FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1994-03-17** | Period of Report: **1993-12-31**
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FILER

CINCINNATI GAS & ELECTRIC CO

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FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1993

OR

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

Commission file number 1-1232

THE CINCINNATI GAS & ELECTRIC COMPANY
(Exact name of registrant as specified in its charter)

OHIO	31-0240030
(State of incorporation)	(I.R.S. Employer Identification No.)

139 EAST FOURTH STREET, CINCINNATI, OHIO 45202
(Address of principal executive offices) (Zip Code)

513-381-2000
(Registrant's telephone number)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Cumulative Preferred Stock, par value $100 per share 4 % series 4-3/4% series 7.44 % series 9.28 % series 9.15 % series 7-7/8% series 7-3/8% series	Cincinnati Stock Exchange- New York Stock Exchange
Common Stock, par value $8.50 per share	Cincinnati Stock Exchange- New York Stock Exchange- Chicago Stock Exchange- Pacific Stock Exchange

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

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

The aggregate market value of the voting stock held by non-affiliates was approximately $2,165 million as of February 28, 1994.

88,458,656 shares of Common Stock ($8.50 Par Value) were outstanding as of February 28, 1994.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for the Annual Meeting of Shareholders to be held on May 18, 1994 are incorporated by reference in Part III of this Report.

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PART I

Item 1. Business--Registrant (CG&E and Subsidiaries)

General

CG&E and its subsidiary companies, The Union Light, Heat and Power Company (Union Light), Miami Power Corporation, The West Harrison Gas and Electric Company, and Lawrenceburg Gas Company, operate in contiguous territories. Tri-State Improvement Company is a wholly-owned real estate development company. CGE Corp, a wholly-owned non-regulated subsidiary of CG&E formed in 1994, serves as the parent company of two non-utility subsidiaries, Enertech Associates International Inc., which provides energy related services, and CG&E Resource Marketing, Inc., which provides gas marketing services. All of the companies are managed by substantially the same officers.

CG&E and its subsidiaries are primarily engaged in providing electric and gas service in the southwestern portion of Ohio and adjacent areas in Kentucky and Indiana. The area served with electricity or gas, or both, covers approximately 3,000 square miles with an estimated population of 1.8 million and includes the cities of Cincinnati and Middletown in Ohio, Covington and Newport in Kentucky, and Lawrenceburg in Indiana. The area is, for the most part, heavily populated and highly industrialized. The industrial activities are diversified and include the manufacturing or processing of iron and steel, machinery and machine tools, non-ferrous metals, jet engines, transportation equipment, fabricated metal products, industrial chemicals, soaps and detergents, food and beverage products, paper and printing, electrical machinery, rubber and plastic products, and petroleum refining and related products.

Merger Agreement

In December 1992, CG&E, PSI Resources, Inc. (PSI) and PSI Energy, Inc., PSI's principal subsidiary, an Indiana electric utility (PSI Energy), entered into an agreement which, as subsequently amended (the Merger Agreement) provides for the merger of PSI into a newly formed corporation named CINergy Corp. (CINergy) and the merger of a newly formed subsidiary of CINergy into CG&E. For 1993, PSI had operating revenues of $1.1 billion and earnings on common shares of $96.4 million. As a result of the merger, holders of CG&E Common Stock and PSI Common Stock will become the holders of CINergy Common Stock. CINergy will become a holding company required to be registered under the Public Utility Holding Company Act of 1935 (PUHCA) with two operating subsidiaries, CG&E and PSI Energy. Union Light will remain a subsidiary of CG&E. Under the Merger Agreement, each share of CG&E Common Stock will be converted into the right to receive one share of CINergy Common Stock. Each

share of PSI Common Stock will be converted into the right to receive that number of shares of CINergy Common Stock obtained by dividing $30.69 by the

average closing price of CG&E Common Stock for the 15 consecutive trading days preceding the fifth trading day prior to the merger; provided that, if the actual quotient obtained thereby is less than .909, the quotient shall be .909, and if the actual quotient obtained thereby is more than 1.023, the quotient shall be 1.023. At December 31, 1993, CG&E and PSI had 88.1 million and 57.0 million common shares outstanding, respectively.

The merger will be accounted for as a "pooling of interests", and it is anticipated that the transaction will be completed in the third quarter of 1994. The merger is subject to approval by the Securities and Exchange Commission (SEC) and the Federal Energy Regulatory Commission (FERC). Shareholders of both companies approved the merger in November 1993.

FERC issued conditional approval of the CINergy merger in August 1993, but several intervenors, including The Public Utilities Commission of Ohio (PUCO) and the Kentucky Public Service Commission (KPSC), filed for rehearing of that order. On January 12, 1994, FERC withdrew its conditional approval of the merger and ordered the setting of FERC-sponsored settlement procedures to be held.

On March 4, 1994, CG&E reached a settlement agreement with the PUCO and the Ohio Office of Consumers' Counsel (OCC) on merger issues identified by FERC. On March 2, PSI Energy and Indiana's consumer representatives had reached a similar agreement. Both settlement agreements have been filed with FERC. These documents address, among other things, the coordination of state and federal regulation and the commitment that neither CG&E nor PSI electric base rates, nor CG&E's gas base rates, will rise because of the merger, except to reflect any effects that may result from the divestiture of CG&E's gas operations if ordered by the SEC in accordance with the requirements of PUHCA discussed below.

CG&E also filed with FERC a unilateral offer of settlement addressing all issues raised in the KPSC's application for rehearing with FERC. Although it is the belief of CG&E and PSI that no state utility commissions have jurisdiction over approval of the proposed merger, an application has been filed with the KPSC to comply with the Staff of the KPSC's position that the KPSC's authorization is required for the indirect acquisition of control of CG&E's Kentucky subsidiary, The Union Light, Heat and Power Company, by CINergy. As part of the settlement offer, Union Light will agree not to increase gas base rates as a result of the merger except to reflect any effects that may result from the divestiture of Union Light's gas operations discussed below.

Also included in the filings with FERC were settlement agreements with the city of Hamilton, Ohio, and the Wabash Valley Power Association in Indiana. These agreements resolve issues related to the transmission of power in Ohio and Indiana.

If the settlement agreements filed with FERC are not acceptable, FERC could set issues for hearing. If a hearing is held by FERC, consummation of the merger would likely be extended beyond the third quarter of 1994.

CG&E and PSI also submitted to FERC the operating agreement among CINergy Services, Inc., a subsidiary of CINergy, and CG&E and PSI Energy that provides for the coordinated planning and operation of the electric generation and transmission and other facilities of CG&E and PSI as an integrated utility system. It also establishes a framework for the equitable sharing of the benefits and costs of such coordinated operations between CG&E and PSI. The parties to the Ohio and Indiana FERC settlements have agreed to support or not oppose the operating agreement, and the settlements are conditioned upon FERC approving the filed operating agreement without material changes.

CG&E's filing with FERC also references a separate agreement among CG&E, the Staff of the PUCO, the OCC, and other parties settling issues raised by a November 1993 ruling of the Supreme Court of Ohio on the phased-in electric rate increase ordered by the PUCO in May 1992. The agreement includes a moratorium on increases in base electric rates prior to January 1, 1999 (except under certain circumstances), authorization for CG&E to retain all non-fuel merger savings until 1999, and a commitment by the PUCO that it will support CG&E's efforts to retain CG&E's gas operations in its PUHCA filing with the SEC (see below). Reference is made to "Rate Matters" for additional information.

PUHCA imposes restrictions on the operations of registered holding company systems. Among these are requirements that securities issuances, sales and acquisitions of utility assets or of securities of utility companies and acquisitions of interests in any other business be approved by the SEC. PUHCA also limits the ability of registered holding companies to engage in non-utility ventures and regulates holding company system service companies and the rendering of services by holding company affiliates to the system s utilities. The SEC has interpreted the PUHCA to preclude registered holding companies, with some exceptions, from owning both electric and gas utility systems. The SEC may require that CG&E divest its gas properties within a

reasonable time after the merger in order to approve the merger as it has done in many cases involving the acquisition by a holding company of a combination gas and electric company. In some cases, the SEC has allowed the retention of the gas properties or deferred the question of divestiture for a substantial period of time. In those cases in which divestiture has taken place, the SEC usually has allowed companies sufficient time to accomplish the divestiture in a manner that protects shareholder value. CG&E believes good arguments exist to allow retention of the gas assets, and CG&E will request that it be allowed to do so.

Discussions contained in the following pages of this Report, except where noted, pertain to CG&E and its subsidiary companies, and projections or estimates contained therein do not reflect the pending merger.

General Problems of the Industry

CG&E is experiencing, or may experience in the future, certain problems which are general to the utility industry, including increased costs of complying with evolving environmental regulations, uncertainty regarding adequate and timely rate treatment for operating expenses and costs incurred in constructing facilities, uncertainty as to the deregulation of the utility industry (primarily resulting from the Energy Policy Act of 1992 (Energy Act)), uncertainties in the gas industry resulting from FERC Order 636, difficulty in accurately forecasting demand for utility service, and the effects of customer conservation practices on gas and electric usage. Reference is made to "Electric Operations and Fuel Supply" and "Gas Operations and Gas Supply" herein regarding the Energy Act and FERC Order 636, respectively.

Construction Program and Capital Requirements

A comparison of actual and estimated construction programs, including allowance for funds used during construction, for CG&E and its subsidiaries for the years 1993-1998 is set forth below. These estimates are under continuing review and subject to adjustment.

<TABLE>
<CAPTION>

	Actual	Estimated		
	1993	1994	1995	1994-1998
		(Millions of Dollars)		
<S>	<C>	<C>	<C>	<C>
Peaking units	$ 3	$ 6	$ 7	$ 183
Other electric generation and transmission projects commonly owned with neighboring utilities	24	28	35	190
Other electric generation and transmission facilities	34	34	30	284
Electric distribution facilities	80	70	70	379
Demand side management and other electric facilities	3	8	10	55
Gas facilities	37	41	39	230
Common and other facilities	21	5	4	22
Total	$202	$192	$195	$1,343

</TABLE>

During 1994-1998, long-term debt of CG&E and its subsidiaries will mature or be subject to mandatory redemption as follows: $.3 million in 1994 and $130 million in 1997. For information relating to the redemption of preferred stock, see Note 4 to the Consolidated Financial Statements.

CG&E, The Dayton Power and Light Company (DP&L), and Columbus Southern Power Company (Columbus) have constructed electric generating units and related transmission facilities on varying common ownership bases as set forth in Note 10 to the Consolidated Financial Statements. Agreements among CG&E, DP&L, and Columbus obligate each company, severally and not jointly, to pay the cost of constructing and operating only its ownership share of commonly owned electric facilities. Each of the three companies is paying its share of the cost of operating commonly owned facilities.

Reference is made to "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Environmental Matters" herein for information as to estimated capital expenditures relating to compliance with the Clean Air Act Amendments of 1990.

Electric Operations and Fuel Supply

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During 1993, almost all of the electricity generated by units owned by CG&E or in which it has an ownership interest was produced by coal-fired generating units. Those units generate most of the electric requirements of CG&E and its subsidiaries. A new all-time electric system peak load of 4,493,000 Kw was set on July 28, 1993. This was 8.0% greater than the previous record of 4,161,000 Kw set in 1991. For the next five years (1994-1998) peak demands are expected to increase at an average annual rate of 1.8%. CG&E's presently installed summer net generating capability is 5,120,750 Kw, consisting of 1,884,400 Kw of capacity which it solely owns, and 3,236,350 Kw of capacity which is its interest in units commonly owned with Columbus and/or DP&L. In addition, CG&E, DP&L, and Columbus have a commonly owned transmission network, and CG&E has interconnections with other utilities for the purchase, sale, and interchange of electricity.

CG&E and East Kentucky Power Cooperative, Inc. have an agreement for the interchange of electric power, subject to availability, during certain times of the year through March 2000. Under the agreement, CG&E, a summer peaking company, has the right to obtain up to 150 megawatts of electricity through March 31, 1997 and up to 50 megawatts from April 1, 1997 through March 31, 2000 from East Kentucky Power during the months of June, July and August. East Kentucky Power, a winter peaking company, has the right to receive up to 150 megawatts through March 31, 1997 and up to 50 megawatts from April 1, 1997 through March 31, 2000 from CG&E in December, January and February.

CG&E currently attempts to maintain its coal inventory at a supply of approximately 50 days. On December 31, 1993, based on an estimated daily burn, the coal reserve for the four coal-burning stations (W. C. Beckjord, East Bend, Miami Fort and Zimmer Stations) operated by CG&E represented a 49-day supply. Based upon information received from DP&L and Columbus, the reserve at Stuart and Killen Stations (operated by DP&L) represented a 52-day supply, and the reserve at Conesville Station (operated by Columbus) represented a 107-day supply.

The coal requirements for generating units operated by CG&E (including commonly owned units) were approximately 9.1 million tons in 1993, and are estimated to be 9.8 million tons in 1994. The coal required for units commonly owned with and operated by DP&L or Columbus is obtained by them.

A major portion of the coal required by CG&E is obtained through contract purchases, with the remaining requirements purchased on the spot market. The prices to be paid by CG&E under its contracts are subject to adjustment to reflect suppliers' costs and certain other factors, and the contracts may be terminated by virtue of certain provisions pertaining to coal quality. The coal delivered under these contracts is primarily from mines located in Ohio, Kentucky, West Virginia and Pennsylvania. CG&E intends to continue purchasing a portion of its coal requirements on the spot market.

CG&E believes that it will be able to obtain sufficient coal to meet its generating requirements. The average sulfur content of coal to be supplied to CG&E under its present contracts will permit compliance with the current Federal sulfur dioxide plan for Ohio (see "Environmental Matters--Air Quality"). CG&E is unable to predict the extent to which coal availability and price may ultimately be affected by future environmental requirements, although CG&E expects the cost of coal to rise in the long run as the supply of more accessible and higher-grade coal diminishes and as mining, transportation, and other related costs continue an upward trend.

The Energy Policy Act of 1992 addresses several matters affecting electric utilities including mandated open access to the electric transmission system and greater encouragement of independent power production and cogeneration. Although CG&E cannot predict the long-term consequences the Energy Act will have, CG&E intends to aggressively pursue the opportunities presented by the Act.

Administrative rules of the PUCO on integrated resource planning (IRP) require electric utilities to show that least-cost options are pursued when planning for future load growth. The primary emphasis of IRP is on procedures for the evaluation of long-term electric forecasts and the integration of demand and supply alternatives for meeting future electric needs. In February 1994, the PUCO approved CG&E's 1992 Electric Long-Term Forecast Report, which included its IRP.

In December 1992, the PUCO issued proposed rules to establish competitive bidding for new power capacity additions and transmission access. The proposed rules purport to require open access to the intrastate transmission grid for winning bidders for that amount of capacity offered by the winning bidders. While bidding is not mandatory, if a utility decides not to conduct a competitive bidding to meet additional capacity needs, the utility must demonstrate that, in developing its IRP, it considered all reasonable and practical resource options. CG&E is awaiting the issuance of final rules to determine the effect, if any, on its electric operations.

Gas Operations and Gas Supply
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In 1992, FERC issued Order 636 which restructures the relationships between interstate gas pipeline companies and their customers for gas sales and transportation services. Order 636 has changed the way CG&E and Union Light purchase gas supplies and contract for transportation and storage services. CG&E and Union Light have contracts that provide adequate supply and storage capacity, including transportation services, to meet normal demand, as well as unanticipated load swings. CG&E and Union Light expect to purchase approximately 5% of their annual firm gas requirements on the spot market.

Order 636 also allows pipelines to recover transition costs they incur in complying with the Order from customers, including CG&E and Union Light. An agreement between CG&E and residential and industrial customer groups regarding recovery of these transition costs has been submitted to the PUCO for approval. The KPSC has issued an order which allows Union Light to recover these transition costs through its purchased gas adjustment clause. Order 636 transition costs are not expected to significantly impact the Company.

CG&E and Union Light each have an approved rate structure for the transportation of gas which contributes in making gas prices competitive with alternate fuels. CG&E and Union Light are transporting gas for more than 90 large-volume customers. Without these programs, CG&E and Union Light would have lost many of these customers to alternate fuels. CG&E and Union Light can either transport gas purchased by its customers for a transportation charge, or buy spot market gas which is then sold to customers at a rate competitive with alternate fuels.

Due to extremely cold weather, an all-time record for 24-hour gas sendout was set on January 18, 1994. Gas customers consumed 1 million dekatherms, 8% higher than the previous record which was set in 1972.

Regulation
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CG&E is a public utility under the laws of Ohio and is subject to regulation as to intrastate electric and gas rates and other matters by the PUCO. Rates within municipalities are subject to original regulation by the municipalities. As to intrastate rates and other matters, Union Light is regulated by the KPSC, and The West Harrison Gas and Electric Company and Lawrenceburg Gas Company by the Indiana Utility Regulatory Commission. The Ohio Power Siting Board, a division of the PUCO, has jurisdiction over the location, construction, and initial operation of new electric generating facilities, and certain electric and gas transmission lines, of the capacities presently utilized by CG&E.

CG&E, Union Light, and Miami Power Corporation are subject to rate regulation under Part II of the Federal Power Act, principally as to CG&E's wholesale of electricity to Union Light. Transportation of gas between CG&E and Union Light is subject to regulation under the Natural Gas Act.

CG&E and its utility subsidiaries follow the Uniform Systems of Accounts prescribed by FERC.

CG&E is exempt from the Public Utility Holding Company Act of 1935 (PUHCA) (except Section 9(a)(2)) by virtue of having filed an exemption statement with the SEC. CINergy plans to file for registered holding company status under PUHCA (see "Merger Agreement").

See also "Environmental Matters".

Rate Matters
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In April 1991, CG&E filed a request with The Public Utilities Commission of Ohio (PUCO) to increase electric rates by approximately $200 million annually. The primary reason for the request was recovery of costs associated with Zimmer Station.

