000 principal amount of First Mortgage Bonds, $2\frac{3}{4}\%$ Series due 1980, which are described in the Supplemental Indenture dated June 1, 1950, of which \$11,186,000 principal amount remain outstanding at the date of execution hereof;

(5) \$12,500,000 principal amount of First Mortgage Bonds, $3\frac{1}{4}\%$ Series due 1982, which are described in the Supplemental Indenture dated May 1, 1952, of which \$9,602,000 principal amount remain outstanding at the date of execution hereof;

(6) \$20,000,000 principal amount of First Mortgage Bonds, $3\frac{1}{8}\%$ Series due 1984, which are described in the Supplemental Indenture dated May 1, 1954, of which \$15,782,000 principal amount remain outstanding at the date of execution hereof;

(7) \$30,000,000 principal amount of First Mortgage Bonds, $3\frac{7}{8}\%$ Series due 1986, which are described in the Supplemental Indenture dated April 15, 1956, of which \$22,348,000 principal amount remain outstanding at the date of execution hereof;

(8) \$30,000,000 principal amount of First Mortgage Bonds, $4\frac{1}{8}\%$ Series due 1988, which are described in the Supplemental Indenture dated April 1, 1958, of which \$23,536,000 principal amount remain outstanding at the date of execution hereof;

(9) \$30,000,000 principal amount of First Mortgage Bonds, 5% Series due 1990, which are described in the Supplemental Indenture dated November 15, 1960, of which \$26,925,000 principal amount remain outstanding at the date of execution hereof;

(10) \$30,000,000 principal amount of First Mortgage Bonds, $5\frac{7}{8}\%$ Series due 1996, which are described in the Supplemental Indenture dated November 1, 1966, of which \$28,134,000 principal amount remain outstanding at the date of execution hereof;

(11) \$40,000,000 principal amount of First Mortgage Bonds, $6\frac{7}{8}\%$ Series due 1997, which are described in the Supplemental Indenture dated November 15, 1967, of which \$38,146,000 principal amount remain outstanding at the date of execution hereof;

(12) \$35,000,000 principal amount of First Mortgage Bonds, $6\frac{7}{8}\%$ Series due 1998, which are described in the Supplemental Indenture dated May 15, 1968, of which \$33,844,000 principal amount remain outstanding at the date of execution hereof;

(13) \$40,000,000 principal amount of First Mortgage Bonds, 7¹/₄% Series due 1999, which are described in the Supplemental Indenture dated May 15, 1969, of which \$39,000,000 principal amount remain outstanding at the date of execution hereof;

(14) \$40,000,000 principal amount of First Mortgage Bonds, 8³/₈% Series due November 1, 1999, which are described in the Supplemental Indenture dated November 1, 1969, of which \$39,591,000 principal amount remain outstanding at the date of execution hereof;

(15) \$60,000,000 principal amount of First Mortgage Bonds, 8³/₄% Series due July 15, 2006, which are described in the Supplemental Indenture dated July 15, 1976, all of which remain outstanding at the date of execution hereof;

(16) \$25,000,000 principal amount of First Mortgage Bonds, 6.10% Serial Series 1978A, which are described in the Supplemental Indenture dated as of May 1, 1978, all of which remain outstanding at the date of execution hereof;

(17) \$1,000,000 principal amount of First Mortgage Bonds, 6.25% Serial Series 1978B, which are described in the Supplemental Indenture dated as of May 1, 1978, all of which remain outstanding at the date of execution hereof;

and

WHEREAS, the Company is entitled at this time to have authenticated and delivered additional Bonds on the basis of the net bondable value of property additions not subject to an unfunded prior lien, upon compliance with the provisions of Section 4 of Article III of the Original Indenture; and

WHEREAS, the Company desires by this Supplemental Indenture to provide for the creation of a new series of bonds under the Original Indenture, to be designated "First Mortgage Bonds, 8⁷/₈% Series due May 15, 2008" (hereinafter called the "New Bonds"); and the Original Indenture provides that certain terms and provisions, as determined by the Board of Directors of the Company, of the Bonds of any particular series may be expressed in and provided for by the execution of an appropriate supplemental indenture; and

WHEREAS, the Original Indenture provides that the Company and the Trustee may enter into indentures supplemental to the Original Indenture to add, to the covenants and agreements of the Company contained in the Original Indenture, other covenants and agreements thereafter to be observed; and

WHEREAS, the Company, in the exercise of the powers and authority conferred upon and reserved to it under the provisions of the Original Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee a supplemental indenture in the form hereof for the purposes herein provided; and

WHEREAS, all conditions and requirements necessary to make this Supplemental Indenture a valid, binding and legal instrument have been done, performed and fulfilled and the execution and delivery hereof have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That, in consideration of the premises and of the mutual covenants herein contained and of the sum of One Dollar duly paid by the Trustee to the Company at or before the time of the execution of this Supplemental Indenture, and of other valuable considerations, the receipt whereof is hereby acknowledged, the Company does hereby covenant and agree to and with the Trustee, and its successors in trust, under the Indenture, for the benefit of those who shall hold the Bonds, or any of them, issued or to be issued under the Indenture, as follows:

ARTICLE I.