In a 1992 rate decision, the PUCO authorized CG&E to increase electric revenues by $116.4 million to be phased in over a three-year period through annual increases of $37.8 million, $38.8 million and $39.8 million in the first, second and third years, respectively. The PUCO also disallowed from rate base approximately $230 million, representing costs related to Zimmer Station for nuclear fuel, nuclear wind-down activities during the conversion to a coal-fired facility and a portion of the allowance for funds used during construction (AFC) accrued by CG&E on Zimmer.

In August 1992, CG&E filed an appeal with the Supreme Court of Ohio to

overturn the rate order issued by the PUCO including the rate base disallowances. In the appeal, CG&E stated that the PUCO did not have authority to order a phased-in rate increase and erroneously determined the amount of CG&E's required cash working capital.

On November 3, 1993, the Supreme Court of Ohio issued its decision on CG&E's appeal. The Court ruled that the PUCO does not have the authority to order a phase-in of amounts granted in a rate proceeding and remanded the case to the PUCO to set rates that provide the gross annual revenues determined in accordance with Ohio statutes. The Court also said the PUCO must provide a mechanism by which CG&E may recover costs already deferred under the phase-in plan through the date of the order on remand. At December 31, 1993, CG&E had deferred $70 million of costs, net of taxes, related to the phase-in plan. On the other issues, the Court ruled in favor of the PUCO, stating the PUCO properly determined CG&E's cash working capital allowance and properly excluded costs related to nuclear fuel, nuclear wind-down activities, and AFC from rate base. As a result of the Supreme Court decision, CG&E wrote off Zimmer Station costs of approximately $223 million, net of tax, in November 1993.

In March 1994, CG&E negotiated a settlement agreement with the PUCO Staff, the Ohio Office of Consumers' Counsel and other intervenors to address the November 1993 ruling by the Supreme Court of Ohio. As part of the agreement, CG&E has agreed not to seek early implementation of the third phase of the 1992 rate increase, which means the $39.8 million increase will take effect in May 1994 as originally scheduled. CG&E also agreed that it would not seek accelerated recovery of deferrals related to the phase-in plan. These deferrals will be recovered over the remaining seven year period contemplated in the 1992 PUCO order. In addition, if the merger with PSI is consummated, CG&E has agreed not to increase base electric rates prior to January 1, 1999, except for increases in taxes, changes in federal or state environmental laws, PUCO actions affecting electric utilities in general and financial emergencies.

The settlement agreement also permits CG&E to retain all non-fuel savings from the merger until 1999 and calls for merger-related transaction costs, or any other accounting deferrals, to be amortized over a period ending by January 1, 1999.

Other provisions of the agreement are: (i) if the merger is not completed, CG&E can raise electric rates in May 1995 by $21 million to provide accelerated recovery of phase-in deferrals; (ii) the PUCO and OCC will have access to information about CINergy and affiliated companies; (iii) the PUCO will support, before the Securities and Exchange Commission, CG&E's efforts to retain its gas operations and other parties will not oppose efforts to retain the gas properties; and (iv) contracts of CG&E with affiliated companies under the merger that are to be filed with the Securities and Exchange Commission must first be filed with the PUCO for its review and copies provided to the OCC.

In September 1992, CG&E filed applications with the PUCO requesting increases in annual electric and gas revenues of approximately $86 million and $35 million, respectively. In August 1993, the PUCO approved a stipulation providing for annual increases of approximately $41 million (5%) in electric revenues and $19 million (6%) in gas revenues effective immediately. As part of the stipulation, CG&E agreed, among other things, not to increase electric or gas base rates prior to June 1, 1995. This would not include rate filings made under certain circumstances, such as to address financial emergencies or to reflect any savings associated with the prospective merger with PSI Resources, Inc. (see Note 9 to the Consolidated Financial Statements).

In September 1992, Union Light filed a request with the KPSC to increase annual gas revenues by approximately $9 million. Orders issued in mid-1993 by the KPSC authorized Union Light to increase annual gas revenues by $4.2 million.

Ohio's rate base law prescribes the net original cost method of determining rate base. The law permits the PUCO, at its discretion, to allow normalization of accounting for income taxes and to include in rate base construction work in progress (CWIP) on projects at least 75% complete, in an amount up to 10% of the rate base excluding CWIP. The amount of air pollution control construction, together with any other allowance for CWIP, allowed in rate base may not exceed 20% of the rate base excluding CWIP. Rate increases requested under the law will be permitted to go into effect, subject to refund, nine months after the date of filing. The law prohibits a utility from filing an application for a rate increase if it has another pending. Revenues collected after 18 months from the date of filing, without a final order of the PUCO, will not be subject to refund. The law also provides for a Consumers' Counsel to participate in rate cases before the PUCO on behalf of residential consumers.

In accordance with rules established by the PUCO, CG&E is permitted to make changes in the electric fuel adjustment charge every six months, following hearings by the PUCO. The rules also require reconciliation of

over- or under-recovery of fuel costs and annual audits of the application of the adjustment charge and fuel procurement practices. Rules pertaining to purchased gas costs permit quarterly adjustments, reconciliation of over- or under-recovery of gas costs, and require annual hearings and audits. In conjunction with these rules, CG&E expenses the cost of fuel used to generate electricity and purchased gas costs as recovered through revenue and defers the portion of these costs recoverable or refundable in future periods.

Rules established by the KPSC pertaining to Union Light's electric fuel adjustment clause provide for public hearings at six-month intervals to review past calculations, reconciliation of over- or under-recovery of fuel costs, and a public hearing every two years to review the application of the adjustment charge and fuel procurement practices. In accordance with a purchased gas adjustment clause approved by the KPSC, Union Light is permitted to make quarterly adjustments in gas costs and reconciliation of over- or under-recovery of gas costs. In conjunction with these rules, Union Light expenses the costs of gas and electricity purchased as recovered through revenue and defers the portion of these costs recoverable or refundable in future periods.

Environmental Matters
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GENERAL

CG&E and its subsidiaries are subject to regulation by various Federal, state, and local authorities relative to air and water quality, solid and hazardous waste disposal, and other environmental matters. During 1993, CG&E's capital expenditures for pollution control facilities, including those commonly owned with Columbus and/or DP&L, amounted to $26 million. During the year 1994, CG&E expects to spend $21 million for pollution control facilities. CG&E is expected to incur other substantial capital expenditures and operating costs relating to efforts to comply with environmental statutes and regulations as described below, but it is not able to estimate the expenditures and costs which would be necessary to meet environmental requirements imposed in the future by governmental authorities or to estimate the effect of delays that may result from rigid application of existing standards.

CG&E's inability to comply with potential environmental regulations and more rigid enforcement policies with respect to existing standards and regulations could cause substantial capital expenditures in addition to those included in its construction program, and increase the cost per Kwh of generation by reducing the amount of electricity available for delivery or by necessitating increased fuel and/or operating and capital costs, and may cause serious fuel supply problems for CG&E, or require it to cease operating a portion of its generating facilities.

Pursuant to Federal law, the Director of the Ohio Environmental Protection Agency (Ohio EPA) administers regulations prescribing air and water quality standards, and regulations pertaining to solid waste, and is generally empowered by Ohio environmental laws to issue construction and operating permits and variances for facilities which may contribute to air pollution and to issue similar permits for facilities which discharge pollutants into the waters of the state as well as permits for the disposal of solid waste. The Secretary of the Natural Resources and Environmental Protection Cabinet (NREPC) exercises similar functions in Kentucky.

AIR QUALITY

Pursuant to the Federal Clean Air Act (Air Act), the U.S. Environmental Protection Agency (U.S. EPA) promulgated national ambient air quality standards for specified pollutants, including particulate matter, sulfur dioxide, and nitrogen oxide. The Air Act places primary responsibility on the states to develop implementation plans which include emission controls and other methods to attain those standards. All implementation plans are subject to approval by the U.S. EPA. The Ohio and Kentucky implementation plans are fully enforceable by those states and, to the extent approved by the U.S. EPA, are also enforceable by it.

The U.S. EPA has promulgated various regulations under the Air Act. Included are regulations dealing with significant deterioration of air quality, imposition of more stringent control standards on new emission sources, and construction of new sources in areas presently not meeting ambient air quality standards. For facilities found to be in violation of an applicable implementation plan, the Air Act provides for civil penalties of up to $25,000 per day and criminal penalties. Noncompliance penalties are also provided for and are generally based on the economic savings resulting from a failure to comply with applicable emission limitations.

In 1990, the Air Act was amended by adding numerous requirements including provisions pertaining to the nonattainment, hazardous air pollutant,

permitting, and enforcement programs. A new acid deposition ("acid rain") program in the law governs emission of nitrogen oxides and establishes a cap on sulfur dioxide emissions. The Air Act requires a 10 million ton per year reduction nationwide in sulfur dioxide emissions by the year 2000, and nationwide reductions in nitrogen oxide emissions of approximately two million tons per year. The impact of these changes to the Air Act on CG&E will depend upon regulations which remain to be promulgated by the U.S. EPA. However, as a result of compliance, CG&E's operating and capital costs will increase.

AIR ACT COMPLIANCE. In June 1992, CG&E submitted its strategy for complying with the acid rain provision of the Air Act to the PUCO, as part of its Electric Long-Term Forecast Report (Electric LTFR). An Order approving CG&E's Electric LTFR was issued by the PUCO in February 1994. In a separate PUCO filing, CG&E requested approval of its plan for compliance with Phase I of the Air Act. Approval of the compliance plan by the PUCO is needed so that the costs of compliance can be recovered through rates. In February 1994, the PUCO approved the compliance plan submitted in a stipulation and recommendation. The PUCO emphasized that the approval did not limit their authority to review CG&E's costs of compliance, and also indicated that it intended to use the approved compliance plan as a baseline to measure the effects of the proposed merger of CG&E and PSI.

CG&E's compliance strategy is a flexible program, which will allow utilization of the emission allowance trading market as it develops and will take full advantage of CG&E's existing sulfur dioxide removal equipment. To comply with the new sulfur dioxide requirements, CG&E will increase the amount of sulfur dioxide being removed by one of its existing scrubbers and will use coal with a lower sulfur content at some of its generating stations. In addition, CG&E will rely on demand side management and energy conservation programs to reduce electric usage and demand. Reductions in nitrogen oxide emissions will be achieved by installing low nitrogen oxide burners on certain boilers. Emission monitors will be installed to continuously monitor sulfur dioxide and nitrogen oxide emissions.

CG&E presently estimates that capital expenditures needed to comply with the Air Act will be between $125 million and $150 million through the year 2000. The construction program discussed in "Construction Program and Capital Requirements" herein reflects expenditures of $73 million over the next five years in order to comply with the Air Act. In addition, operating costs will also increase. These estimates are under continuing review and subject to adjustment based on such things as a change in regulatory requirements or a change in compliance strategy.

SULFUR DIOXIDE STANDARDS. The U.S. EPA has approved portions of the Ohio EPA sulfur dioxide plan applicable to CG&E. CG&E believes that the units operated by it in Ohio are in compliance with applicable existing sulfur dioxide regulations. CG&E also believes that East Bend Unit 2 is operating in compliance with applicable existing Federal and Kentucky regulations.

In December 1988, the U.S. EPA notified the State of Ohio that the portion of its state implementation plan (SIP) dealing with sulfur dioxide emission limitations for Hamilton County (in southwestern Ohio) was deficient and required the Ohio EPA to develop a new SIP with revised emission limitations. The notice affects industrial and utility sources. The Ohio EPA adopted a rule that required CG&E to construct a new smoke stack for two units at CG&E's Miami Fort Generating Station, located in southwestern Hamilton County.

In a separate action, the U.S. EPA, in January 1991, requested that Hamilton and Butler Counties be redesignated nonattainment areas for sulfur dioxide. The State of Ohio provided a response to the U.S. EPA stating that Hamilton County should not be redesignated to nonattainment. The U.S. EPA has not taken final action on the redesignation. This action by the U.S. EPA could lead to the need for significant emission reductions at CG&E's Miami Fort Generating Station and possibly at certain peaking facilities, in addition to the new smoke stack mentioned above.

In August 1985, CG&E, as part of an industry group, filed a Petition for Review in the U.S. Court of Appeals for the District of Columbia Circuit and, in September 1985, filed a Petition for Reconsideration with the U.S. EPA, regarding final regulations promulgated in June 1985 which relate to the height of smokestacks at power plants. In January 1988, the Court of Appeals issued its decision upholding certain provisions and remanding others to the U.S. EPA for further rulemaking. CG&E believes that the Miami Fort Station will not be affected by the regulations. CG&E has been informed by Columbus that Conesville Unit 4 may be affected by the regulations. CG&E owns an undivided 40% interest in Unit 4. CG&E has been informed by DP&L that the Ohio EPA has determined that Killen Station will not be affected by the regulations, but that the U.S. EPA has not made its determination. CG&E owns an undivided 33% interest in Killen Station. CG&E, Columbus, and DP&L are not able to state the ultimate impact of the regulations or of the Court of Appeals' remand.

STATE IMPLEMENTATION PLANS. Ohio has adopted its SIP applicable to the units operated by CG&E in Ohio, portions of which have been approved by the U.S. EPA. The Ohio implementation plan requires CG&E to obtain permits from the Ohio EPA for operation of present generating facilities and for construction and operation of new facilities.

Kentucky has adopted, and the U.S. EPA has approved, its SIP which contains emission limitations and licensing requirements which are substantially similar to U.S. EPA regulations.

As a result of the Air Act discussed above, prior to 1995, CG&E will need to obtain an acid rain permit for those Phase I units operated by it which will be affected by the acid rain provisions of the Air Act. This permit will be issued by the U.S. EPA until Ohio and Kentucky are authorized by the U.S. EPA to issue these permits. CG&E has complied with the application procedures for the acid rain permits for the units. It has received some of the permits and is awaiting action on the remaining applications.

CG&E has applied for or obtained all other state and federal environmental permits for all generating units operated by it.

PARTICULATE MATTER STANDARDS. CG&E believes that existing generating units operated by it in Ohio are in compliance with applicable Federal and state standards for emission of particulate matter. East Bend Unit 2, located in Kentucky, is in compliance with applicable Federal and state standards, except for opacity standards, for which an application for a variance has been filed and is still pending.

WATER QUALITY

Under the Water Act, effluent limitations requiring application of the best available technology economically achievable are to be applied, and those limitations require that no pollutants be discharged if the U.S. EPA finds elimination of such discharges is technologically and economically achievable. In 1987, the Water Act was amended to prohibit issuance of permits with less stringent effluent limitations and to increase civil and criminal penalties for violations. The Water Act provides for penalties of up to $25,000 per day for each discharge violation. CG&E believes that it is in compliance with applicable provisions of the Water Act.

SOLID AND HAZARDOUS WASTE

The Resource Conservation and Recovery Act (RCRA) and the Hazardous and Solid Waste Amendments of 1984 (Amendments), which substantially expand Federal enforcement for violations of RCRA, provide for maximum corporate fines of $1 million. The Amendments provide for a deferral of the identification as a hazardous waste of high volume solid wastes of the type generated at CG&E's electric generating stations, such as fly ash, bottom ash, boiler slag, and flue gas emission control waste. In August 1993, the U.S. EPA made the regulatory determination that these generating station products should not be regulated under RCRA. Additional waste streams are under study and a determination is expected by 1998. The Amendments also provide that the states may adopt regulations governing the treatment, processing, and storage of hazardous wastes which are more stringent than the Federal regulations. RCRA Amendment provisions include a regulatory program for performance standards for new underground storage tanks as well as standards covering leak detection, leak prevention and corrective action for both new and existing underground storage tanks.

The Comprehensive Environmental Response Compensation and Liability Act (CERCLA) expanded reporting and liability requirements covering the release of hazardous substances into the environment. Some of these substances, including polychlorinated biphenyls (PCBs), a substance regulated under the Toxic Substances Control Act, are contained in certain equipment currently used by CG&E and its subsidiaries. CG&E cannot predict the occurrence and effect of a release of such substances.

CERCLA provides, among other things, for a trust fund, drawn from industry and Federal appropriations, to finance clean up and containment efforts of improperly managed hazardous waste sites. Under CERCLA, and other laws, responsible parties may be strictly, and jointly and severally, liable for money expended by the government to take necessary corrective action at such sites.

In October 1986, the Superfund Amendments and Reauthorization Act of 1986 (SARA) was signed into law. SARA significantly amended CERCLA and established programs dealing with emergency preparedness and community right-to-know, leaking underground storage tanks, and other matters. SARA provides for a significant increase in CERCLA funding, adopts strict cleanup standards and schedules, places limitations on the timing and scope of court review of government cleanup decisions, authorizes state and citizen participation in cleanup plans, enforcement actions, and court proceedings, including provision for citizens' suits against both private and public entities to enforce CERCLA's requirements, expands liability provisions, and increases civil and

criminal penalties for violations of CERCLA.

In June 1991, CG&E was notified by the U.S. EPA that, in accordance with CERCLA, the U.S. EPA alleges that CG&E is a Potentially Responsible Party (PRP) liable for cleanup of the United Scrap Lead site in Troy, Ohio. CG&E was one of approximately 200 companies so notified. CG&E believes it is not a PRP and should not be responsible for cleanup of the site. Under CERCLA, CG&E could be jointly and severally liable for costs incurred in cleaning the site, estimated by the U.S. EPA to be $27 million.

Employee Relations

CG&E and its subsidiaries presently have about 5,000 employees, of whom about 3,300 belong to bargaining units. Approximately 1,600 employees are represented by the International Brotherhood of Electrical Workers (IBEW), 500 by the United Steelworkers of America (USWA) and 1,200 by the Independent Utilities Union (IUU).

The collective bargaining agreements with the IBEW and the USWA expire on April 1, 1994 and May 15, 1994, respectively. The three year agreement with the IUU, which expires in March 1995, has a wage reopener for the third year of the contract. Negotiations with the IBEW and IUU are presently under way.

Executive Officers of the Registrant

Name	Position	Age	Term Began
Jackson H. Randolph	Chairman of the Board, President and Chief Executive Officer	63	5/19/93 10/ 1/86
C. Robert Everman	Senior Vice-President--Finance	57	2/ 1/87
Robert P. Wiwi	Senior Vice-President--Customer and Corporate Services	52	2/ 1/87
Donald R. Blum	Secretary	62	4/26/78
Terry E. Bruck	Vice-President--Electric Operations	48	4/21/88
Daniel R. Herche	Controller	47	2/ 1/87
Donald I. Marshall	Vice-President--Rates and Economic Research	47	4/17/91
James J. Mayer	Vice-President and General Counsel	55	9/18/91 1/ 1/86
Stephen G. Salay	Vice-President--Electric Production and Fuel Supply	57	4/21/88
William L. Sheafer	Treasurer	50	2/ 1/87
George H. Stinson	Vice-President--Gas Operations	48	1/16/91
W. Denis Waymire	Vice-President--Marketing and Customer Relations	61	10/ 1/89

All of the executive officers of CG&E have been actively engaged in the business of the Company for more than the past five years. Officers are elected annually for a term of one year. The present terms end May 18, 1994.

Under the Amended and Restated Agreement and Plan of Reorganization (the Merger Agreement) by and among CG&E, PSI Resources, Inc., PSI Energy, Inc., CINergy Corp. and CINergy Sub, Inc., dated as of December 11, 1992, as amended on July 2, 1993 and as of September 10, 1993, Jackson H. Randolph will be entitled to serve as chief executive officer (CEO) of CINergy until November 30, 1995 and Chairman of CINergy until November 30, 2000. James E. Rogers, Jr., the current Chairman and CEO of PSI Resources, Inc. and Chairman, CEO and President of PSI Energy, Inc., will be entitled to serve as Vice Chairman of the Board, President and Chief Operating Officer of CINergy until November 30, 1995, at which time he will be entitled to assume the additional role of CEO. Reference is made to "Merger Agreement" herein for information on the proposed merger.

<TABLE>
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OPERATING STATISTICS

The following tables are indicative of the general development of the business conducted by CG&E and its subsidiaries during the periods indicated:

	Year Ended December 31		
	1993	1992	1991
<S>	<C>	<C>	<C>
ELECTRIC DEPARTMENT			
Sources of Electric Energy (million Kwh)			

Generated (net send out)	22,338	21,040	21,428
Purchased and interchanged -- net	1,373	1,441	774
Available for deliveries	23,711	22,481	22,202
Fuel Cost per Kwh Generated (cents)	1.492	1.527	1.590
Fuel Cost per Million BTU (cents)	152.3	156.6	160.9
Fuel Cost per Ton Burned (dollars)	36.11	35.96	37.02
Sales (million Kwh)			
Residential	7,149	6,583	7,110
Commercial	5,471	5,189	5,294
Industrial	6,067	5,926	5,539
Other retail	1,672	1,551	1,587
Other electric utilities--non-affiliated	2,010	1,987	1,483
Total sales	22,369	21,236	21,013
Unaccounted For and Company Use	1,342	1,245	1,189
Total distribution	23,711	22,481	22,202
Gross Revenues ($000 omitted)			
Residential	502,399	436,416	456,378
Commercial	353,363	325,402	318,238
Industrial	277,021	263,212	245,177
Other retail	92,498	84,577	82,597
Other electric utilities -- non-affiliated	46,208	40,076	35,128
Total	1,271,489	1,149,683	1,137,518
Other departmental revenues	10,956	9,773	9,877
Total revenues	1,282,445	1,159,456	1,147,395
Customers at End of Period			
Residential	621,111	621,685	612,875
Commercial	68,494	69,210	68,025
Industrial	3,108	3,194	3,185
Other retail	4,388	4,472	4,361
Other electric utilities -- non-affiliated	13	13	15
Total customers	697,114	698,574	688,461
Average Revenue per Kwh (cents)			
Residential	7.03	6.63	6.42
Commercial	6.46	6.27	6.01
Industrial	4.57	4.44	4.43

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Note: See Note 12 to the Consolidated Financial Statements for additional financial information by business segments.

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<CAPTION>

OPERATING STATISTICS-(Continued)

	Year Ended December 31		
	1993	1992	1991
<S>	<C>	<C>	<C>
GAS DEPARTMENT			
Sources of Gas (million cubic feet)			
Natural gas purchased	79,393	75,851	74,618
Gas produced	18	14	8
Transportation gas received	29,115	25,611	20,916
Total available for deliveries	108,526	101,476	95,542
Average Cost per Mcf Purchased (cents)	353.7	300.9	284.1
Distribution of Gas (million cubic feet)			
Gas sales			
Residential	43,514	39,754	38,048
Commercial	20,370	20,142	19,373
Industrial	10,011	10,091	10,663
Other retail	3,996	3,941	3,709
Other gas utilities	307	285	273

Total gas sales	78,198	74,213	72,066
Gas transported	28,593	25,372	20,748
Total gas sales and gas transported	106,791	99,585	92,814
Unaccounted for and company use	1,735	1,891	2,728
Total distribution	108,526	101,476	95,542
Gross Revenues ($000 omitted)			
Residential	269,684	220,140	205,790
Commercial	114,957	99,827	94,399
Industrial	47,403	42,091	41,445
Other retail	20,219	17,024	15,588
Other gas utilities	1,354	927	967
Total	453,617	380,009	358,189
Other departmental revenues (including gas transported)	15,679	13,961	12,514
Total revenues	469,296	393,970	370,703
Customers at End of Period			
Residential	375,992	372,395	364,437
Commercial	40,471	40,303	39,829
Industrial	2,108	2,229	2,229
Other retail	1,484	1,458	1,437
Other gas utilities	1	1	1
Total customers	420,056	416,386	407,933
Average Revenue per Mcf Sold (cents)			
Residential	619.77	553.75	540.87
Commercial	564.34	495.63	487.29
Industrial	473.49	417.11	388.67

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Note: See Note 12 to the Consolidated Financial Statements for additional financial information by business segments.
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Item 2. Properties
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CG&E wholly owns two of four steam electric generating units and six combustion turbine units with a combined net capability of 395,800 Kw at Miami Fort Station, located in Ohio. This station is on the Ohio River and is about 20 miles west of the center of Cincinnati. CG&E has an undivided interest in the third and fourth units, commonly owned units, at this station with CG&E's share of net capability being 320,000 Kw each.

CG&E wholly owns five of six steam electric generating units and four combustion turbine units with a combined net capability of 890,400 Kw at the Walter C. Beckjord Station, located in Ohio. This station is on the Ohio River and is about 20 miles southeast of the center of Cincinnati. CG&E has an undivided interest in the sixth unit, a commonly owned unit, at this station with CG&E's share of net capability being 155,250 Kw.

CG&E wholly owns six combustion turbine electric generating units with a combined net capability of 462,000 Kw at Woodsdale Generating Station, located in Ohio. This station is in Butler County and is about 24 miles north of the center of Cincinnati.

CG&E has undivided interests in four commonly owned steam electric generating units at the J. M. Stuart Station, located in Ohio, with CG&E's share of net capability being 912,600 Kw. This station is on the Ohio River near Aberdeen, Ohio and is about 65 miles southeast of the center of Cincinnati.

CG&E has an undivided interest in a commonly owned steam electric generating unit at the Conesville Station, located in Ohio, with CG&E's share of net capability being 312,000 Kw. This station is located on the Muskingum River and is about 60 miles east of Columbus, Ohio.

CG&E has an undivided interest in a commonly owned steam electric generating unit at the East Bend Station, located in Kentucky, with CG&E's share of net capability being 414,000 Kw. This station is on the Ohio River and is about 40 miles southwest of the center of Cincinnati.

CG&E has an undivided interest in a commonly owned steam electric

generating unit at the Killen Station, located in Ohio, with CG&E's share of net capability being 198,000 Kw. This station is on the Ohio River and is about 80 miles southeast of the center of Cincinnati.

CG&E has an undivided interest in a commonly owned steam electric generating unit at the Wm. H. Zimmer Generating Station, located in Ohio, with CG&E's share of net capability being 604,500 Kw. This station is located on the Ohio River near Moscow, Ohio and is about 25 miles southeast of the center of Cincinnati.

CG&E wholly owns a combustion turbine electric generating station, Dicks Creek Station, with a net capability of 136,200 Kw. This station is located in the City of Middletown, Ohio.

CG&E's presently installed summer net generating capability is 5,120,750 Kw.

CG&E owns an overhead electric transmission system, an underground electric transmission system and an electric distribution system in Cincinnati, and other incorporated communities and adjacent rural territory within all or parts of the Counties of Hamilton, Butler, Warren, Clermont, Preble, Montgomery, Clinton, Highland, Adams, and Brown, in southwestern Ohio. In addition, CG&E, Columbus, and DP&L have a commonly owned transmission network. CG&E also owns electric transmission lines within the Counties of Boone, Kenton, Pendleton, and Campbell, in northern Kentucky.

CG&E owns a 7,000,000 gallon capacity underground cavern located in the Village of Monroe, Ohio, for the storage of liquid propane and a related vaporization and mixing plant, located in Middletown, Ohio, and an 8,000,000 gallon capacity underground cavern for the storage of liquid propane and a related vaporization and mixing plant located in the City of Cincinnati, which are used primarily to augment CG&E's supply of natural gas during periods of peak demand and emergencies. CG&E has gas distribution systems in Cincinnati, Middletown, and other incorporated communities and in contiguous rural territory within all or parts of the Counties of Hamilton, Butler, Warren, Clermont, Clinton, Montgomery, Brown, and Adams, in southwestern Ohio.

Union Light, a subsidiary, owns an electric transmission system and an electric distribution system in Covington, Newport, and other smaller communities and in adjacent rural territory within all or parts of the Counties of Kenton, Campbell, Boone, Grant, and Pendleton, in Kentucky. Union Light owns a gas distribution system in Covington, Newport, and other smaller communities and in adjacent rural territory within all or parts of the Counties of Kenton, Campbell, Boone, Grant, Gallatin, and Pendleton, in Kentucky. Union Light owns a 7,000,000 gallon capacity underground cavern for the storage of liquid propane and a related vaporization and mixing plant and feeder lines, located in Kenton County, Kentucky near the Kentucky-Ohio line and adjacent to one of the gas lines that transports natural gas to CG&E. The cavern and vaporization and mixing plant are used primarily to augment CG&E's and Union Light's supply of natural gas during periods of peak demand and emergencies.

Lawrenceburg Gas Company, a subsidiary, owns a gas distribution system in and around Lawrenceburg, Greendale, Brookville, Rising Sun, Cedar Grove, and West Harrison, Indiana, which are adjacent to the western part of CG&E's service area. Lawrenceburg Gas is connected with and sells gas at wholesale to the City of Aurora, Indiana, and also is connected within Indiana with the lines of Texas Gas Transmission Corporation and Texas Eastern Transmission Corporation.

The West Harrison Gas and Electric Company, a subsidiary, renders electric service in a small community in Indiana adjacent to CG&E's service area. Miami Power Corporation, a subsidiary, owns 40 miles of 138,000 volt transmission line connecting the lines of Louisville Gas and Electric Company with those of CG&E. Tri-State Improvement Company is a wholly-owned real estate development company.

Under the terms of the respective mortgage indentures securing first mortgage bonds issued by CG&E and its subsidiaries, substantially all property is subject to a direct first mortgage lien.

Item 3. Legal Proceedings

In March 1993, two purported class action suits were filed with the Superior Court for Hendricks County in the State of Indiana, in which PSI and 13 directors of PSI and PSI Energy were named as defendants. The complaints alleged, among other things, that the directors breached their fiduciary duties in connection with the Merger Agreement, the PSI Stock Option Agreement and the PSI Rights Agreement and sought, among other things, to enjoin the merger and to require that an auction for PSI be held. Four other purported class action suits were filed in the U.S. District Court for the Southern District of Indiana making substantially similar allegations, including

alleged violations of federal securities laws. Three of these suits named CG&E and CINergy as defendants in addition to the defendants named in the state actions above.

In April 1993, the U.S. District Court for the Southern District of Indiana, with respect to discovery and injunctive relief, ordered five of the pending suits to be consolidated. One of the purported class action suits filed in Hendricks County was not included in the U.S. District Court's order of consolidation. In May 1993, the Shareholder Plaintiffs filed a Unified Complaint in the Consolidated Action alleging, among other things, that the PSI directors breached their fiduciary duties in connection with the merger and the PSI Rights Agreement, violated the federal securities laws and further alleging that PSI failed to hold its annual meeting of shareholders and sought, among other things, to enjoin the merger. The Consolidated Action alleged that CG&E was a primary violator and aider and abettor of the foregoing allegations.

In early 1994, the parties agreed to a Stipulation and Agreement of Dismissal of the Consolidated action and the one remaining suit filed in the Superior Court for Hendricks County. By the terms of the Stipulation and Agreement of Dismissal the parties agreed that since 1) the Annual Meeting of PSI stockholders was held in accordance with the orders of the U.S. District Court for the Southern District of Indiana; 2) the supplemental disclosure was made by PSI in accordance with the district court's order in August 1993; 3) PSI's nominees were elected to the Board of Directors; and 4) both PSI shareholders and CG&E shareholders have approved the merger, all class members have received all the meaningful relief they could have received through the litigation and that some or all of the claims are now moot and no longer meritorious.

The parties also agreed to jointly move the court for an entry 1) of a Final Order certifying the Consolidated Action as a class action on behalf of the Class for the purpose of consideration of the Final Order; 2) dismissing the Consolidated Action and remaining state action with prejudice; and 3) settling all claims between the parties except that the U.S. District Court for the Southern District of Indiana and the Superior Court for Hendricks

County reserve jurisdiction to hold a hearing on the application by the Shareholder Plaintiffs for attorney fees and expenses without waiving any rights of the defendants to appeal. The Agreement of Dismissal also provides that should the court find upon plaintiff's application that attorney fees and expenses are recoverable by the Shareholder Plaintiffs, such fees and expenses shall be paid by PSI. The parties are currently awaiting a ruling from the District Court.

Item 4. Submission of Matters to a Vote of Security Holders

(a) A special meeting of shareholders of The Cincinnati Gas & Electric Company was held on November 16, 1993.

(c) At the meeting, the shareholders adopted the Amended and Restated Agreement and Plan of Reorganization dated as of December 11, 1992, as amended and restated on July 2, 1993 and as of September 10, 1993 (as amended and restated, the "Merger Agreement"), as set forth in its entirety in the Joint Proxy Statement/Prospectus dated October 8, 1993. Of the 87,654,430 common shares outstanding and entitled to vote at the meeting, 75,051,985 common shares were for the adoption of the Merger Agreement, 1,123,450 against, 1,138,032 abstentions and 5,367,016 broker nonvotes.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

CG&E's common stock is listed on the New York, Cincinnati, Chicago, and Pacific Stock Exchanges.

The table below sets forth the high and low sale prices as reported on the New York Stock Exchange-Composite and dividend information for CG&E's common stock.

<TABLE>
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	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<S>	<C>	<C>	<C>	<C>
Common Stock $:				
1993 . . . . . -High	27	27 3/4	29	29 5/8
. . . . . -Low	23 7/8	24 1/4	27 1/8	26 1/8
1992 . . . . . -High	26 5/8	25 1/8	25 3/8	25 3/8

. . . . . -Low	23 5/8	22 1/4	22 7/8	23 1/4
Dividends Paid per Common Share $:				
1993	.41 1/2	.41 1/2	.41 1/2	.43
1992	.41 1/3	.41 1/3	.41 1/3	.41 1/3

As of December 31, 1993, CG&E had approximately 58,000 common shareholders of record.

Item 6. Selected Financial Data

	1993(a)	1992	1991	1990	1989
	(Thousands, except per share amounts)				
Operating Revenues	$1,751,741	$1,553,426	$1,518,098	$1,438,468	$1,437,511
Operating Income	$ 319,500	$ 259,701	$ 213,172	$ 226,629	$ 240,621
Allowance for Borrowed and Other Funds Used During Construction	$ 6,740	$ 17,583	$ 68,130	$ 135,682	$ 112,598
Post-in-Service Carrying Costs and Phase-in Deferred Return (b)	$ 47,434	$ 63,264	$ 50,079	$ --	$ --
Net Income (Loss)	$ (8,724)	$ 202,261	$ 206,996	$ 234,736	$ 239,693
Preferred Dividends	$ 25,160	$ 27,610	$ 24,529	$ 22,165	$ 20,259
Earnings (Loss) on Common Shares	$ (33,884)	$ 174,651	$ 182,467	$ 212,571	$ 219,434
Earnings (Loss) Per Common Share	$ (0.39)	$ 2.04	$ 2.21	$ 2.74	$ 2.89
Cash Dividends Declared per Common Share	$ 1.67 1/2	$ 1.65 1/3	$ 1.65 1/3	$ 1.60	$ 1.53 1/3
Total Assets	$5,143,523	$4,802,192	$4,583,786	$4,156,484	$3,777,579
Long-Term Debt and Redeemable Preferred Stock	$2,039,061	$2,019,863	$1,863,802	$1,740,249	$1,388,624

Notes: (a) See "Rate Matters" herein for information concerning the write-off of a portion of Zimmer Station.
(b) See Note 1 to the Consolidated Financial Statements for additional information.

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

RESULTS OF OPERATIONS

Earnings

The Company incurred a loss in 1993 of $.39 per common share. The write-off of a portion of Zimmer Station, discussed below, reduced 1993 earnings per common share by $2.55. Without the write-off, earnings per share would have been $2.16, compared to $2.04 in 1992. Earnings for 1993 were positively affected by gas and electric rate increases received in 1992 and 1993, higher electric sales volumes, higher gas sales and transportation volumes and continued cost control efforts.

Operating Revenues

Electric operating revenues increased $123 million in 1993 over 1992, as a result of electric rate increases granted by regulatory bodies in 1992 and 1993, and an increase in total electric sales volumes of 5.3%. In 1992, electric operating revenues increased $12 million due to rate increases granted by regulatory bodies, partially offset by a 1.4% decrease in retail electric kwh sales due to mild weather. Electric operating revenues increased $27 million in 1991 primarily as a result of a 7.8% increase in retail electric sales volumes.