DESCRIPTION OF NEW BONDS.

SECTION 1. The eighteenth series of Bonds to be executed, authenticated and delivered under and secured by the Indenture shall be the New Bonds. The New Bonds shall, subject to the provisions of Section 1 of Article II of the Original Indenture, be designated as "First Mortgage Bonds, 8⁷/₈% Series due May 15, 2008" of the Company. The New Bonds shall be executed, authenticated and delivered in accordance with the provisions of, and shall in all respects be subject to, all of the terms, conditions and covenants of the Original Indenture and of this Supplemental Indenture.

The New Bonds shall mature May 15, 2008, and shall bear interest at the rate of eight and seven-eighths per cent per annum, payable semi-annually on the fifteenth days of May and November in each year (each such May 15 and November 15 being hereinafter called an "interest payment date"). The New Bonds shall be payable as to principal and interest in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and shall be payable (as well the interest as the principal thereof) at the agency of the Company in the City of Milwaukee, Wisconsin, or, at the option of the registered owner, at the agency of the Company in the Borough of Manhattan, The City of New York.

The interest so payable on any interest payment date shall be paid to the persons in whose names the New Bonds are registered at the close of business on the last business day (hereinafter called the "record date") which is more than ten days prior to such interest payment date, a "business day" being any day which is not a day on which banks in the City of Milwaukee, Wisconsin, are authorized by law to close; except that if the Company shall default in the payment of any interest due on such interest payment date, such defaulted interest shall be paid to the persons in whose names the New Bonds are registered on the date of payment of such defaulted interest, or at the election of the Company at the close of business on a special record date for the payment of such defaulted interest established by notice given by mail by or on behalf of the Company not less than 15 days preceding such special record date.

Except as provided hereinafter, every New Bond shall be dated as of the date of its authentication and delivery, or if that is an interest payment date, the next day, and shall bear interest from the interest payment date next preceding its date or from May 15, 1978, whichever is later. Notwithstanding Section 6 of Article II of the Original Indenture, any New Bond authenticated and delivered by the Trustee after the close of business on the record date with respect to any interest payment date and prior to such interest payment date shall be dated as of the date next following such interest payment date and shall bear interest from such interest payment date; except that if the Company shall default in the payment of any interest due on such interest payment date, such Bond shall bear interest from the interest payment date to which interest on such Bond has been paid or May 15, 1978, whichever is later.

SECTION 2. The New Bonds shall be registered bonds without coupons, of the denomination of \$1,000 and any multiple of \$1,000, numbered consecutively from R1 upwards.

SECTION 3. The New Bonds and the Trustee's Certificate to be endorsed on the New Bonds shall be substantially in the following forms respectively:

[FORM OF BOND]

WISCONSIN ELECTRIC POWER COMPANY
(Incorporated under the laws of the State of Wisconsin)

FIRST MORTGAGE BOND, 8⁷/₈% SERIES DUE MAY 15, 2008

No. R..... \$.....

WISCONSIN ELECTRIC POWER COMPANY, a corporation organized and existing under the laws of the State of Wisconsin (hereinafter called the "Company", which term shall include any successor corporation as defined in the Amended Indenture mentioned on the reverse side hereof), for value received, hereby promises to pay to

or registered assigns, on the fifteenth day of May, 2008; the sum of _____ Dollars, in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay interest thereon in like coin or currency from the May 15 or November 15 next preceding the date of this Bond or from May 15, 1978, whichever is later, at the rate of eight and seven-eighths per cent per annum, payable semi-annually, on the fifteenth days of May and November in each year until maturity, or, if this Bond shall be duly called for redemption, until the redemption date, or, if the Company shall default in the payment of the principal hereof, until the Company's obligation with respect to the payment of such principal shall be discharged as provided in the Amended Indenture. The interest so payable on any May 15 or November 15 will, subject to certain exceptions provided in the indenture dated May 15, 1978, supplemental to the Amended Indenture, be paid to the person in whose name this Bond is registered at the close of business on the last business day which is more than ten days prior to such May 15 or November 15. Both principal of, and interest on, this Bond are payable at the agency of the Company in the City of Milwaukee, Wisconsin, or, at the option of the registered owner

hereof, at the agency of the Company in the Borough of Manhattan, The City of New York.

This Bond shall not be entitled to any benefit under the Amended Indenture or any indenture supplemental thereto, or become valid or obligatory for any purpose, until First Wisconsin Trust Company, the Trustee under the Amended Indenture, or a successor trustee thereto under the Amended Indenture, shall have signed the form of certificate endorsed hereon.