Gas operating revenues increased $75 million in 1993. The increase resulted from gas rate increases granted by regulatory bodies in 1993, a 7.2% increase in total volumes of gas sold and transported, and the operation of adjustment clauses reflecting an increase in the average cost of gas purchased. Gas operating revenues increased $23 million in 1992 due to a 7.3% increase in total volumes sold and transported and to the operation of adjustment clauses reflecting an increase in the average cost of gas purchased. The $53 million increase in gas operating revenues for 1991 was the result of an 8.9% increase in total volumes sold and transported and rate increases granted by regulatory bodies.

Operating Expenses
- ------------------

Gas purchased expense for 1993 increased $53 million as a result of an increase in the average cost per Mcf purchased of 17.5% and an increase in volumes purchased of 4.7%. For 1992, gas purchased expense increased $16 million as a result of an increase in volumes purchased of 1.7% and an increase in the average cost per Mcf purchased of 5.9%. Gas purchased expense increased $8 million in 1991 primarily as a result of a 3.3% increase in volumes purchased.

Fuel used in electric production increased $12 million in 1993 due to a 6.2% increase in the amount of electricity generated. Fuel used in electric production decreased $10 million in 1992 due to a 4.0% decrease in the cost of fuel per kwh generated. In 1991, fuel used in electric production decreased $6 million due to a 2.6% decrease in the amount of electricity generated.

The $15 million increase in other operation expense for 1993 was due to a number of factors, including wage increases, the adoption of two accounting standards involving postemployment and postretirement benefits, and increases in gas production expenses. For information on new accounting standards, see "Future Outlook" herein. The $22 million increase in other operation expense for 1991 was due to a number of factors, including wage increases, increases in gas and electric distribution expenses, and operating costs associated with Zimmer Station which were not being recovered in rates charged to customers.

Maintenance expense decreased $16 million in 1992 primarily due to decreased maintenance on electric generating units and gas and electric distribution facilities.

Depreciation expense increased $11 million in 1993 primarily due to a full year's effect of the first five units of Woodsdale Station being placed in commercial operation in 1992, and from the sixth unit being placed in commercial operation during 1993. Depreciation expense increased $10 million in 1992 primarily due to a full year's effect of Zimmer Station being placed in commercial operation in March 1991, and from the first five units at Woodsdale being placed in commercial operation in 1992. In 1991, depreciation

expense increased $37 million primarily due to an increase in depreciable plant resulting from Zimmer Station being placed in commercial operation.

Post-in-service deferred operating expenses (net) of $6 million and $28 million in 1993 and 1992, respectively, reflect deferral of depreciation, operation and maintenance expenses (exclusive of fuel costs), and property taxes related to the first five units of Woodsdale Station between the time the units began commercial operation and the effective date of new rates which reflect these costs, in accordance with a stipulation approved by The Public Utilities Commission of Ohio (PUCO) in August 1993. Post-in-service deferred operating expenses in 1992 also reflect deferral of depreciation, operation and maintenance expenses (exclusive of fuel costs), and property taxes related to Zimmer Station from January 1992 through May 1992, the effective date of new rates which reflected Zimmer Station costs. In accordance with a May 1992 rate order, CG&E began amortizing the deferred expenses associated with Zimmer Station over a 10-year period. CG&E began amortizing the deferred Woodsdale expenses over a 10-year period in accordance with the stipulation approved by the PUCO in August 1993.

Phase-in deferred depreciation was $8 million for each of 1993 and 1992 as a result of a PUCO ordered phase-in plan, in which rates charged to customers in the early years of the plan are less than that required to fully recover the depreciation expenses related to Zimmer Station (see "Future Outlook" herein).

Taxes other than income taxes increased $9 million in 1993, $24 million in 1992 and $11 million in 1991 primarily due to increased property taxes resulting from a greater investment in taxable property (including Zimmer and Woodsdale Stations) and higher property tax rates in 1992 and 1991.

Other Income and Deductions
- ---------------------------

Allowance for funds used during construction (AFC) decreased $11 million for 1993 primarily due to a decrease in construction work in progress associated with the sixth unit of Woodsdale Station being placed in commercial operation in 1993 and the first five units of Woodsdale being placed in commercial operation during 1992. AFC decreased $51 million for 1992 and $68 million in 1991 due to decreases in construction work in progress associated with Zimmer Station being placed in commercial operation in March 1991 and the commercial operation of the first five units of Woodsdale Station in 1992.

Post-in-service carrying costs decreased $25 million in 1993 and $13 million in 1992 as a result of discontinuing the accrual of carrying costs on Zimmer Station when it was reflected in rates in May 1992. Post-in-service carrying costs for 1993 and 1992 also reflect the accrual of carrying costs on

the first five units of Woodsdale Station between the time they began commercial operation and the effective date of new rates approved by the PUCO in August 1993 which reflect Woodsdale Station. Post-in-service carrying costs were $50 million for 1991 as a result of accruing carrying costs on Zimmer Station after it began commercial operation, in accordance with an order of the PUCO. In accordance with the stipulation approved by the PUCO in

August 1993, CG&E began amortizing the post-in-service carrying costs on Zimmer and a portion of the carrying costs on Woodsdale over the useful life of the applicable plant.

Phase-in deferred return was $35 million for 1993 and $27 million for 1992 as a result of the PUCO ordered phase-in plan, in which rates charged to customers in the early years of the plan will be less than that required to provide the authorized return on investment (see "Future Outlook" herein).

In November 1993, CG&E wrote off costs associated with Zimmer Station of approximately $223 million, net of taxes. The write-off represents amounts disallowed from rate base by the PUCO in its May 1992 rate order. CG&E had appealed the rate order to the Supreme Court of Ohio; however, in November 1993, the Supreme Court upheld the PUCO on the issue of the disallowance, ruling that the PUCO properly excluded costs related to nuclear fuel, nuclear wind-down activities and AFC from CG&E's rate base.

Other (net) decreased $10 million in 1993 due to a number of factors, including costs associated with IPALCO Enterprises, Inc.'s intervention in the proposed merger between CG&E and PSI Resources.

Interest on long-term debt increased $8 million in 1992 and $18 million in 1991 due to the issuance of additional first mortgage bonds.

Other interest decreased $12 million for 1992 primarily due to interest accrued in 1991 on an Internal Revenue Service settlement regarding the timing of the tax deduction on the 1985 abandonment of facilities not used in the conversion of Zimmer Station.

FUTURE OUTLOOK
- --------------

Merger Agreement
- ----------------

CG&E has entered into a merger agreement with PSI Resources, Inc., whose principal subsidiary is an Indiana electric utility with a service area contiguous to that of CG&E. Under the merger agreement, CG&E and PSI will become subsidiaries of a newly formed corporation named CINergy Corp., which will be a registered holding company under the Public Utility Holding Company Act of 1935 (PUHCA). In order to effect the merger, each share of CG&E common stock will be converted into one share of CINergy common stock, and each share of PSI common stock will be converted into that number of shares of CINergy common stock obtained by dividing $30.69 by the average closing price of CG&E common stock for the 15 trading days preceding the fifth day prior to consummation of the merger, provided that the number of shares of CINergy stock to be exchanged for each share of PSI will be no greater than 1.023 and no less than .909. At December 31, 1993, CG&E and PSI had 88.1 million and 57.0 million common shares outstanding, respectively. The merger will be accounted for as a "pooling-of-interests", and will be tax-free for shareholders.

The merger is subject to approval by the Securities and Exchange Commission (SEC) and the Federal Energy Regulatory Commission (FERC). Shareholders of each company have already approved the CINergy merger at special meetings held in November 1993.

FERC issued conditional approval of the CINergy merger in August 1993, but several intervenors, including The Public Utilities Commission of Ohio (PUCO) and the Kentucky Public Service Commission (KPSC), filed for rehearing of that order. On January 12, 1994, FERC withdrew its conditional approval of the merger and ordered the setting of FERC-sponsored settlement procedures to be held.

On March 4, 1994, CG&E reached a settlement agreement with the PUCO and the Ohio Office of Consumers' Counsel (OCC) on merger issues identified by FERC. On March 2, PSI Energy and Indiana's consumer representatives had reached a similar agreement. Both settlement agreements have been filed with FERC. These documents address, among other things, the coordination of state and federal regulation and the commitment that neither CG&E nor PSI electric base rates, nor CG&E's gas base rates, will rise because of the merger, except to reflect any effects that may result from the divestiture of CG&E's gas operations if ordered by the SEC in accordance with the requirements of PUHCA discussed below.

CG&E also filed with FERC a unilateral offer of settlement addressing all issues raised in the KPSC's application for rehearing with FERC. Although it is the belief of CG&E and PSI that no state utility commissions have

jurisdiction over approval of the proposed merger, an application has been filed with the KPSC to comply with the Staff of the KPSC's position that the KPSC's authorization is required for the indirect acquisition of control of CG&E's Kentucky subsidiary, The Union Light, Heat and Power Company, by CINergy. As part of the settlement offer, Union Light will agree not to increase gas base rates as a result of the merger except to reflect any effects that may result from the divestiture of Union Light's gas operations discussed below.

Also included in the filings with FERC were settlement agreements with the city of Hamilton, Ohio, and the Wabash Valley Power Association in Indiana. These agreements resolve issues related to the transmission of power in Ohio and Indiana.

If the settlement agreements filed with FERC are not acceptable, FERC could set issues for hearing. If a hearing is held by FERC, consummation of the merger would likely be extended beyond the third quarter of 1994.

CG&E and PSI also submitted to FERC the operating agreement among CINergy Services, Inc., a subsidiary of CINergy, and CG&E and PSI Energy that provides for the coordinated planning and operation of the electric generation and transmission and other facilities of CG&E and PSI as an integrated utility system. It also establishes a framework for the equitable sharing of the benefits and costs of such coordinated operations between CG&E and PSI. The parties to the Ohio and Indiana FERC settlements have agreed to support or not oppose the operating agreement, and the settlements are conditioned upon FERC approving the filed operating agreement without material changes.

CG&E's filing with FERC also references a separate agreement among CG&E, the Staff of the PUCO, the OCC, and other parties settling issues raised by a November 1993 ruling of the Supreme Court of Ohio on the phased-in electric rate increase ordered by the PUCO in May 1992. The agreement includes a moratorium on increases in base electric rates prior to January 1, 1999 (except under certain circumstances), authorization for CG&E to retain all non-fuel merger savings until 1999, and a commitment by the PUCO that it will support CG&E's efforts to retain CG&E's gas operations in its PUHCA filing with the SEC (see below). Reference is made to "Rate Matters" for additional information.

PUHCA imposes restrictions on the operations of registered holding company systems. Among these are requirements that securities issuances, sales and acquisitions of utility assets or of securities of utility companies and acquisitions of interests in any other business be approved by the SEC. PUHCA also limits the ability of registered holding companies to engage in non-utility ventures and regulates the rendering of services by holding company affiliates to the system's utilities. PUHCA has been interpreted to preclude the ownership of both electric and gas utility systems. As a result, the SEC may require divestiture of the Company's gas properties within a reasonable time after the merger. CG&E believes good arguments exist to allow retention of its gas assets and will request that it be allowed to do so.

Originally, the merger agreement provided that CG&E and PSI would be merged into CINergy as an Ohio corporation. Under this structure CG&E and PSI would have become operating divisions of CINergy, ceasing to exist as separate corporations, and CINergy would not have been subject to the restrictions imposed by PUHCA. However, The Indiana Utility Regulatory Commission (IURC) dismissed PSI's application for approval of the transfer of its license or property to a non-Indiana corporation. The IURC's decision has been appealed and the original merger structure could be reinstated if the appeal is successful.

Unless otherwise noted, the following discussion pertains solely to CG&E and its subsidiary companies, and any projections or estimates contained therein do not reflect the pending merger.

Capital Requirements
- ---

For 1994, construction expenditures are estimated to be $192 million, including $5 million of AFC, and over the next five years, (1994-1998), construction expenditures are estimated to be $1,343 million, including $54 million of AFC. These estimates are under continuing review and subject to adjustment. Also during the next five years, a total of $142 million will be required for the redemption of long-term debt and cumulative preferred stock.

Included in CG&E's five-year construction program is $566 million for electric production projects, $91 million for electric transmission facilities, $379 million in electric distribution expenditures and $224 million in gas distribution expenditures. Of the projected expenditures,

about $248 million is associated with construction of additional baseload and peaking capacity, some of which will be deferred under the CINergy merger.

Capital Resources
- ---

Internally generated funds provided 85% of the amount needed for construction during 1993. Over the past five years, internally generated funds provided 47% of the amount needed for construction. For the next five years (1994-1998), CG&E expects funds from operations to provide a greater portion of the amount needed for construction expenditures than in the prior five-year period, primarily as a result of decreased construction requirements and the recovery through rates of CG&E's investment in Zimmer and Woodsdale Stations.

CG&E contemplates future debt and equity financings in the capital markets and the issuance of additional shares of common stock through its employee stock purchase plans and Dividend Reinvestment and Stock Purchase Plan. Short-term indebtedness will be used to supplement internal sources of funds for the interim financing of the construction program. The Company may continue to sell additional securities, from time to time, beyond what is needed for capital requirements to allow the early refinancing of existing securities. For information regarding the refinancing of long-term debt, see Note 2 to the Consolidated Financial Statements.

Under the terms of CG&E's first mortgage indenture, at December 31, 1993, CG&E would have been able to issue approximately $900 million of additional first mortgage bonds at current interest rates.

As a result of the write-off of a portion of Zimmer Station in November 1993, CG&E will have inadequate coverage to meet the requirements of its articles of incorporation for issuing additional shares of preferred stock from March 1994 to late December 1994.

CG&E has a $200 million bank revolving credit agreement that will expire in September 1996. The agreement provides a back-up source of funds for CG&E's commercial paper program. CG&E has not made any borrowings under this agreement.

CG&E and its subsidiaries had lines of credit at December 31, 1993, of $123 million, of which $102 million remained unused. CG&E and its subsidiaries are currently authorized to have a maximum of $235 million of short-term notes outstanding.

Current credit ratings for the Companies securities are provided in the following table.

<TABLE>
<CAPTION>

	Moody s Investors Service	Standard & Poor's	Duff & Phelps, Inc.
<S>	<C>	<C>	<C>
The Cincinnati Gas & Electric Company			
First Mortgage Bonds.....	Baa1	BBB+	BBB+
Preferred Stock.....	baa2	BBB	BBB
The Union Light, Heat and Power Company			
First Mortgage Bonds.....	Baa1	BBB+	Not Rated

</TABLE>

CG&E's securities have been placed on credit watch by Standard & Poor s and Duff & Phelps for a possible upgrade upon consummation of the merger with PSI.

Rate Matters
- ------------

Over the past two years, the Company has received a number of electric and gas rate increases that will positively impact future earnings. The primary reasons for the electric rate increases were recovery of CG&E's investment in Zimmer Station, Woodsdale Station and other facilities used to serve customers. The gas rate increases reflect investments in new and replacement gas mains and facilities. As part of an August 1993 stipulation, CG&E has agreed not to increase electric or gas base rates prior to June 1, 1995, excluding rate filings made under certain circumstances, such as to address financial emergencies or to reflect savings associated with the merger with PSI.

In August 1993, the PUCO approved a stipulation authorizing CG&E to increase annual electric revenues by $41.1 million and increase annual gas revenues by $19.1 million. In May 1992, the PUCO authorized CG&E to increase electric revenues by $116.4 million to be phased in over a three-year period through annual increases beginning each May of $37.8 million in 1992, $38.8 million in 1993 and $39.8 million in 1994.

In response to an appeal by CG&E of the PUCO's May 1992 rate order, the Supreme Court of Ohio ruled, in November 1993, that the PUCO did not have authority to order the phased-in rate increase, and remanded the case to the PUCO to set rates that provide the gross annual revenues determined in

accordance with Ohio statutes. The Court also said the PUCO must provide a mechanism which allows CG&E to recover costs being deferred under the phase-in plan through the date of the order on remand. At December 31, 1993, CG&E had deferred $70 million of costs, net of taxes, related to the phase-in plan.

In March 1994, CG&E negotiated a settlement agreement with the PUCO Staff, the Ohio Office of Consumers' Counsel and other intervenors to address the November 1993 ruling by the Supreme Court of Ohio. As part of the agreement, CG&E has agreed not to seek early implementation of the third phase of the May 1992 rate increase, which means the $39.8 million increase will take effect in May 1994 as originally scheduled. CG&E also agreed that it would not seek accelerated recovery of deferrals related to the phase-in plan. These deferrals will be recovered over the remaining seven year period contemplated in the May 1992 PUCO order. In addition, if the merger with PSI is consummated, CG&E has agreed not to increase base electric rates prior to January 1, 1999, except for increases in taxes, changes in federal or state environmental laws, PUCO actions affecting electric utilities in general and financial emergencies.

The settlement agreement also permits CG&E to retain all non-fuel savings from the merger until 1999 and calls for merger-related transaction costs, or any other accounting deferrals, to be amortized over a period ending by January 1, 1999.

Other provisions of the agreement are: (i) if the merger is not completed, CG&E can raise electric rates in May 1995 by $21 million to provide accelerated recovery of phase-in deferrals; (ii) the PUCO and OCC will have access to information about CINergy and affiliated companies; (iii) the PUCO will support, before the Securities and Exchange Commission, CG&E's efforts to retain its gas operations and other parties will not oppose efforts to retain the gas properties; and (iv) contracts of CG&E with affiliated companies under the merger that are to be filed with the Securities and Exchange Commission must first be filed with the PUCO for its review and copies provided to the OCC.

Regulation and Legislation
- --------------------------

CG&E presently estimates that capital expenditures needed to comply with the Clean Air Act Amendments of 1990 (Air Act) will be between $125 million and $150 million through the year 2000. The construction program discussed under "Capital Requirements" includes expenditures of $73 million over the next five years in order to comply with the Air Act. Compliance with the Air Act also will increase operating costs. CG&E expects that its cost of compliance with the Air Act will be recoverable through rates.

In April 1992, FERC issued Order 636 which restructures the relationships between interstate gas pipelines and their customers for gas sales and transportation services. Order 636 will result in changes in the way CG&E and Union Light purchase gas supplies and contract for transportation and storage services, and will result in increased risks in managing the ability to meet demand.

Order 636 also allows pipelines to recover transition costs they incur in complying with the Order from customers, including CG&E and Union Light. An agreement between CG&E and residential and industrial customer groups regarding recovery of these transition costs has been submitted to the PUCO for approval. Order 636 transition costs are not expected to significantly impact the Company.

The Energy Policy Act of 1992 addresses several matters affecting electric utilities including mandated open access to the electric transmission system and greater encouragement of independent power production and cogeneration. Although CG&E cannot predict the long-term consequences the Energy Act will have, the Company intends to aggressively pursue the opportunities presented by the Act.

Environmental Issues
- --------------------

The United States Environmental Protection Agency (U.S. EPA) alleges that CG&E is a Potentially Responsible Party (PRP) under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) liable for cleanup of the United Scrap Lead site in Troy, Ohio. CG&E was one of approximately 200 companies so named. CG&E believes it is not a PRP and should not be responsible for cleanup of the site. Under CERCLA, CG&E could be jointly and severally liable for costs incurred in cleaning the site, estimated by the U.S. EPA to be $27 million.

Accounting Standards
- --------------------

In recent years several new accounting standards have been issued by the Financial Accounting Standards Board. While the impact on earnings and cash

flow associated with the new standards has been relatively minor, these accounting changes do affect the recognition and presentation of amounts reported in the Company's financial statements. For information in addition to that provided below on recently adopted accounting standards, see Note 1 to the Consolidated Financial Statements.

In 1993, CG&E and its subsidiaries adopted Statement of Financial Accounting Standards No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions" (SFAS No. 106). SFAS No. 106 requires the accrual of the expected cost of providing postretirement benefits other than pensions to an employee and the employee's covered dependents during the employee's active working career. SFAS No. 106 also requires the recognition of the actuarially determined total postretirement benefit obligation earned by existing retirees. In August 1993, the PUCO, under whose jurisdiction the majority of these costs fall, authorized CG&E to begin recovering SFAS No. 106 costs. The adoption of SFAS No. 106 did not have a material effect on results of operations.

Also in 1993, CG&E and its subsidiaries adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109). SFAS No. 109 requires deferred tax recognition for all temporary differences in accordance with the liability method, requires that deferred tax liabilities and assets be adjusted for enacted changes in tax laws or rates and prohibits net-of-tax accounting and reporting. The Company believes it is probable that the net future increases in income taxes payable will be recovered from customers through future rates and, accordingly, has recorded a net regulatory asset at December 31, 1993. Adoption of SFAS No. 109 had no impact on results of operations.

In 1993, CG&E and its subsidiaries adopted Statement of Financial Accounting Standards No. 112, "Employers Accounting for Postemployment Benefits" (SFAS No. 112). SFAS No. 112 requires the accrual of the cost of certain postemployment benefits provided to former or inactive employees. The adoption of SFAS No. 112 did not have a material effect on results of operations.

Inflation
- ---------

Over the past several years, the rate of inflation has been relatively low. The Company believes that the recent inflation rates do not materially affect its results of operations or financial condition. However, under existing regulatory practice, only the historical cost of plant is recoverable from customers. As a result, cash flows designed to provide recovery of historical plant costs may not be adequate to replace plant in future years.

Item 8. Financial Statements and Supplementary Data
- ------- --

<TABLE>
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The Cincinnati Gas & Electric Company
And Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME

	for the years ended December 31, 1993	1992	1991
	(Thousands of Dollars)		
<S>	<C>	<C>	<C>
OPERATING REVENUES			
Electric	$1,282,445	$1,159,456	$1,147,395
Gas	469,296	393,970	370,703
Total operating revenues	1,751,741	1,553,426	1,518,098
OPERATING EXPENSES			
Gas purchased	280,836	228,272	212,004
Fuel used in electric production	333,279	321,074	331,012
Other operation	279,866	264,779	270,261
Maintenance	108,857	104,780	120,796
Provision for depreciation	152,061	140,996	130,592
Post-in-service deferred operating expenses - net (Note 1)	(6,471)	(27,799)	--
Phase-in deferred depreciation (Note 1)	(8,524)	(8,468)	--
Taxes other than income taxes (Schedule on page 43)	183,367	174,072	150,480
Income taxes (Schedule on page 43)	108,970	96,019	89,781
Total operating expenses	1,432,241	1,293,725	1,304,926
OPERATING INCOME	319,500	259,701	213,172
OTHER INCOME AND DEDUCTIONS			
Allowance for other funds used during construction	3,154	9,966	44,596
Post-in-service carrying costs (Note 1)	12,100	36,655	50,079

Phase-in deferred return (Note 1)	35,334	26,609	--
Write-off of a portion of Zimmer Station (Note 5)	(234,844)	--	--
Income taxes-credit (Schedule on page 43 and Note 1)			
Related to write-off of a portion of Zimmer Station	12,085	--	--
Other	9,405	27,386	40,686
Other - net	(9,551)	376	5,256
Total other income and deductions	(172,317)	100,992	140,617
INCOME BEFORE INTEREST CHARGES	147,183	360,693	353,789
INTEREST CHARGES			
Interest on long-term debt	153,693	159,330	150,953
Other interest	2,449	2,801	14,960
Amortization of debt discount, premium and other	3,351	3,918	4,414
Allowance for borrowed funds used during construction - credit	(3,586)	(7,617)	(23,534)
Net interest charges	155,907	158,432	146,793
NET INCOME (LOSS)	(8,724)	202,261	206,996
Preferred dividends	25,160	27,610	24,529
EARNINGS (LOSS) ON COMMON SHARES	$ (33,884)	$ 174,651	$ 182,467
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (000) (Note 3)	87,335	85,593	82,311
EARNINGS (LOSS) PER COMMON SHARE (Note 3)	$ (.39)	$ 2.04	$ 2.21
DIVIDENDS DECLARED PER COMMON SHARE (Note 3)	$ 1.67 1/2	$ 1.65 1/3	$ 1.65 1/3

<FN>
The accompanying notes are an integral part of the financial statements and schedules.
</TABLE>

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The Cincinnati Gas & Electric Company
And Subsidiary Companies

CONSOLIDATED STATEMENT OF CASH FLOWS

	for the years ended December 31, 1993	1992	1991
	(Thousands of Dollars)		
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATIONS			
Net Income (Loss)	$ (8,724)	$ 202,261	$ 206,996
Adjustments to reconcile net income to net cash:			
Deferred gas and electric fuel costs - net	3,914	(1,394)	16,949
Depreciation	152,061	140,996	130,592
Post-in-service deferred operating expenses-net (Note 1)	(6,471)	(27,799)	--
Phase-in deferred depreciation (Note 1)	(8,524)	(8,468)	--
Allowance for other funds used during construction	(3,154)	(9,966)	(44,596)
Post-in-service carrying costs (Note 1)	(12,100)	(36,655)	(50,079)
Phase-in deferred return (Note 1)	(35,334)	(26,609)	--
Deferred income taxes and investment tax credits-net	35,720	46,451	15,203
Write-off of a portion of Zimmer Station (Note 5)	234,844	--	--
Deferred income taxes and investment tax credits related to write-off of a portion of Zimmer Station	(12,085)	--	--
Other - net	19,403	13,666	(3,002)
Change in current assets and liabilities:			
Receivables and unbilled revenues	(38,040)	(15,279)	(32,011)
Materials, supplies and fuel	3,567	(12,206)	(11,219)
Other current assets	(4,543)	(10,142)	(20,779)
Accounts payable and other current liabilities	20,564	7,225	14,866
Total adjustments	349,822	59,820	15,924
Net cash provided by operations	341,098	262,081	222,920
CASH FLOWS FROM INVESTING			
Construction expenditures (less allowance for other funds used during construction)	(198,709)	(219,767)	(365,648)
Zimmer Station escrow fund	--	--	23,250
Net cash used in investing activities	(198,709)	(219,767)	(342,398)
CASH FLOWS FROM FINANCING			
Common stock proceeds	43,986	41,210	137,278
Preferred stock proceeds	--	79,300	79,300

Long-term debt proceeds	297,000	361,835	109,398
Retirement of long-term debt and cumulative preferred stock	(294,455)	(440,561)	(3,033)
Net short-term borrowings	(15,500)	21,500	15,988
Dividends paid on common shares	(145,942)	(141,132)	(134,361)
Dividends paid on preferred shares	(25,160)	(27,452)	(24,567)
Net cash provided by (used in) financing activities.	(140,071)	(105,300)	180,003
Net increase (decrease) in cash and temporary cash investments	2,318	(62,986)	60,525
Cash and temporary cash investments - beginning of year	2,252	65,238	4,713
Cash and temporary cash investments - end of year	$ 4,570	$ 2,252	$ 65,238

<FN>
The accompanying notes are an integral part of the financial statements and schedules.
</TABLE>

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The Cincinnati Gas & Electric Company
And Subsidiary Companies

CONSOLIDATED BALANCE SHEET

	December 31, 1993	1992
	(Thousands of Dollars)	
<S>	<C>	<C>
ASSETS		
PROPERTY, PLANT AND EQUIPMENT, at original cost (Notes 2, 9 and 10)		
In service -		
Electric	$4,393,798	$4,469,479
Gas	611,579	577,097
Common	183,225	116,459
	5,188,602	5,163,035
Less - Accumulated provisions for depreciation	1,472,313	1,362,468
Net property, plant and equipment in service	3,716,289	3,800,567
Construction work in progress	69,351	144,848
	3,785,640	3,945,415
OTHER PROPERTY AND INVESTMENTS	18,559	19,783
CURRENT ASSETS		
Cash (Note 6)	4,570	2,252
Accounts receivable less accumulated provision of $14,906,000 in 1993 and $12,114,000 in 1992 for doubtful accounts	206,210	197,809
Accrued unbilled revenues	105,955	76,316
Materials supplies and fuel at average cost		
Fuel for use in electric production	54,358	65,783
Gas stored for current use	36,048	26,960
Other	62,111	63,341
Property taxes applicable to subsequent year	107,410	102,316
Prepayments	29,053	29,495
Other	133	242
	605,848	564,514
OTHER ASSETS		
Post-in-service carrying costs and deferred operating expenses (Note 1)	154,636	114,533
Phase-in deferred return and depreciation (Note 1)	83,431	35,077
Amounts due from customers-income taxes (Note 1)	387,748	--
Other	107,661	122,870
	733,476	272,480
	$5,143,523	$4,802,192

<FN>
The accompanying notes are an integral part of the financial statements and schedules.
</TABLE>

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The Cincinnati Gas & Electric Company
And Subsidiary Companies

CONSOLIDATED BALANCE SHEET

	December 31, 1993	1992
	(Thousands of Dollars)	
<S>	<C>	<C>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CAPITALIZATION (Schedules on pages 41 and 42)		
Common shareholders equity	$1,519,257	$1,655,130
Cumulative preferred shares (Note 4) -		
Not subject to mandatory redemption	120,000	120,000
Subject to mandatory redemption	210,000	210,000
Long-term debt (Note 2)	1,829,061	1,809,863
	3,678,318	3,794,993
CURRENT LIABILITIES		
Current portion of bonds	--	6,500
Notes payable (Note 6)		
-bank	31,000	33,500
-commercial paper	--	13,000
-other	13	13
Accounts payable	122,620	117,268
Dividends payable on preferred shares	6,290	6,290
Accrued taxes	222,219	207,197
Accrued interest on debt	29,123	28,434
Other current and accrued liabilities	29,496	29,995
	440,761	442,197
DEFERRED CREDITS AND OTHER		
Deferred income taxes (Note 1)	733,224	307,139
Investment tax credits	141,520	147,663
Accrued pension cost (Note 1)	41,826	37,295
Other liabilities and deferred credits	107,874	72,905
	1,024,444	565,002
	$5,143,523	$4,802,192

<FN>
The accompanying notes are an integral part of the financial statements and schedules.
</TABLE>

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The Cincinnati Gas & Electric Company
And Subsidiary Companies

CONSOLIDATED STATEMENT OF CHANGES IN COMMON SHAREHOLDERS' EQUITY

	for the years ended December 31, 1993	1992	1991
	(Thousands of Dollars)		
<S>	<C>	<C>	<C>
COMMON SHARES (Note 3)			
Balance, beginning of year	$ 734,307	$ 719,893	$ 664,040
$8.50 par value of 1,673,058, 1,695,770, and 6,570,879 shares sold in 1993, 1992 and 1991, respectively	14,221	14,414	55,853
Balance, end of year	$ 748,528	$ 734,307	$ 719,893
ADDITIONAL PAID-IN CAPITAL (Note 3)			
Balance, beginning of year	$ 284,486	$ 257,215	$ 176,557

Premium on sale of common shares	29,765	26,796	84,528
Retirement of cumulative preferred stock	--	1,757	40
Common stock issuance expenses	(33)	(407)	(3,134)
Cumulative preferred stock issuance expenses	--	(875)	(776)
Balance, end of year	$ 314,218	$ 284,486	$ 257,215
RETAINED EARNINGS			
Balance, beginning of year	$ 636,337	$ 606,478	$ 558,412
Net income (loss)	(8,724)	202,261	206,996
Cash dividends declared on capital shares -			
Cumulative preferred (See page 41 for rates)	(25,160)	(27,610)	(24,529)
Common (See page 36 for rates)	(145,942)	(141,132)	(134,361)
Retirement of cumulative preferred stock	--	(3,660)	(40)
Balance, end of year	$ 456,511	$ 636,337	$ 606,478

<FN>
The accompanying notes are an integral part of the financial statements and schedules.
</TABLE>

<TABLE>
<CAPTION>

The Cincinnati Gas & Electric Company
And Subsidiary Companies

SCHEDULE OF COMMON SHAREHOLDERS' EQUITY AND CUMULATIVE PREFERRED SHARES

	December 31, 1993	1992
	(Thousands of Dollars)	
<S>	<C>	<C>
COMMON SHAREHOLDERS' EQUITY		
Common shares, par value $8.50 per share (Note 3) -		
Authorized-120,000,000 shares		
Outstanding-88,062,083 and 86,389,025 shares, respectively	$ 748,528	$ 734,307
Additional paid-in capital	314,218	284,486
Retained earnings	456,511	636,337
Total common shareholders equity	$1,519,257	$1,655,130
CUMULATIVE PREFERRED SHARES - not subject to mandatory redemption		
Par value $100 per share (Note 4) -		
Outstanding -		
4% series-270,000 shares (redeemable, upon call, at $108)	$ 27,000	$ 27,000
4 3/4% series-130,000 shares (redeemable, upon call, at $101)	13,000	13,000
7.44% series-400,000 shares (redeemable, upon call, at $101)	40,000	40,000
9.28% series-400,000 shares (redeemable, upon call, at $101)	40,000	40,000
	$ 120,000	$ 120,000
CUMULATIVE PREFERRED SHARES - subject to mandatory redemption		
Par value $100 per share (Note 4) -		
Outstanding -		
9.15% series-500,000 shares (redeemable, upon call, prior to July 1, 1994 at $107.32; reduced amounts thereafter)	$ 50,000	$ 50,000
7 7/8% series-800,000 shares (subject to mandatory redemption on January 1, 2004 at $100; not redeemable prior to that date)	80,000	80,000
7 3/8% series-800,000 shares (redeemable, upon call, after August 1, 2002 at $100)	80,000	80,000
	$ 210,000	$ 210,000

<FN>
The accompanying notes are an integral part of the financial statements and schedules.
</TABLE>

<TABLE>
<CAPTION>

The Cincinnati Gas & Electric Company
And Subsidiary Companies

SCHEDULE OF LONG-TERM DEBT

	December 31, 1993	1992
	(Thousands of Dollars)	
<S>	<C>	<C>
The Cincinnati Gas & Electric Company		
First mortgage bonds -		
8 3/4 % series due 1996	--	110,000
5 7/8 % series due 1997	30,000	30,000
6 1/4 % series due 1997	100,000	100,000
7 3/8 % series due 1999	50,000	50,000
8 5/8 % series due 2000	60,000	60,000
7 3/8 % series due 2001	60,000	60,000
7 1/4 % series due 2002	100,000	100,000
8 1/8 % series due 2003	60,000	60,000
9.15 % series due 2004	--	60,000
8.55 % series due 2006	75,000	75,000
9 1/8 % series due 2008	75,000	75,000
9 5/8 % series A and B due 2013	31,700	31,700
10 1/8% series due 2015	84,000	84,000
9 1/4 % series due 2016	--	110,000
9.70 % series due 2019	100,000	100,000
10 1/8% series due 2020	100,000	100,000
10.20 % series due 2020	150,000	150,000
8.95 % series due 2021	100,000	100,000
8 1/2 % series due 2022	100,000	100,000
7.20 % series due 2023	300,000	--
	1,575,700	1,555,700
Other long-term debt -		
6.50% through 8 1/2% due 1993 through 2022	75,733	75,746
Variable rate due 2013 and 2015	100,000	100,000
	175,733	175,746
	1,751,433	1,731,446
The Union Light Heat and Power Company		
First mortgage bonds -		
4 3/8 % series due 1993	--	6,500
6 1/2 % series due 1999	20,000	20,000
8 % series due 2003	10,000	10,000
9 1/2 % series due 2008	10,000	10,000
9.70 % series due 2019	20,000	20,000
10 1/4% series due 2020	30,000	30,000
	90,000	96,500
Other Subsidiary Companies' Debt	1,475	1,475
Less current maturities	13	6,513
Unamortized premium (discount) - net	(13,834)	(13,045)
Total long-term debt	$1,829,061	$1,809,863

<FN>
The accompanying notes are an integral part of the financial statements and schedules.
</TABLE>