Additional provisions of this Bond are set forth on the reverse hereof and such provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, Wisconsin Electric Power Company has caused this Bond to be signed in its name by its President or a Vice President, manually or in facsimile, and its corporate seal (or a facsimile thereof) to be hereto affixed and attested by the manual or facsimile signature of its Secretary or an Assistant Secretary.

Dated,

WISCONSIN ELECTRIC POWER COMPANY,

By

President

Attest:

.....

Secretary

[FORM OF TRUSTEE'S CERTIFICATE]

This Bond is one of the Bonds, of the series designated therein, described in the within-mentioned Amended Indenture and Supplemental Indenture of May 15, 1978.

FIRST WISCONSIN TRUST COMPANY,
Trustee,

By

Authorized Officer

[TEXT APPEARING ON REVERSE SIDE OF BOND]

This Bond is one of a duly authorized issue of Bonds of the Company (herein called the "Bonds"), in unlimited aggregate principal amount, of

the series hereinafter specified, all issued and to be issued under and equally secured by a mortgage and deed of trust, dated October 28, 1938, executed by the Company to First Wisconsin Trust Company (herein called the "Trustee"), as Trustee, as amended by the indentures supplemental thereto dated June 1, 1946, May 1, 1952 and April 1, 1958, between the Company and the Trustee (said mortgage and deed of trust, as so amended, being herein called the "Amended Indenture") and all indentures supplemental thereto, to which Amended Indenture and all indentures supplemental thereto reference is hereby made for a description of the properties mortgaged and pledged, the nature and extent of the security, the rights of the bearers or registered owners of the Bonds, of the Company and of the Trustee in respect thereto, and the terms and conditions upon which the Bonds are, and are to be, secured. To the extent permitted by, and as provided in, the Amended Indenture, modifications or alterations of the Amended Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the holders of the Bonds and any coupons appertaining thereto may be made with the consent of the Company by an affirmative vote of not less than 75% in amount of the Bonds entitled to vote then outstanding, at a meeting of Bondholders called and held as provided in the Amended Indenture, and by an affirmative vote of not less than 75% in amount of the Bonds of any series entitled to vote then outstanding and affected by such modification or alteration, in case one or more but less than all of the series of Bonds then outstanding under the Amended Indenture are so affected; provided, however, that no such modification or alteration shall be made which will affect the terms of payment of the principal of, or interest or premium (if any) on, this Bond, which are unconditional. The Bonds may be issued in series, for various principal sums, may mature at different times, may bear interest at different rates and may otherwise vary as in the Amended Indenture provided. This Bond is one of a series designated as the "First Mortgage Bonds, 8⁷/₈% Series due May 15, 2008" (herein called "Bonds of May 15, 2008 Series") of the Company, issued under and secured by the Amended Indenture and all indentures supplemental thereto and described in the indenture supplemental thereto dated May 15, 1978 (hereinafter called the "Supplemental Indenture of May 15, 1978"), executed by the Company to the Trustee.

The Bonds of May 15, 2008 Series are subject to redemption (otherwise than for the Improvement and Sinking Fund provided for in the Supplemental Indenture of May 15, 1978, the Maintenance and Replace-

ment Fund provided for in said Supplemental Indenture and in the supplemental indenture dated March 1, 1949, or upon application of certain moneys included in the trust estate), at any time or from time to time prior to maturity, at the option of the Company, either as a whole or in part, upon payment of the regular redemption prices applicable to the respective periods set forth below, together, in each case, with accrued interest to the redemption date; provided, however, that prior to May 15, 1983, no Bonds of May 15, 2008 Series may be redeemed, directly or indirectly, from the proceeds of or in anticipation of any refunding operation involving the incurring of debt which has an effective interest cost to the Company, computed in accordance with generally accepted financial practice, of less than 8.936% per annum; all subject to the conditions and as more fully set forth in the Amended Indenture and Supplemental Indenture of May 15, 1978.

The Bonds of May 15, 2008 Series are subject to redemption for said Improvement and Sinking Fund, or said Maintenance and Replacement Fund, or upon application of certain moneys included in the trust estate, upon payment of the special redemption prices applicable to the respective periods set forth below, together, in each case, with accrued interest to the redemption date; all subject to the conditions and as more fully set forth in the Supplemental Indenture of May 15, 1978.

If Redeemed During the 12-Month Period Ending May 14	Expressed as Percentages of the Principal Amount of the Bonds	
	Regular Redemption Price	Special Redemption Price
1979	108.63	100.00
1980	108.35	100.00
1981	108.06	100.00
1982	107.77	100.00
1983	107.48	100.00
1984	107.20	100.00
1985	106.91	100.00
1986	106.62	100.00
1987	106.33	100.00
1988	106.05	100.00
1989	105.76	100.00
1990	105.47	100.00
1991	105.18	100.00

If Redeemed During the 12-Month Period Ending May 14	Expressed as Percentages of the Principal Amount of the Bonds	
	Regular Redemption Price	Special Redemption Price
1992	104.90	100.00
1993	104.61	100.00
1994	104.32	100.00
1995	104.03	100.00
1996	103.74	100.00
1997	103.46	100.00
1998	103.17	100.00
1999	102.88	100.00
2000	102.59	100.00
2001	102.31	100.00
2002	102.02	100.00
2003	101.73	100.00
2004	101.44	100.00
2005	101.16	100.00
2006	100.87	100.00
2007	100.58	100.00
2008	100.29	100.00

Notice of redemption shall be mailed, not less than thirty days nor more than sixty days prior to the redemption date, to all registered owners of the Bonds to be redeemed, at their addresses as the same shall appear on the transfer register of the Company; all subject to the conditions and as more fully set forth in the Amended Indenture and the Supplemental Indenture of May 15, 1978. Any notice so mailed shall be conclusively presumed to have been duly given, whether or not the owner receives it.

In case an event of default, as defined in the Amended Indenture, shall occur, the principal of all the Bonds at any such time outstanding under the Amended Indenture and all indentures supplemental thereto may be declared or may become due and payable, upon the conditions and in the manner and with the effect provided in the Amended Indenture. The Amended Indenture provides that such declaration may in certain events be waived by the holders of a majority in principal amount of the Bonds outstanding.

This Bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on the books of the Company to be kept for

that purpose at the agency of the Company in the Borough of Manhattan, The City of New York, and at the agency of the Company in the City of Milwaukee, Wisconsin, upon surrender and cancellation of this Bond and on presentation of a duly executed written instrument of transfer, and thereupon a new registered Bond or Bonds of the same series, of the same aggregate principal amount and in authorized denominations, will be issued to the transferee or transferees in exchange herefor; and this Bond, with or without others of like series, may in like manner be exchanged for one or more new registered Bonds of the same series of other authorized denominations but of the same aggregate principal amount; all subject to the terms and conditions set forth in the Amended Indenture.

No recourse shall be had for the payment of the principal of, or the interest on, this Bond, or for any claim based hereon or on the Amended Indenture or any indenture supplemental thereto, against any incorporator, or against any stockholder, director or officer, as such, past, present or future, of the Company, or of any predecessor or successor corporation, either directly or through the Company or any such predecessor or successor corporation, whether for amounts unpaid on stock subscriptions or by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitution, statute or otherwise, of incorporators, stockholders, directors or officers, as such, being released by every owner hereof by the acceptance of this Bond and as part of the consideration for the issue hereof, and being likewise released by the terms of the Amended Indenture.

SECTION 4. Until the New Bonds in definitive form are ready for delivery, the Company may execute, and upon its request in writing the Trustee shall authenticate and deliver, in lieu thereof, New Bonds in temporary form, as provided in Section 9 of Article II of the Original Indenture. Such New Bonds in temporary form may, in lieu of the statement of the specific redemption prices required to be set forth in such Bonds in definitive form, include a reference to this Supplemental Indenture for a statement of such redemption prices.

ARTICLE II.

ISSUE OF NEW BONDS.

SECTION 1. The principal amount of New Bonds which may be authenticated and delivered hereunder is not limited except as the Original Indenture limits the principal amount of Bonds which may be issued thereunder.

SECTION 2. New Bonds for the aggregate principal amount of Eighty Million Dollars (\$80,000,000), being the initial issue of New Bonds, may forthwith be executed by the Company and delivered to the Trustee and shall be authenticated by the Trustee and delivered (either before or after the filing or recording hereof) to or upon the order of the Company, upon receipt by the Trustee of the resolutions, certificates, instruments and opinions required by Sections 3 and 4 of Article III and by Article XVIII of the Original Indenture.

ARTICLE III.

REDEMPTION.

SECTION 1. The New Bonds shall, subject to the provisions of Article V of the Original Indenture, be redeemable (otherwise than for the Improvement and Sinking Fund provided in Article IV hereof, or the Maintenance and Replacement Fund provided in Article IV hereof, and otherwise than pursuant to Section 8 of Article VIII of the Original Indenture except that, in the case of moneys deposited with the Trustee pursuant to Section 5 of Article III of the Original Indenture, redemption pursuant to said Section 8 of said Article VIII shall be at the regular redemption prices referred to below), at any time or from time to time prior to maturity, at the option of the Board of Directors of the Company, either as a whole or in part, upon payment of the regular redemption prices applicable to the respective periods set forth in the form of New Bonds in Section 3 of Article I hereof, together, in each case, with accrued interest to the redemption date; provided, however, that prior to May 15, 1983, no New Bonds may be redeemed, directly or indirectly, from the proceeds of or in anticipation of any refunding operation involving the incurring of debt which has an effective interest cost to the Company, computed in accordance with generally accepted financial practice, of less than 8.936% per annum.