<TABLE>
<CAPTION>

The Cincinnati Gas & Electric Company
And Subsidiary Companies

SCHEDULE OF TAXES

	for the years ended December 31, 1993	1992	1991
	(Thousands of Dollars)		
<S>	<C>	<C>	<C>
TAXES OTHER THAN INCOME TAXES			
Property	$ 104,979	$ 98,426	$ 77,444
Public Utility Gross Receipts	61,765	59,441	56,785
Payroll	12,202	12,136	12,075

Other	4,421	4,069	4,176
	$ 183,367	$ 174,072	$ 150,480
INCOME TAXES			
Included in operating expenses -			
Currently payable	$ 69,009	$ 53,640	$ 74,366
Deferred - net			
Liberalized depreciation	42,787	41,902	27,985
Gas costs	806	2,328	(6,053)
Post-in-service deferred operating expenses	2,406	7,520	--
Alternative minimum tax credit carryforward	6,598	(6,598)	--
Property taxes	(11,416)	6,463	1,547
Systems costs capitalized	(46)	(190)	6,441
Other	3,856	(3,207)	(9,387)
Investment tax credits - net	(5,030)	(5,839)	(5,118)
Total	108,970	96,019	89,781
Included in other income and deductions (Note 1) -			
Currently payable	(5,164)	(31,457)	(40,468)
Deferred - net			
Alternative minimum tax credit carryforward	(2,759)	2,759	--
Write-off of a portion of Zimmer Station	(10,972)	--	--
Other	(1,482)	1,312	(218)
Investment tax credits related to write-off of a portion of Zimmer Station	(1,113)	--	--
Total	(21,490)	(27,386)	(40,686)
Total provision	$ 87,480	$ 68,633	$ 49,095
Analysis of provision -			
Federal income taxes	$ 84,885	$ 67,335	$ 47,341
State income taxes	2,595	1,298	1,754
	$ 87,480	$ 68,633	$ 49,095
COMPUTATION OF FEDERAL INCOME TAX PROVISION			
Pre-tax income	$ 76,161	$ 269,596	$ 254,337
Tax at statutory Federal income tax rate applied to pre-tax income	$ 26,656	$ 91,663	$ 86,474
Changes in Federal income taxes resulting from -			
Allowance for funds used during construction which does not constitute taxable income	(8,266)	(24,898)	(36,796)
Excess of book depreciation over tax depreciation	8,529	7,721	9,753
Cost of removal for property retired	(1,625)	(2,235)	(2,064)
Amortization of investment tax credits	(5,833)	(5,473)	(5,849)
Write-off of a portion of Zimmer Station	69,365	--	--
Other-net	(3,941)	557	(4,177)
Federal income tax provision	$ 84,885	$ 67,335	$ 47,341

<FN>
The accompanying notes are an integral part of the financial statements and schedules.
</TABLE>

The Cincinnati Gas & Electric Company
And Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: CG&E and its subsidiaries follow the Uniform Systems of Accounts prescribed by the Federal Energy Regulatory Commission (FERC), and are subject to the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation". The more significant accounting policies are summarized below:

PRINCIPLES OF CONSOLIDATION. All subsidiaries of CG&E are included in the consolidated statements. Intercompany items and transactions have been eliminated.

UTILITY PLANT. Property, plant and equipment is stated at the original cost of construction, which includes payroll and related costs such as taxes, pensions and other fringe benefits, general and administrative costs, and an allowance for funds used during construction.

REVENUES AND FUEL. CG&E and its subsidiaries recognize revenues for gas and electric service rendered during the month, which includes revenue for sales unbilled at the end of each month. CG&E and The Union Light, Heat and Power Company (Union Light) expense the costs of gas and electricity purchased and

the cost of fuel used in electric production as recovered through revenues and defer the portion of these costs recoverable or refundable in future periods.

DEPRECIATION AND MAINTENANCE. The Companies determine their provision for depreciation using the straight-line method and by the application of rates to various classes of property, plant and equipment. The rates are based on periodic studies of the estimated service lives and net cost of removal of the properties. The percentages of the annual provisions for depreciation to the weighted average of depreciable property during the three years ended December 31, 1993, were equivalent to:

	1993	1992	1991
Electric	2.9	2.9	3.0
Gas	2.7	2.6	2.6
Common	4.0	3.1	3.1

In a May 1992 rate order, The Public Utilities Commission of Ohio (PUCO) authorized changes in depreciation accrual rates on CG&E's electric and common plant. The changes resulted in an annual decrease in depreciation expense of about $9 million.

Expenditures for maintenance and repairs of units of property, including renewals of minor items, are charged to the appropriate maintenance expense accounts. A betterment or replacement of a unit of property is accounted for as an addition and retirement of property, plant and equipment. At the time of such a retirement, the accumulated provision for depreciation is charged with

the original cost of the property retired and also for the net cost of removal.

INCOME TAXES. For income tax purposes, CG&E and its subsidiaries use liberalized depreciation methods and deduct removal costs as incurred. Consistent with regulatory treatment, CG&E and its subsidiaries currently provide for deferred taxes arising from the use of liberalized depreciation for operations regulated by state utility commissions, and for income tax deferrals on all timing differences for operations regulated by FERC. Although CG&E does not provide for deferred taxes resulting from the use of liberalized depreciation for property additions subject to PUCO jurisdiction made prior to October 1978, CG&E is allowed to collect through rates the income taxes payable in the future as a result of using liberalized depreciation for such property.

CG&E and its subsidiaries adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109), in 1993. SFAS No. 109 requires deferred tax recognition for all temporary differences in accordance with the liability method, requires that deferred tax liabilities and assets be adjusted for enacted changes in tax laws or rates and prohibits net-of-tax accounting and reporting. The Company believes it is probable that the net future increases in income taxes payable will be recovered from customers through future rates and, accordingly, has recorded a net regulatory asset at December 31, 1993. Adoption of SFAS No. 109 had no impact on results of operations.

The following are the tax effects of temporary differences resulting in deferred tax assets and liabilities:

<TABLE>
<CAPTION>

	December 31, 1993	January 1, 1993
	(Thousands)	
<S>	<C>	<C>
Deferred tax liabilities		
Depreciation and other plant related items--net...	$ 631,602	$ 641,597
Income taxes due from customers--net.....	106,111	113,383
Deferred expenses and carrying costs.....	70,569	57,064
Other liabilities.....	38,407	49,694
	846,689	861,738
Deferred tax assets		
Investment tax credits.....	49,867	50,538
Other assets.....	63,598	55,705
	113,465	106,243
Net deferred tax liability.....	$ 733,224	$ 755,495

</TABLE>

The following table reconciles the change in the net deferred tax liability to the deferred income tax expense included in the accompanying

Consolidated Statement of Income for the year ended December 31, 1993:

	(Thousands)
Net change in deferred tax liability per above table.....	$(22,271)
Change in amounts due from customers - income taxes.....	52,049
Deferred income tax expense for the year ended December 31, 1993.....	$ 29,778

In August 1993, President Clinton signed into law the Omnibus Budget Reconciliation Act of 1993. Among the Act's provisions is an increase in the corporate Federal income tax rate from 34% to 35%, retroactive to January 1, 1993. Under SFAS No. 109, the increase in the tax rate has resulted in an increase in the net deferred tax liability and in income tax related regulatory assets. In the above table, this increase in regulatory assets has been included in "Change in amounts due from customers - income taxes". The increase in the Federal income tax rate has not had a material impact on the Company's results of operations.

RETIREMENT INCOME PLANS. CG&E and its subsidiaries have trusteed non-contributory retirement income plans covering substantially all regular employees. The benefits are based on the employee's compensation, years of service, and age at retirement. The Companies funding policy is to contribute annually to the plans an amount which is not less than the minimum amount required by the Employee Retirement Income Security Act of 1974 and not more than the maximum amount deductible for income tax purposes.

The plans funded status and amounts recognized on the Consolidated Balance Sheet for the years 1993 and 1992 are presented below:

	December 31, 1993	1992
	(Thousands)	
Actuarial present value of benefit obligation:		
Vested benefit obligation.....	$328,075	$294,114
Nonvested benefit obligation.....	32,286	26,891
Total accumulated benefit obligation.....	360,361	321,005
Projected future compensation increases.....	110,332	101,915
Projected benefit obligation for service rendered.....	470,693	422,920
Plans' assets at fair value, primarily stocks and bonds.....	423,052	417,551
Plans' assets in excess of (less than) projected benefit obligation.	(47,641)	(5,369)
Unrecognized net gain.....	(15,970)	(55,936)
Unrecognized prior service cost.....	29,149	31,995
Unrecognized net transition asset.....	(7,364)	(7,985)
Accrued pension cost.....	$(41,826)	$(37,295)

During 1992, the Company recorded $28.4 million of accrued pension cost in accordance with Statement of Financial Accounting Standards No. 88, "Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits". This amount represented the costs associated with additional benefits extended in connection with an early retirement program and workforce reduction discussed below.

The following assumptions were used in accounting for pensions:

	1993	1992	1991
Discount rate used to determine actuarial present value of the projected benefit obligation.....	7.50%	8.25%	8.25%
Assumed rate of increase in future compensation levels used to determine actuarial present value of the projected benefit obligation.....	5.00%	5.75%	5.75%
Expected long-term rate of return on plans' assets.....	9.50%	9.50%	9.50%

Net pension cost for the years 1993, 1992 and 1991 included the following components:

	1993	1992	1991
		(Thousands)	
<S>	<C>	<C>	<C>
Service cost -- benefits earned	$ 9,174	$ 8,767	$ 7,973
Interest cost on projected benefit obligation	34,475	30,424	27,903
Reduction in pension costs from actual return on assets	(31,371)	(27,015)	(76,705)
Net amortization and deferral	(4,666)	(7,472)	43,857
Net periodic pension cost	$ 7,612	$ 4,704	$ 3,028

</TABLE>

EARLY RETIREMENT PROGRAM AND WORKFORCE REDUCTIONS. As a result of unfavorable rate orders received in 1992, CG&E and its subsidiaries eliminated approximately 900 regular, temporary and contract positions. The workforce reduction was accomplished through a voluntary early retirement program and involuntary separations. At December 31, 1992, the accrued liability associated with the workforce reduction was $30.4 million (including $28.4 million of additional pension benefits discussed above). In accordance with a stipulation approved by the PUCO in August 1993, CG&E is recovering the majority of these costs through rates over a period of three years. The balance of unrecovered costs at December 31, 1993, totaled $27.2 million, and is reflected in "Other Assets--Other" on the Consolidated Balance Sheet.

POSTRETIREMENT BENEFITS. Effective January 1, 1993, CG&E and its subsidiaries adopted Statement of Financial Accounting Standards No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions" (SFAS No. 106). SFAS No. 106 requires the accrual of the expected cost of providing postretirement benefits other than pensions to an employee and the employee s covered dependents during the employee's active working career. SFAS No. 106 also requires the recognition of the actuarially determined total postretirement benefit obligation earned by existing retirees. CG&E offers health care and life insurance benefits which are subject to SFAS No. 106.

Life insurance benefits are fully paid by the Company for qualified employees. Eligibility to receive postretirement coverage is limited to those employees who had participated in the plans and earned the right to postretirement benefits prior to January 1, 1991.

In 1988, CG&E and its subsidiaries recognized the actuarially determined accumulated benefit obligation for postretirement life insurance benefits earned by retirees. The accumulated benefit obligation for active employees is being amortized over 15 years, the employees estimated remaining service lives. The accounting for postretirement life insurance benefits is not impacted by the adoption of SFAS No. 106.

Postretirement health care benefits are subject to deductibles, copayment provisions and other limitations. Retirees can participate in health care plans by paying 100% of the group coverage premium. Prior to the adoption of SFAS No. 106, the cost of postretirement health care benefits was expensed by the Companies as paid. Beginning in 1993, the Companies began recognizing the accumulated postretirement benefit obligation over 20 years in accordance with SFAS No. 106.

The PUCO, under whose jurisdiction the majority of SFAS No. 106 costs fall, authorized CG&E to begin recovering these costs in September 1993. The adoption of SFAS No. 106 did not have a material effect on results of operations.

The net periodic postretirement cost for the Companies postretirement benefit plans for 1993 are presented below:

<TABLE>
<CAPTION>

	Health Care	Life Insurance	Total
		(Thousands)	
<S>	<C>	<C>	<C>
Service cost	$ 995	$ 116	$ 1,111
Interest cost	4,269	1,924	6,193
Amortization of the unrecognized transition obligation	2,584	415	2,999
Postretirement benefit cost	$7,848	$2,455	$10,303

</TABLE>

The Companies accumulated postretirement benefit obligation and accrued postretirement benefit cost under the plans at December 31, 1993 are as follows:

<TABLE>

<CAPTION>

	Health Care	Life Insurance	Total
		(Thousands)	
<S>	<C>	<C>	<C>
Retirees	$22,753	$22,271	$45,024
Active employees eligible to retire	2,363	1,494	3,857
Other active employees who are plan participants	27,501	2,912	30,413
Accumulated postretirement benefit obligation	52,617	26,677	79,294
Unrecognized net gain (loss)	3,822	(249)	3,573
Unrecognized transition obligation	(49,104)	(3,733)	(52,837)
Accrued postretirement benefit cost	$ 7,335	$22,695	$30,030

</TABLE>

The following assumptions were used to determine the accumulated postretirement benefit obligation:

<TABLE>
<CAPTION>

	December 31, 1993	January 1, 1993
<S>	<C>	<C>
Discount rate	7.50%	8.25%
Health care cost trend rate, gradually declining to 5% in 2002 and 2003, respectively	10.00% to 13.00%	12.00% to 15.00%

</TABLE>

Increasing the assumed medical care cost trend rates by one percentage point in each year would increase the estimated accumulated postretirement benefit obligation as of December 31, 1993 by $10.5 million and the net periodic postretirement cost by $1.2 million. No funding has been established by the Companies for postretirement benefits.

POSTEMPLOYMENT BENEFITS. In 1993, CG&E and its subsidiaries adopted Statement of Financial Accounting Standards No. 112, "Employers Accounting for Postemployment Benefits" (SFAS No. 112). SFAS No. 112 requires the accrual of the cost of certain postemployment benefits provided to former or inactive employees. The adoption of SFAS No. 112 did not have a material effect on results of operations.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION. The applicable regulatory uniform systems of accounts define "allowance for funds used during construction" (AFC) as including "the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used." This amount of AFC constitutes an actual cost of construction and, under established regulatory rate practices, a return on and

recovery of such costs heretofore has been permitted in determining the rates charged for utility services.

For 1993, 1992 and 1991, AFC was accrued at average pre-tax rates of 8.33%, 10.18% and 10.38%, respectively, compounded semi-annually. AFC was accrued at an average net-of-tax rate of 10.25% compounded semi-annually for 1991 on construction projects that commenced before December 31, 1982 (primarily Zimmer Station). AFC represents non-cash earnings and, as a result, does not affect current cash flow.

PHASE-IN DEFERRED DEPRECIATION AND DEFERRED RETURN. In a 1992 rate order, the PUCO authorized CG&E an annual increase in electric revenues of approximately $116.4 million, to be phased in over a three-year period under a plan that met the requirements of Statement of Financial Accounting Standards No. 92, "Regulated Enterprises - Accounting for Phase-in Plans". The phase-in plan was designed so that the three rate increases will provide revenues sufficient to recover all operating expenses and provide a fair rate of return on plant investment. In the first three years of the phase-in plan ordered by the PUCO, rates charged to customers do not fully recover depreciation expense and return on shareholders investment. This deficiency is being capitalized on the Consolidated Balance Sheet and will be recovered over a 10-year period. Beginning in the fourth year, the revenue levels authorized pursuant to the phase-in plan are designed to be sufficient to recover that period's operating expenses, a fair return on the unrecovered investment, and amortization of deferred depreciation and deferred return recorded during the first three years of the plan. Under the rate order, the amount of deferred depreciation and deferred return, including carrying costs on the deferrals, estimated to be recorded in 1994 totaled approximately $15 million, net of tax, in addition to the $70 million already deferred. For information on the recovery of phase-in deferrals, the write-off of a portion of Zimmer Station and other matters related to the phased-in rate increase, see Note 5.

POST-IN-SERVICE DEFERRED OPERATING EXPENSES AND CARRYING COSTS. In accordance with an order of the PUCO, CG&E capitalized carrying costs for Zimmer Station from the time it was placed in service in March 1991 until the effective date of new rates authorized by the PUCO's 1992 rate order which reflected Zimmer Station. CG&E began recovering these carrying costs over the useful life of Zimmer Station in accordance with a stipulation approved by the PUCO in August 1993 (see Note 5 herein). At December 31, 1993, the unamortized amount of post-in-service carrying costs associated with Zimmer Station was $102.7 million and is reflected in "Other Assets--Post-in-service carrying costs and deferred operating expenses" on the Consolidated Balance Sheet.

Effective in January 1992, the PUCO, at CG&E's request, authorized the Company to defer Zimmer Station depreciation, operation and maintenance expenses (exclusive of fuel costs) and property taxes, which were not being recovered in rates charged to customers. The PUCO also authorized CG&E to accrue carrying costs on the deferred expenses. In its 1992 rate order, the PUCO authorized CG&E to begin recovering these deferred expenses and associated carrying costs over a 10-year period. At December 31, 1993, the unamortized amount of post-in-service deferred operating expenses associated with Zimmer Station was $18.7 million and is reflected in "Other Assets--

Post-in-service carrying costs and deferred operating expenses" on the Consolidated Balance Sheet.

In May 1992, the first three units at the Woodsdale Generating Station began commercial operation and, in July 1992, two additional units were declared operational. In accordance with an order issued by the PUCO, CG&E capitalized carrying costs on the first five units at Woodsdale Station and deferred depreciation, operation and maintenance expenses (exclusive of fuel costs) and property taxes from the time these units were placed in service until the effective date of new rates approved by the PUCO in August 1993 which reflected the Woodsdale units. CG&E began recovering a portion of carrying costs over the useful life of Woodsdale Station and the deferred expenses over a 10-year period in accordance with the stipulation approved by the PUCO in August 1993 (see Note 5 herein). At December 31, 1993, unamortized carrying costs and deferred expenses associated with Woodsdale Station were $19.2 million and $14.0 million, respectively, and are reflected in "Other Assets--Post-in-service carrying costs and deferred operating expenses" on the Consolidated Balance Sheet.