The New Bonds shall, subject to the provisions of Article V of the Original Indenture, be redeemable through the operation of the Improve-

ment and Sinking Fund or the Maintenance and Replacement Fund provided in Article IV hereof, or pursuant to Section 8 of Article VIII of the Original Indenture (otherwise than with moneys deposited with the Trustee pursuant to Section 5 of Article III of the Original Indenture), upon payment of the special redemption prices applicable to the respective periods set forth in the form of New Bonds in Section 3 of Article I hereof, together, in each case, with accrued interest to the redemption date.

SECTION 2. Notice of redemption shall be sufficiently given if mailed, postage prepaid, not less than thirty days and not more than sixty days prior to the date fixed for redemption, to the registered owners of the Bonds to be redeemed, at their addresses as the same shall appear on the transfer register of the Company. Any notice so mailed shall be conclusively presumed to have been duly given, whether or not the owner receives it.

ARTICLE IV.

IMPROVEMENT AND SINKING FUND AND MAINTENANCE AND REPLACEMENT FUND.

SECTION 1. The Company covenants and agrees that, so long as any New Bonds are outstanding, it will, on or before April 30 of each year beginning with the year 1981 deposit with the Trustee an amount in cash and/or a principal amount of issued Bonds of any series not theretofore made the basis for the authentication and delivery of Bonds or the withdrawal of cash or the reduction of the amount of cash required to be paid to the Trustee under any provision of the Indenture or of this Supplemental Indenture, equal in the aggregate to one per cent. (1%) of (a) the greatest aggregate principal amount of New Bonds outstanding at any one time prior to January 1 of such year less (b) the aggregate principal amount of all issued New Bonds retired pursuant to Section 8 of Article VIII of the Original Indenture prior to the date of such deposit; provided, however, that in each year there shall be credited against the amount of cash and/or principal amount of Bonds so required to be deposited with the Trustee an amount equal to sixty per cent. (60%) of the amount of net bondable value of property additions not subject to an unfunded prior lien which the Company then elects to make the basis of a credit under this Section.

On or before April 30 of each such year beginning with the year 1981 the Company shall deliver to the Trustee:

(a) an officers' certificate which shall state:

(1) the greatest aggregate principal amount of New Bonds outstanding at any one time prior to January 1 of such year; and

(2) the aggregate principal amount of all issued New Bonds retired pursuant to Section 8 of Article VIII of the Original Indenture prior to the date of such officers' certificate;

and

(b) if the Company elects in such year to make the basis of a credit under this Section any amount of net bondable value of property additions not subject to an unfunded prior lien, the certificates, instruments, opinions, prior lien bonds and cash prescribed in subsections (a) to (g), inclusive, of Section 4 of Article III of the Original Indenture, except that such documents shall refer to the reduction of cash rather than to the issue of Bonds or the withdrawal of cash.

So long as any of the New Bonds are outstanding, property additions used as the basis of a credit under this Section shall not thereafter be made the basis for the authentication and delivery of Bonds or the withdrawal of cash or the reduction of the amount of cash required to be paid to the Trustee under any provision of the Indenture.

All coupon Bonds delivered by the Company to the Trustee pursuant to the provisions of this Section shall be accompanied by all unmatured coupons appertaining thereto, and all registered Bonds without coupons and all coupon Bonds registered as to principal so delivered shall be accompanied by duly executed instruments of transfer.

Notwithstanding any other provisions of the Original Indenture or of this Supplemental Indenture, the Company shall be permitted from time to time to anticipate in whole or in part the requirements of this Section becoming due on April 30 of the then current year and the two succeeding years, by depositing cash and/or a principal amount of issued Bonds of any series with the Trustee in full satisfaction or in partial satisfaction of the requirements of this Section.

All cash paid to the Trustee pursuant to the provisions of this Section shall be held in trust, but not as part of the trust estate, for the benefit of the holders of the New Bonds.

The Trustee, upon receipt of cash pursuant to the provisions of this Section, shall forthwith proceed to apply the same toward the purchase of issued New Bonds in an aggregate principal amount not exceeding the amount of cash deposited, on any securities exchange or in the open market or at private sale at the price or prices most favorable to the Company in the judgment of the Trustee; provided, however, that no New Bonds shall be purchased at such price (including accrued interest and brokerage) that the cost thereof to the Company would exceed the cost of redeeming such New Bonds on a date forty days after the date of such purchase (including in such cost the premium, if any, and accrued interest from the interest date next preceding the date of purchase to such redemption date).