STATEMENT OF CASH FLOWS. For purposes of the Statement of Cash Flows, CG&E and its subsidiaries consider short-term investments having maturities of three months or less at time of purchase to be cash equivalents.

The cash amounts of interest (net of allowance for borrowed funds used during construction) and income taxes paid by CG&E and its subsidiaries in 1993, 1992 and 1991 are as follows:

	1993	1992	1991
Interest (000).....	$151,867	$151,821	$142,269
Income taxes (000).....	$53,786	$26,021	$46,573

(2) LONG-TERM DEBT: Under the terms of the respective mortgage indentures securing first mortgage bonds issued by CG&E and its subsidiaries, substantially all property is subject to a direct first mortgage lien.

Improvement and sinking fund provisions contained in the indentures applicable to the First Mortgage Bonds of CG&E issued prior to 1980, and of Union Light issued prior to 1981, require deposits with the Trustee, on or before April 30 of each year, of amounts in cash and/or principal amount of bonds equal to 1% ($4,300,000) of the principal amount of bonds of the applicable series originally outstanding less certain designated retirements.

In lieu of such cash deposits or delivery of bonds and as permitted under the terms of the indentures, historically the companies have followed the practice of pledging unfunded property additions to the extent of 166 2/3% of the annual sinking fund requirements.

Over the next five years, long-term debt of CG&E and its subsidiaries will mature or be subject to mandatory redemption as follows: $.3 million in 1994 and $130.0 million in 1997.

In November 1993, CG&E redeemed $280 million principal amount of First Mortgage Bonds, consisting of the 8 3/4% Series due 1996, 9.15% Series due 2004 and 9 1/4% Series due 2016. Reacquisition expenses associated with the extinguishment of these First Mortgage Bonds are reflected in "Other Assets - Other" on the Consolidated Balance Sheet ($9.5 million as of December 31, 1993) and, consistent with past regulatory treatment, are being amortized over a period of 12 years. The total balance of reacquisition expenses associated with early retirements of long-term debt reflected in "Other Assets - Other" on the Consolidated Balance Sheet at December 31, 1993, is $27.4 million.

In January 1994, the Company issued $94.7 million principal amount of pollution control revenue refunding bonds at interest rates of 5.45% and

5 1/2%, the proceeds from which were used to refund six different series of pollution control revenue bonds with interest rates ranging from 6.70% to 9 5/8%.

In February 1994, the Company issued $220 million principal amount of first mortgage bonds with interest rates of 5.80% and 6.45%, the proceeds from which will be used to refund $210 million principal amount of First Mortgage Bonds, consisting of the 8 5/8% Series due 2000, 8.55% Series due 2006 and 9 1/8% Series due 2008.

(3) COMMON STOCK: On December 2, 1992, a three-for-two stock split in the form of a stock dividend was paid to shareholders of record November 2, 1992, at which time there were 57,338,284 shares of common stock outstanding. The split was accomplished through a reduction in additional paid-in capital and an increase in common shares. In connection with the split, fractional interests totalling 4,438 shares were retired for cash. The accompanying consolidated financial statements have been retroactively adjusted to reflect the split.

CG&E issued authorized but previously unissued shares of Common Stock as follows:

<TABLE>
<CAPTION>

	Shares Issued		Shares Reserved for Issuance at
	1993	1992	December 31, 1993
<S>	<C>	<C>	<C>
Dividend Reinvestment and Stock Purchase Plan...	829,706	797,516	724,641
Employee Stock Purchase Plans.....	843,352	902,692	2,476,419
	1,673,058	1,700,208	3,201,060

</TABLE>

Pursuant to a Shareholders Rights Plan adopted by CG&E in 1992, one right is presently attached to and trading with each share of outstanding CG&E common stock. The rights will be exercisable, if not otherwise approved by the Board of Directors, only if a person or group becomes the beneficial owner of 20% or more of CG&E's common stock, commences a tender or exchange offer for 25% or more of the common stock, or is declared an Adverse Person by the Board of Directors.

(4) CUMULATIVE PREFERRED STOCK: Under CG&E's Articles of Incorporation, the Company presently is authorized to issue a maximum of 6,000,000 shares of preferred stock at a par value of $100 per share.

The Cumulative Preferred Stock, 9.15% Series is subject to mandatory redemption each July 1, beginning in 1996, in an amount sufficient to retire 25,000 shares, and the 7 3/8% Series is subject to mandatory redemption each August 1, beginning in 1998, in an amount sufficient to retire 40,000 shares, each at $100 per share, plus accrued dividends. For both series, CG&E has the noncumulative option to redeem up to a like amount of additional shares in each year. CG&E has the option to satisfy the mandatory redemption requirements in whole or in part by crediting shares acquired by CG&E. To the extent CG&E does not satisfy its mandatory sinking fund obligation in any year, such obligation must be satisfied in the succeeding year or years. If CG&E is in arrears in the redemption pursuant to the mandatory sinking fund requirement, CG&E shall not purchase or otherwise acquire for value, or pay dividends on, Common Stock.

The Cumulative Preferred Stock, 7 7/8% Series is subject to mandatory redemption on January 1, 2004, at $100 per share plus accrued dividends to the redemption date.

On February 25, 1994, CG&E gave notice to the holders of the Cumulative Preferred Stock, 9.28% Series of its intention to redeem all outstanding shares at $101 per share, on April 1, 1994.

(5) RATES: In April 1991, CG&E filed a request with the PUCO to increase electric rates by approximately $200 million annually. The primary reason for the request was recovery of costs associated with Zimmer Station.

In a 1992 rate decision, the PUCO authorized CG&E to increase electric revenues by $116.4 million to be phased in over a three-year period through annual increases of $37.8 million, $38.8 million and $39.8 million in the first, second and third years, respectively. The PUCO also disallowed from rate base approximately $230 million, representing costs related to Zimmer Station for nuclear fuel, nuclear wind-down activities during the conversion to a coal-fired facility and a portion of the AFC accrued by CG&E on Zimmer.

In August 1992, CG&E filed an appeal with the Supreme Court of Ohio to overturn the rate order issued by the PUCO including the rate base disallowances. In the appeal, CG&E stated that the PUCO did not have

authority to order a phased-in rate increase and erroneously determined the amount of CG&E's required cash working capital.

On November 3, 1993, the Supreme Court of Ohio issued its decision on CG&E's appeal. The Court ruled that the PUCO does not have the authority to order a phase-in of amounts granted in a rate proceeding and remanded the case to the PUCO to set rates that provide the gross annual revenues determined in accordance with Ohio statutes. The Court also said the PUCO must provide a mechanism by which CG&E may recover costs already deferred under the phase-in plan through the date of the order on remand. At December 31, 1993, CG&E had deferred $70 million of costs, net of taxes, related to the phase-in plan. On the other issues, the Court ruled in favor of the PUCO, stating the PUCO

properly determined CG&E's cash working capital allowance and properly excluded costs related to nuclear fuel, nuclear wind-down activities, and AFC from rate base. As a result of the Supreme Court decision, CG&E wrote off Zimmer Station costs of approximately $223 million, net of taxes, in November 1993.

In March 1994, CG&E negotiated a settlement agreement with the PUCO Staff, the Ohio Office of Consumers' Counsel and other intervenors to address the November 1993 ruling by the Supreme Court of Ohio. As part of the agreement, CG&E has agreed not to seek early implementation of the third phase of the 1992 rate increase, which means the $39.8 million increase will take effect in May 1994 as originally scheduled. CG&E also agreed that it would not seek accelerated recovery of deferrals related to the phase-in plan. These deferrals will be recovered over the remaining seven year period contemplated in the 1992 PUCO order. In addition, if the merger with PSI is consummated, CG&E has agreed not to increase base electric rates prior to January 1, 1999, except for increases in taxes, changes in federal or state environmental laws, PUCO actions affecting electric utilities in general and financial emergencies.

The settlement agreement also permits CG&E to retain all non-fuel savings from the merger until 1999 and calls for merger-related transaction costs, or any other accounting deferrals, to be amortized over a period ending by January 1, 1999.

Other provisions of the agreement are: (i) if the merger is not completed, CG&E can raise electric rates in May 1995 by $21 million to provide accelerated recovery of phase-in deferrals; (ii) the PUCO and OCC will have access to information about CINergy and affiliated companies; (iii) the PUCO will support, before the Securities and Exchange Commission, CG&E's efforts to retain its gas operations and other parties will not oppose efforts to retain the gas properties; and (iv) contracts of CG&E with affiliated companies under the merger that are to be filed with the Securities and Exchange Commission must first be filed with the PUCO for its review and copies provided to the OCC.

In September 1992, CG&E filed applications with the PUCO requesting increases in annual electric and gas revenues of approximately $86 million and $35 million, respectively. In August 1993, the PUCO approved a stipulation providing for annual increases of approximately $41 million (5%) in electric revenues and $19 million (6%) in gas revenues effective immediately. As part of the stipulation, CG&E agreed, among other things, not to increase electric or gas base rates prior to June 1, 1995. This would not include rate filings made under certain circumstances, such as to address financial emergencies or to reflect any savings associated with the prospective merger with PSI Resources, Inc. (see Note 9).

In September 1992, Union Light filed a request with the Kentucky Public Service Commission (KPSC) to increase annual gas revenues by approximately $9 million. Orders issued in mid-1993 by the KPSC authorized Union Light to increase annual gas revenues by $4.2 million.

(6) BANK LINES OF CREDIT AND REVOLVING CREDIT AGREEMENT: At December 31, 1993, CG&E and its subsidiaries had lines of credit totaling $123.4 million, which were maintained by compensating balances and/or fees. Unused lines of credit at December 31, 1993, totaled $102.4 million (generally subject to withdrawal by the banks). Substantially all of the cash balances of CG&E and its subsidiaries are maintained to compensate the respective banks for banking services and to obtain lines of credit; however, CG&E and its subsidiaries have the right of withdrawal of such funds. The maximum amount of outstanding short-term notes payable, including commercial paper, authorized by the PUCO to be incurred by CG&E at any time through June 30, 1994 is $200 million and, in addition, FERC authorized Union Light to issue a maximum of $35 million of short-term notes payable through December 31, 1994.

CG&E has a bank revolving credit agreement providing for borrowings of up to $200 million through September 1, 1996. At the option of CG&E, interest rates on borrowings under the agreement may be based upon the prevailing prime rate or certain other interest measurements. CG&E must pay a commitment fee of 3/16% on the total amount of the credit agreement. CG&E has not made any borrowings under this agreement.

(7) LEASES: CG&E and its subsidiaries have entered into operating leases covering various facilities and properties, including office space, and computer, communications and miscellaneous equipment. Rental payments for operating leases are primarily charged to operating expenses. Total rental payments for all operating leases were $21,756,000, $22,882,000 and $20,984,000 for the years 1993, 1992 and 1991, respectively. Future minimum lease payments required by CG&E and its subsidiaries under such operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 1993 were as follows:

Year Ended December 31,	(Thousands)
1994	$ 16,344
1995	14,731
1996	9,214
1997	6,506
1998	3,323
Future Years	14,470
Total Minimum Lease Commitments	$ 64,588

(8) FAIR VALUE OF FINANCIAL INSTRUMENTS: The Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" (SFAS No. 107), requires disclosure of the estimated fair value of certain financial instruments of the Company. This information does not purport to be a valuation of the Company as a whole.

The following methods and assumptions were used to estimate the fair value of each major class of financial instrument of CG&E and its subsidiaries as required by SFAS No. 107:

Cash, Notes Payable, Accounts Receivable and Accounts Payable. The carrying amount as reflected on the Consolidated Balance Sheet approximates the fair value of these instruments due to the short period to maturity.

Long-Term Debt. The aggregate fair values for the first mortgage bonds and other long-term debt of CG&E and its subsidiaries are based on the present value of future cash flows. The discount rates used approximate the incremental borrowing costs for similar instruments. Certain notes payable have been excluded due to immateriality.

Cumulative Preferred Stock. The aggregate fair value for CG&E's preferred stock is based on the latest closing prices quoted on the New York Stock Exchange for each series.

The estimated fair values of long-term debt and preferred stock at December 31, 1993 and 1992, are as follows:

	1993	1992
	(Thousands)	
Long-Term Debt:		
First mortgage bonds	$ 1,847,150	$ 1,739,635
Other long-term debt	$ 192,953	$ 185,929
Preferred Stock:		
Not subject to mandatory redemption.	$ 105,235	$ 101,935
Subject to mandatory redemption	$ 230,363	$ 217,938

(9) COMMITMENTS AND CONTINGENCIES: In December 1992, CG&E, PSI Resources, Inc. (PSI) and PSI Energy, Inc., PSI's principal subsidiary, an Indiana electric utility (PSI Energy), entered into an agreement which, as subsequently amended (the Merger Agreement) provides for the merger of PSI into a newly formed corporation named CINergy Corp. (CINergy) and the merger of a newly formed subsidiary of CINergy into CG&E. For 1993, PSI had operating revenues of $1.1 billion and earnings on common shares of $96.4 million. As a result of the merger, holders of CG&E Common Stock and PSI Common Stock will become the holders of CINergy Common Stock. CINergy will become a holding company required to be registered under the Public Utility Holding Company Act of 1935 (PUHCA) with two operating subsidiaries, CG&E and PSI Energy. Union Light will remain a subsidiary of CG&E. Under the Merger Agreement, each share of CG&E Common Stock will be converted into the right to receive one share of CINergy Common Stock. Each share of PSI Common Stock will be converted into the right to receive that number of shares of CINergy Common Stock obtained by dividing $30.69 by the average closing price of CG&E Common Stock for the 15 consecutive trading days preceding the fifth trading day prior to the merger; provided that, if the actual quotient obtained thereby is less than .909, the quotient shall be .909, and if the

actual quotient obtained thereby is more than 1.023, the quotient shall be 1.023.

The merger will be accounted for as a "pooling of interests", and it is anticipated that the transaction will be completed in the third quarter of 1994. The merger is subject to approval by the Securities and Exchange Commission (SEC) and FERC. Shareholders of both companies approved the merger in November 1993.

FERC issued conditional approval of the CINergy merger in August 1993, but several intervenors, including The Public Utilities Commission of Ohio (PUCO) and the Kentucky Public Service Commission (KPSC), filed for rehearing of that order. On January 12, 1994, FERC withdrew its conditional approval of the merger and ordered the setting of FERC-sponsored settlement procedures to be held.

On March 4, 1994, CG&E reached a settlement agreement with the PUCO and the Ohio Office of Consumers' Counsel (OCC) on merger issues identified by FERC. On March 2, PSI Energy and Indiana's consumer representatives had reached a similar agreement. Both settlement agreements have been filed with FERC. These documents address, among other things, the coordination of state and federal regulation and the commitment that neither CG&E nor PSI electric base rates, nor CG&E's gas base rates, will rise because of the merger, except to reflect any effects that may result from the divestiture of CG&E's gas operations if ordered by the SEC in accordance with the requirements of PUHCA discussed below.

CG&E also filed with FERC a unilateral offer of settlement addressing all issues raised in the KPSC's application for rehearing with FERC. Although it is the belief of CG&E and PSI that no state utility commissions have jurisdiction over approval of the proposed merger, an application has been filed with the KPSC to comply with the Staff of the KPSC's position that the KPSC's authorization is required for the indirect acquisition of control of CG&E's Kentucky subsidiary, The Union Light, Heat and Power Company, by CINergy. As part of the settlement offer, Union Light will agree not to increase gas base rates as a result of the merger except to reflect any effects that may result from the divestiture of Union Light's gas operations discussed below.

Also included in the filings with FERC were settlement agreements with the city of Hamilton, Ohio, and the Wabash Valley Power Association in Indiana. These agreements resolve issues related to the transmission of power in Ohio and Indiana.

If the settlement agreements filed with FERC are not acceptable, FERC could set issues for hearing. If a hearing is held by FERC, consummation of the merger would likely be extended beyond the third quarter of 1994.

CG&E and PSI also submitted to FERC the operating agreement among CINergy Services, Inc., a subsidiary of CINergy, and CG&E and PSI Energy that provides for the coordinated planning and operation of the electric generation and transmission and other facilities of CG&E and PSI as an integrated utility system. It also establishes a framework for the equitable sharing of the benefits and costs of such coordinated operations between CG&E and PSI. The parties to the Ohio and Indiana FERC settlements have agreed to support or not oppose the operating agreement, and the settlements are conditioned upon FERC approving the filed operating agreement without material changes.

CG&E's filing with FERC also references a separate agreement among CG&E, the Staff of the PUCO, the OCC, and other parties settling issues raised by a November 1993 ruling of the Supreme Court of Ohio on the phased-in electric rate increase ordered by the PUCO in May 1992. The agreement includes a moratorium on increases in base electric rates prior to January 1, 1999 (except under certain circumstances), authorization for CG&E to retain all non-fuel merger savings until 1999, and a commitment by the PUCO that it will support CG&E's efforts to retain CG&E's gas operations in its PUHCA filing with the SEC (see below). Reference is made to Note 5 for additional information.

PUHCA imposes restrictions on the operations of registered holding company systems. Among these are requirements that securities issuances, sales and acquisitions of utility assets or of securities of utility companies and acquisitions of interests in any other business be approved by the SEC. PUHCA also limits the ability of registered holding companies to engage in non-utility ventures and regulates holding company system service companies and the rendering of services by holding company affiliates to the system s utilities. The SEC has interpreted the PUHCA to preclude registered holding companies, with some exceptions, from owning both electric and gas utility systems. The SEC may require that CG&E divest its gas properties within a reasonable time after the merger in order to approve the merger as it has done in many cases involving the acquisition by a holding company of a combination gas and electric company. In some cases, the SEC has allowed the retention of the gas properties or deferred the question of divestiture for a substantial period of time. In those cases in which divestiture has taken place, the SEC

usually has allowed companies sufficient time to accomplish the divestiture in a manner that protects shareholder value. CG&E believes good arguments exist to allow retention of the gas assets, and CG&E will request that it be allowed to do so.