Notwithstanding the foregoing provisions of this Section, the Company, at the time of paying to the Trustee any Improvement and Sinking Fund payment, or at any time or from time to time thereafter, may, by a request in writing signed in the name of the Company by its President or any Vice President, and its Treasurer or any Assistant Treasurer, accompanied by a certified resolution of the Board of Directors authorizing or directing the Trustee to apply an amount therein specified to the redemption of New Bonds, direct the Trustee to apply such Improvement and Sinking Fund payment or any part thereof (not theretofore disbursed by the Trustee for the purchase of New Bonds or required for the purchase of New Bonds under offers or proposals theretofore accepted by the Trustee) to the redemption of New Bonds, and in such event the amount so specified is hereby required to be applied promptly to the redemption of New Bonds. Upon receipt of such instrument in writing and certified resolution of the Board of Directors, the Trustee shall select, in any manner determined by the Trustee to be equitable, from the New Bonds, the particular New Bonds or portions thereof to be redeemed, in an aggregate principal amount sufficient to exhaust as nearly as may be the full amount so specified and within ten days after the receipt of such instrument in writing and certified resolution the Trustee shall notify the Company of the particular New Bonds or portions thereof to be redeemed. The Company shall thereupon cause notice of such redemption to be given.

Notwithstanding any other provisions of this Section, if moneys in excess of the sum of Fifty Thousand Dollars (\$50,000) deposited with the Trustee pursuant to this Section (except moneys which have theretofore been set aside for the purchase of New Bonds or for the redemption of

New Bonds called for redemption) shall have remained on deposit for a period of ninety days, such moneys so remaining on deposit shall promptly thereafter be applied by the Trustee to the redemption of issued New Bonds. In such case the Trustee shall select, in any manner determined by the Trustee to be equitable, from the New Bonds the particular New Bonds or portions thereof to be redeemed in an aggregate principal amount sufficient to exhaust as nearly as may be the full amount of cash remaining on deposit with the Trustee pursuant to this Section and shall notify the Company of the particular New Bonds or portions thereof to be redeemed. The Company shall thereupon cause notice of such redemption to be given.

Any Bonds delivered to, and any New Bonds purchased or redeemed by, the Trustee pursuant to the provisions of this Section shall forthwith be cancelled by the Trustee and shall not be reissued, and, so long as any New Bonds are outstanding, no Bonds so delivered and cancelled, and no New Bonds so purchased or redeemed and cancelled, shall be made the basis for the authentication and delivery of Bonds or the withdrawal of cash or the reduction of the amount of cash required to be paid to the Trustee under any provision of the Indenture.

SECTION 2. The Company covenants and agrees that, so long as any of the New Bonds are outstanding, it will provide a Maintenance and Replacement Fund (herein called the Maintenance and Replacement Fund), as follows: the Company will, on or before April 30 in each year, make the payments to the Trustee for the maintenance and replacement requirement as provided in Paragraph (B) of Section 2 of Article IV of the Supplemental Indenture of March 1, 1949, and will comply with all the covenants and provisions with respect to such maintenance and replacement requirement contained in said Section 2, and will be entitled to the privilege of using gross property additions in the manner provided therein, which covenants and provisions are hereby continued in effect so long as any of the New Bonds are outstanding. Nothing in this Supplemental Indenture shall be deemed to prohibit the withdrawal by the Company, upon compliance with the provisions of Section 1 of Article VIII of the Original Indenture, of any cash deposited with the Trustee under this Section 2.

Any New Bonds delivered to, or purchased or redeemed by, the Trustee pursuant to the Maintenance and Replacement Fund, shall forthwith be cancelled by the Trustee and shall not be reissued.

SECTION 3. Upon the purchase or redemption by the Trustee of any Bonds pursuant to the provisions of this Article IV:

(a) The Company shall pay to the Trustee all interest up to but not including the day of purchase or redemption, as the case may be, on all Bonds so purchased or redeemed, together with cash in the amount, if any, by which the aggregate purchase or redemption price (excluding interest) paid by the Trustee exceeds the aggregate principal amount of the Bonds purchased or redeemed. All costs of giving notice and all brokerage charges shall be paid by the Company, or, if paid by the Trustee, shall forthwith be paid to it by the Company upon demand.

(b) The Trustee shall pay to or upon the order of the Treasurer or an Assistant Treasurer of the Company, from any moneys deposited with the Trustee under Sections 1 or 2 of this Article IV, an amount equal to the amount by which the aggregate principal amount of Bonds purchased exceeds the aggregate purchase price (less interest) paid by the Trustee for such Bonds.

SECTION 4. No moneys received by the Trustee pursuant to any provision of the Indenture other than this Article IV, and no Bonds purchased or redeemed with such moneys pursuant to Section 8 of Article VIII of the Original Indenture, shall be credited at any time to or on account of the Improvement and Sinking Fund or the Maintenance and Replacement Fund provided for in this Article IV.

ARTICLE V.

ADDITIONAL PARTICULAR COVENANTS OF THE COMPANY.

The Company hereby covenants, warrants and agrees:

SECTION 1. That, so long as any New Bonds are outstanding, the Company will not make any restricted payment on its Common Stock, as such term is defined in Section 2 of this Article V, if, after giving effect to such restricted payment,

(a) the aggregate of all restricted payments made by the Company during the period commencing January 1, 1978 and ending on the last day of the third month preceding the month in which such restricted payment is made,

shall exceed

(b) the sum of \$180,281,927 at December 31, 1977 plus the net income of the Company (including dividends from subsidiary companies but excluding undistributed subsidiary earnings) during such period applicable to the Common Stock of the Company.

SECTION 2. The terms "restricted payment" and "restricted payment on its Common Stock", as such terms are used in this Article V, shall mean and include the declaration and payment of any dividend on the Common Stock of the Company (other than dividends payable solely in shares of Common Stock), the making of any other distribution on and the acquisition for value of any shares of its Common Stock (except in exchange for shares of Common Stock).

ARTICLE VI.

ARTICLE IV AND SECTION 1 OF ARTICLE V LIMITED.

The provisions of Article IV and Section 1 of Article V above shall be binding upon the Company and effective so long, but only so long, as any New Bonds are outstanding.

ARTICLE VII.

THE TRUSTEE.

The Trustee hereby accepts the trusts hereby declared and provided, and agrees to perform the same upon the terms and conditions in the Original Indenture and in this Supplemental Indenture set forth, and upon the following terms and conditions.

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or the due execution hereof by the Company or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely.

ARTICLE VIII.

MISCELLANEOUS PROVISIONS.

All terms contained in this Supplemental Indenture and not defined herein shall, for all purposes hereof, have the meanings given to such terms in Article I of the Original Indenture.

Although this Supplemental Indenture for convenience and for the purpose of reference is dated as of May 15, 1978, the actual date of

execution by the Company and by the Trustee is as indicated by their respective acknowledgments hereto annexed.

This Supplemental Indenture may be simultaneously executed in any number of counterparts, each of which when so executed shall be deemed to be an original; but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, said Wisconsin Electric Power Company has caused this Supplemental Indenture to be executed on its behalf by its President or one of its Vice Presidents, and its corporate seal to be hereto affixed and said seal and this Supplemental Indenture to be attested by its Secretary or one of its Assistant Secretaries; and said First Wisconsin Trust Company, in evidence of its acceptance of the trust hereby created, has caused this Supplemental Indenture to be executed on its behalf by its President or one of its Vice Presidents, and its corporate seal to be hereto affixed and said seal and this Supplemental Indenture to be attested by its Secretary or one of its Assistant Secretaries; all as of the fifteenth day of May, One thousand nine hundred and seventy-eight.

WISCONSIN ELECTRIC POWER COMPANY,

[CORPORATE SEAL]

By /s/ R. W. BRITT
R. W. Britt
Executive Vice President.

Attested:

/s/ H. L. WARHANEK
H. L. Warhanek
Secretary.

Signed, sealed and delivered by
WISCONSIN ELECTRIC POWER
COMPANY in the presence of:

/s/ J. H. GOETSCH
J. H. Goetsch

/s/ J. W. FLEISSNER
J. W. Fleissner
As Witnesses.

FIRST WISCONSIN TRUST COMPANY,

[CORPORATE SEAL]

By /s/ MARVIN A. ANDERSON
Marvin A. Anderson
Vice President.

Attested:

/s/ F. R. OHSWALDT
F. R. Ohswaldt
Assistant Secretary.

Signed, sealed and delivered by FIRST
WISCONSIN TRUST COMPANY in the
presence of:

/s/ F. J. GINGRASSO
F. J. Gingrasso

/s/ JANICE S. GREZINSKI
Janice S. Grezinski
As Witnesses.

STATE OF WISCONSIN, }
 COUNTY OF MILWAUKEE. } ss.:

On this 12th day of May, 1978, before me personally appeared R. W. BRITT and H. L. WARHANEK, to me personally known, who, being by me severally duly sworn, did say: that R. W. Britt is Executive Vice President and H. L. Warhanek is Secretary of WISCONSIN ELECTRIC POWER COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and said R. W. Britt and H. L. Warhanek severally acknowledged said instrument to be the free act and deed of said corporation.

/s/ WESLEY R. CLEVELAND, JR.
 Wesley R. Cleveland, Jr.

Notary Public
 State of Wisconsin
 My Commission expires April 5, 1981
 [Seal of Notary Public]

STATE OF WISCONSIN, }
 COUNTY OF MILWAUKEE. } ss.:

On this 12th day of May, 1978, before me personally appeared MARVIN A. ANDERSON and F. R. OHSWALDT to me personally known, who, being by me severally duly sworn, did say: that Marvin A. Anderson is a Vice President and F. R. Ohswaldt is an Assistant Secretary of FIRST WISCONSIN TRUST COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and said Marvin A. Anderson and F. R. Ohswaldt severally acknowledged said instrument to be the free act and deed of said corporation.

/s/ ROBERT T. DECHANT
 Robert T. Dechant

Notary Public
 State of Wisconsin
 My Commission expires on February 15, 1981
 [Seal of Notary Public]

STATE OF WISCONSIN, }
 COUNTY OF MILWAUKEE. } ss.:

R. W. BRITT, being duly sworn, says: that he is Executive Vice President of WISCONSIN ELECTRIC POWER COMPANY, the Mortgagor named in the foregoing instrument; that he has knowledge of the facts with regard to the making of said instrument and of the consideration therefor; that the consideration for said instrument was and is actual and adequate; and that the same was given in good faith for the purpose in such instrument set forth, namely, to define the terms and conditions of the series of First Mortgage Bonds provided for therein.

/s/ R. W. BRITT
 R. W. Britt

Sworn to before me this 12th day of
 May, 1978.

/s/ WESLEY R. CLEVELAND, JR.
 Wesley R. Cleveland, Jr.

Notary Public
 State of Wisconsin
 My commission expires on April 5, 1981
 [Seal of Notary Public]

This instrument was drafted by Robert H. Gorske and Norris Darrell, Jr.
 on behalf of Wisconsin Electric Power Company.

WISCONSIN ELECTRIC POWER COMPANY

Data Relative to Recording and Filing of
Eighteenth Supplemental Indenture
Dated as of May 15, 1978

This Eighteenth Supplemental Indenture dated as of May 15, 1978 was recorded in the offices of the Registers of Deeds for the Counties listed below in the States of Wisconsin and Michigan, as follows:

WISCONSIN

<u>County</u>	<u>Date Recorded</u>	<u>Time</u>	<u>Reel or Volume</u>	<u>Image or Page</u>	<u>Document Number</u>
Brown	May 15, 1978	11:50 a.m.	{2154 2155}	{31 1}	889112
Calumet	May 15, 1978	11:52 a.m.	163	817	147809
Dane	May 15, 1978	10:45 a.m.	946	258	1571826
Dodge	May 15, 1978	9:48 a.m.	495	668	613184
Florence	May 15, 1978	9:38 a.m.	84	328	218280
Fond du Lac	May 15, 1978	10:45 a.m.	774	458	335888
Forest	May 15, 1978	8:30 a.m.	52	639	113771
Jefferson	May 15, 1978	9:30 a.m.	569	406	751416
Kenosha	May 15, 1978	9:45 a.m.	1018	130	634903
Manitowoc	May 15, 1978	10:09 a.m.	544	525	533925
Marinette	May 15, 1978	10:59 a.m.	58	16	399279
Milwaukee	May 15, 1978	10:00 a.m.	1109	106	5211213
Oconto	May 15, 1978	9:10 a.m.	461	677	310011
Outagamie	May 15, 1978	1:00 p.m.	882	10	747819
Ozaukee	May 15, 1978	2:11 p.m.	417	920	301262
Portage	May 15, 1978	10:50 a.m.	389	727	332963
Racine	May 15, 1978	8:21 a.m.	1443	348	1027335
Rock	May 15, 1978	11:00 a.m.	699	90	886642
Shawano	May 15, 1978	8:00 a.m.	531	61	356937
Sheboygan	May 15, 1978	11:19 a.m.	832	718	1027846
Vilas	May 15, 1978	9:30 a.m.	350	45	184177
Walworth	May 15, 1978	11:53 a.m.	210	830	32631
Washington	May 15, 1978	1:26 p.m.	677	261	403238
Waukesha	May 15, 1978	10:38 a.m.	299	676	1047061
Waupaca	May 15, 1978	11:05 a.m.	516	448	379732
Waushara	May 15, 1978	9:00 a.m.	256	110	239393
Winnebago	May 15, 1978	1:00 p.m.	—	—	515424
Wood	May 15, 1978	10:09 a.m.	419	269	575896

MICHIGAN

<u>County</u>	<u>Date Recorded</u>	<u>Time</u>	<u>Reel, Volume or Liber</u>	<u>Image or Page</u>	<u>Document Number</u>
Alger	May 15, 1978	9:20 a.m.	58	641	—
Baraga	May 15, 1978	8:30 a.m.	15	284	—
Delta	May 15, 1978	11:00 a.m.	196	367	—
Dickinson	May 15, 1978	10:10 a.m.	116	751	323
Gogebic	May 15, 1978	11:30 a.m.	95	89	55804
Houghton	May 15, 1978	10:00 a.m.	53	317	—
Iron	May 15, 1978	9:00 a.m.	106	200	—
Marquette	May 15, 1978	8:10 a.m.	324	159	—
Menominee	May 15, 1978	10:12 a.m.	241	74	765
Ontonagon	May 15, 1978	12:20 p.m.	47	634	—
Schoolcraft	May 15, 1978	10:15 a.m.	63	701	—

In order to comply with the Michigan Statutes, as amended, relative to making effective mortgage liens on personal property located in the State of Michigan, the Eighteenth Supplemental Indenture dated as of May 15, 1978 was filed with the Secretary of State of the State of Michigan on May 15, 1978 at 4:10 p.m. as file number 48441A.