CG&E and its subsidiaries are subject to regulation by various Federal, state and local authorities relative to air and water quality, solid and hazardous waste disposal, and other environmental matters. Compliance programs necessary to meet existing and future environmental laws and regulations will increase the cost of utility service. Capital expenditures related to environmental compliance are included in the Companies estimated construction programs (see "Construction Program and Capital Requirements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein) and are expected to be recoverable through rates.

In April 1992, FERC issued Order 636 which restructures the relationships between interstate gas pipelines and their customers for gas sales and transportation services. Order 636 will result in changes in the way CG&E and Union Light purchase gas supplies and contract for transportation and storage services, and will result in increased risks in managing the ability to meet demand.

Order 636 also allows pipelines to recover transition costs they incur in complying with the Order from customers, including CG&E and Union Light. An agreement between CG&E and residential and industrial customer groups regarding recovery of these transition costs has been submitted to the PUCO for approval. Order 636 transition costs are not expected to significantly impact the Company.

The United States Environmental Protection Agency (U.S. EPA) alleges that CG&E is a Potentially Responsible Party (PRP) under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) liable for cleanup of the United Scrap Lead site in Troy, Ohio. CG&E was one of approximately 200 companies so named. CG&E believes it is not a PRP and should not be responsible for cleanup of the site. Under CERCLA, CG&E could be jointly and severally liable for costs incurred in cleaning the site, estimated by the U.S. EPA to be $27 million.

(10) COMMON OWNERSHIP OF ELECTRIC UTILITY PLANT: CG&E, Columbus Southern Power Company, and The Dayton Power and Light Company have constructed electric generating units and related transmission facilities on varying common ownership bases as follows:

<TABLE>
<CAPTION>

		CG&E's share at December 31, 1993		
	Percent Owned by CG&E	Property, Plant and Equipment In Service (a)	Accumulated Provisions for Depreciation	Construction Work In Progress (b)
			(Thousands)	
<S>	<C>	<C>	<C>	<C>
Production				
Miami Fort Station (Units 7 and 8).	64	$ 197,865	$ 94,653	$ 825
W.C. Beckjord Station (Unit 6).....	37.5	$ 37,741	$ 21,042	$ 251
J.M. Stuart Station.....	39	$ 251,542	$ 99,029	$ 10,377
Conesville Station (Unit 4).....	40	$ 69,355	$ 29,218	$ 2,511
Wm. H. Zimmer Station.....	46.5	$ 1,209,632	$ 97,763	$ 2,048
East Bend Station.....	69	$ 324,165	$ 131,984	$ 1,568
Killen Station.....	33	$ 186,055	$ 65,990	$ 271
Transmission.....	various	$ 62,139	$ 26,346	$ 4

<FN>
(a) The Consolidated Statement of Income reflects CG&E's portion of all operating costs associated with the commonly owned facilities.
(b) Each participant must provide funds for its share of the construction project.
</TABLE>

(11) UNAUDITED QUARTERLY FINANCIAL DATA (THOUSANDS):
<TABLE>
<CAPTION>

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<S>	<C>	<C>	<C>	<C>	<C>
1993					
Total Operating Revenues.....	$ 493,476	$ 367,470	$ 408,638	$ 482,157	$ 1,751,741
Operating Income.....	$ 89,683	$ 63,652	$ 85,356	$ 80,809	$ 319,500
Net Income (Loss).....	$ 68,401	$ 39,928	$ 59,519	$(176,572)(a)	$ (8,724)(a)
Earnings (Loss) on Common Shares.	$ 62,111	$ 33,638	$ 53,228	$(182,861)(a)	$ (33,884)(a)
Average Number of Common Shares Outstanding.....	86,722	87,143	87,539	87,937	

Earnings (Loss) per Common Share.	$ .71	$ .38	$ .61	$ (2.08)(a)	(b)
1992					
Total Operating Revenues.....	$ 446,529	$ 334,353	$ 352,139	$ 420,405	$ 1,553,426
Operating Income.....	$ 72,333	$ 50,212	$ 68,460	$ 68,696	$ 259,701
Net Income.....	$ 67,086	$ 44,050	$ 46,063	$ 45,062	$ 202,261
Earnings on Common Shares.....	$ 59,838	$ 37,350	$ 38,691	$ 38,772	$ 174,651
Average Number of Common Shares Outstanding.....	84,946	85,376	85,797	86,251	
Earnings per Common Share.....	$ .70	$ .43	$ .45	$ .45	(b)

<FN>
(a) Reflects the write-off of a portion of Zimmer Station of approximately $223 million, net of taxes.
(b) Total does not equal annual earnings per share due to change in shares outstanding.
</TABLE>

(12) FINANCIAL INFORMATION BY BUSINESS SEGMENTS (THOUSANDS):

<TABLE>
<CAPTION>

	Operating Revenues	Operating Income	Income Taxes	Provision for Depreciation	Construction Expenditures(a)
<S>	<C>	<C>	<C>	<C>	<C>
YEAR ENDED DECEMBER 31, 1993					
Electric.....	$1,282,445	$286,609	$102,034	$134,121	$ 157,194
Gas.....	469,296	32,891	6,936	17,940	44,720
Total.....	$1,751,741	$319,500	$108,970	$152,061	$ 201,914
YEAR ENDED DECEMBER 31, 1992					
Electric.....	$1,159,456	$236,152	$ 93,286	$125,298	$ 185,592
Gas.....	393,970	23,549	2,733	15,698	41,447
Total.....	$1,553,426	$259,701	$ 96,019	$140,996	$ 227,039
Year Ended December 31, 1991					
Electric.....	$1,147,395	$196,982	$ 90,709	$116,282	$ 343,631
Gas.....	370,703	16,190	(928)	14,310	66,704
Total.....	$1,518,098	$213,172	$ 89,781	$130,592	$ 410,335

<FN>
(a) Excludes construction expenditures for non-utility plant of $(51,000) in 1993, $2,694,000 in 1992, and $(90,000) in 1991.
</TABLE>

<TABLE>
<CAPTION>

	December 31, 1993	1992	1991
<S>	<C>	<C>	<C>
Property, Plant and Equipment, net--			
Electric.....	$3,281,620	$3,469,018	$3,410,782
Gas.....	504,020	476,397	450,399
	3,785,640	3,945,415	3,861,181
Other Corporate Assets.....	1,357,883	856,777	722,605
Total Assets.....	$5,143,523	$4,802,192	$4,583,786

</TABLE>

(13) UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION: The following pro forma condensed consolidated financial information combines the historical consolidated statements of income and consolidated balance sheets of CG&E and PSI after giving effect to the merger. The unaudited Pro Forma Condensed Consolidated Statements of Income for each of the three years ended December 31, 1993, give effect to the merger as if it had occurred at January 1, 1991. The unaudited Pro Forma Condensed Consolidated Balance Sheet at December 31, 1993, gives effect to the merger as if it had occurred at December 31, 1993. These statements are prepared on the basis of accounting for the merger as a pooling of interests and are based on the assumptions set forth in the notes thereto. In addition, the following pro forma condensed consolidated financial information should be read in conjunction with the historical consolidated financial statements and related notes thereto of CG&E and PSI. The following information is not necessarily indicative of the operating results or financial position that would have occurred had the merger been consummated at the beginning of the periods, or on the date, for which the merger is being given effect, nor is it necessarily indicative of

future operating results or financial position.

Pro Forma Condensed Consolidated Statements of Income (in millions, except per share amounts):

<TABLE>
<CAPTION>

	1993		
	Historical		Pro Forma
	CG&E	PSI	CINergy
<S>	<C>	<C>	<C>
Operating revenues	$ 1,752	$ 1,088	$ 2,840
Operating expenses	1,432	938	2,370
Operating income	320	150	470
Other income and deductions -- net	(173)*	24	(149)
Interest charges -- net	156	65	221
Preferred dividend requirement	25	13	38
Net income (loss)	$ (34)	$ 96	$ 62
Average common shares outstanding (1,2)	87	56	138/144
Earnings (Loss) per common share (1,2)	$ (.39)	$ 1.73	$ .45/.43

<FN>
*Reflects the write-off of a portion of Zimmer Station of approximately $223 million, net of taxes.
</TABLE>

<TABLE>
<CAPTION>

	1992		
	Historical		Pro Forma
	CG&E	PSI	CINergy
<S>	<C>	<C>	<C>
Operating revenues	$ 1,553	$ 1,081	$ 2,634
Operating expenses	1,293	916	2,209
Operating income	260	165	425
Other income and deductions -- net	100	5	105
Interest charges -- net	158	67	225
Preferred dividend requirement	27	7	34
Net income	$ 175	$ 96	$ 271
Average common shares outstanding (1,2)	86	55	136/142
Earnings per common share (1,2)	$ 2.04	$ 1.75	$2.00/1.91
</TABLE>

<TABLE>
<CAPTION>

	1991		
	Historical		Pro Forma
	CG&E	PSI	CINergy
<S>	<C>	<C>	<C>
Operating revenues	$ 1,518	$ 1,122	$ 2,640
Operating expenses	1,305	958	2,263
Operating income	213	164	377
Other income and deductions -- net	141	(79)	62
Interest charges -- net	147	56	203
Preferred dividend requirement	25	10	35
Net income	$ 182	$ 19	$ 201
Average common shares outstanding (1,2)	82	55	132/138
Earnings per common share (1,2)	$ 2.21	$ .35	$1.53/1.46
</TABLE>

Pro Forma Condensed Consolidated Balance Sheet (in millions):

<TABLE>
<CAPTION>

	December 31, 1993		
	Historical		Pro Forma
	CG&E	PSI	CINergy
<S>	<C>	<C>	<C>
Assets			
Utility plant -- original cost			
In service	$ 5,188	$ 3,449	$ 8,637
Accumulated depreciation	1,472	1,456	2,928
	3,716	1,993	5,709
Construction work in progress	70	244	314
Total utility plant	3,786	2,237	6,023
Current assets	606	197	803
Other assets	752	230	982
Total assets	$ 5,144	$ 2,664	$ 7,808
Capitalization and Liabilities			
Common stock (3)	$ 749	$ 1	$ 1
Paid-in capital (3)	314	251	1,314
Retained earnings	456	451	907
Total common stock equity	1,519	703	2,222
Cumulative preferred stock	330	188	518
Long-term debt	1,829	816	2,645
Total capitalization	3,678	1,707	5,385
Current liabilities	441	567	1,008
Deferred income taxes	734	286	1,020
Other liabilities	291	104	395
Total capitalization and other liabilities	$ 5,144	$ 2,664	$ 7,808

</TABLE>

Notes to Pro Forma Condensed Consolidated Financial Information:

(1) Outstanding shares of CG&E common stock have been restated for a 3-for-2 stock split paid in the form of a dividend in December 1992.

(2) The Pro Forma Condensed Consolidated Statements of Income reflect the conversion of each share of CG&E common stock outstanding into one share of CINergy common stock and each share of PSI common stock outstanding into (a) .909 share and (b) 1.023 shares of CINergy common stock. The actual PSI conversion ratio may be lower than 1.023 or higher than .909 depending upon the closing sales price of CG&E common stock during a period prior to the consummation of the merger.

(3) The pro forma "Common stock" and "Paid-in capital" amounts reflected in the Pro Forma Condensed Consolidated Balance Sheet are based on the conversion of each share of CG&E common stock outstanding into one share of CINergy common stock ($.01 par value) and each share of PSI common stock outstanding into 1.023 shares of CINergy common stock ($.01 par value). Any PSI conversion ratio lower than 1.023 would result in a reallocation of amounts between "Common stock" and "Paid-in capital". However, any such reallocation would have no effect on "Total common stock equity".

(4) Intercompany transactions (including purchased and exchanged power transactions) between CG&E and PSI during the periods presented were not material and accordingly no pro forma adjustments were made to eliminate such transactions.

(5) Transaction costs, estimated to be approximately $47 million, are being deferred by CG&E and PSI. In a settlement agreement filed with the PUCO, CG&E has agreed to, among other things, amortize its portion of merger-related transaction costs over a period ending by January 1, 1999. CG&E will also be permitted to retain all of its non-fuel savings from the merger until 1999. For additional information on the settlement agreement, see Note 5 to the Consolidated Financial Statements. PSI's portion of the costs are being deferred for post-merger recovery through customer rates.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The Cincinnati Gas & Electric Company:

We have audited the accompanying consolidated balance sheet and schedules of common shareholders' equity and cumulative preferred shares and long-term debt of THE CINCINNATI GAS & ELECTRIC COMPANY (an Ohio Corporation) and its subsidiary companies as of December 31, 1993 and 1992, and the related consolidated statements of income, changes in common shareholders' equity and cash flows and schedule of taxes for each of the three years in the period ended December 31, 1993. These financial statements and the schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cincinnati Gas & Electric Company and its subsidiary companies as of December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993 in conformity with generally accepted accounting principles.

As explained in Note 1 to the consolidated financial statements, the Company changed its methods of accounting for income taxes, postretirement health care benefits and postemployment benefits effective January 1,1993.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in Item 14 are presented for purposes of complying with the Securities and Exchange Commission's Rules and Regulations under the Securities Exchange Act of 1934 and are not a required part of the basic financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

Cincinnati, Ohio,
January 24, 1994.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not Applicable.

PART III

Items 10., 11., 12. and 13.

The information required by Items 11, 12, and 13 will be included in CG&E's definitive proxy statement which will be filed with the Securities and Exchange Commission in connection with the 1994 Annual meeting of Shareholders and is incorporated herein by reference. The information regarding executive officers of CG&E, called for by Item 10, is furnished in Part I of this Annual Report.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Listed below are all financial statements, schedules, and exhibits attached hereto, incorporated herein, and filed as a part of this Annual Report.

(1) Consolidated Financial Statements:

Report of Independent Public Accountants

Consolidated Balance Sheet, December 31, 1993 and 1992

Consolidated Statement of Income for the three years ended December 31, 1993

Consolidated Statement of Cash Flows for the three years ended December 31, 1993

Consolidated Statement of Changes In Common Shareholders' Equity for the three years ended December 31, 1993

Schedule of Common Shareholders' Equity and Cumulative Preferred Shares, December 31, 1993 and 1992

Schedule of Long-Term Debt, December 31, 1993 and 1992

Schedule of Taxes for the three years ended December 31, 1993

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules:

#Schedule V -- Property, Plant and Equipment (1993, 1992 and 1991)

#Schedule VI -- Accumulated Provisions for Depreciation (1993, 1992 and 1991)

#Schedule VIII -- Other Accumulated Provisions (1993, 1992 and 1991)

#Schedule IX -- Short-Term Borrowings (1993, 1992 and 1991)

(3) Exhibits:

Exhibit No.	
*2-A-1	-- Amended and Restated Agreement and Plan of Reorganization by and among CG&E, PSI Resources, Inc., PSI Energy, Inc., CINergy Corp. and CINergy Sub, Inc., dated as of December 11, 1992, as amended on July 2, 1993 and as of September 10, 1993 (filed as Annex A to Amendment No. 3 to Registration Statement No. 33-59964 on Form S-4)
*2-A-2	-- Form of CG&E Stock Option Agreement by and between CG&E and PSI Resources, Inc. dated December 11, 1992 (filed as Exhibit 28 to Form 8-K dated December 11, 1992)
*2-A-3	-- Form of PSI Stock Option Agreement by and among CG&E, PSI Resources, Inc. and PSI Energy, Inc. dated December 11, 1992 (filed as Exhibit 28 to Form 8-K dated December 11, 1992)
3-A-1	-- Copy of Amended Articles of Incorporation of CG&E effective January 24, 1994
*3-B	-- Copy of Regulations of CG&E as amended, adopted by shareholders April 16, 1987 (filed as Exhibit 3-B to Form 10-Q for the quarter ended March 31, 1987)
*4-A-1	-- Copy of Indenture between CG&E and The Bank of New York dated as of August 1, 1936 (filed as Exhibit B-2 to Registration Statement No. 2-2374)
*4-A-2	-- Copy of Tenth Supplemental Indenture between CG&E and The Bank of New York dated as of July 1, 1967 (filed as Exhibit 2-B-11 to Registration Statement No. 2-26549)
*4-A-3	-- Copy of Eleventh Supplemental Indenture between CG&E and The Bank of New York dated as of May 1, 1969 (filed as Exhibit 2-B-12 to Registration Statement No. 2-32063)
*4-A-4	-- Copy of Twelfth Supplemental Indenture between CG&E and The Bank of New York dated as of December 1, 1970 (filed as Exhibit 2-B-13 to Registration Statement No. 2-38551)
*4-A-5	-- Copy of Thirteenth Supplemental Indenture between CG&E and The Bank of New York dated as of November 1, 1971 (filed as Exhibit 2-B-14 to Registration Statement No. 2-41974)
*4-A-6	-- Copy of Fourteenth Supplemental Indenture between CG&E and The Bank of New York dated as of November 2, 1972 (filed as Exhibit 2-B-15 to Registration Statement No. 2-60961)
*4-A-7	-- Copy of Fifteenth Supplemental Indenture between CG&E and The Bank of New York dated as of August 1, 1973 (filed as Exhibit 2-B-16 to Registration Statement No.

2-60961)

*4-A-8 -- Copy of Eighteenth Supplemental Indenture between CG&E and The Bank of New York dated as of October 15, 1976 (filed as Exhibit 2-B-19 to Registration Statement No. 2-57243)

*4-A-9 -- Copy of Nineteenth Supplemental Indenture between CG&E and The Bank of New York dated as of April 15, 1978 (filed as Exhibit 1 to Form 10-Q for the quarter ended June 30, 1978)

*4-A-10 -- Copy of Twenty-fifth Supplemental Indenture between CG&E and The Bank of New York dated as of December 1, 1985 (filed as Exhibit 4-A-20 to Form 10-K for the year ended December 31, 1985)

*4-A-11 -- Copy of Twenty-ninth Supplemental Indenture between CG&E and The Bank of New York dated as of June 15, 1989 (filed as Exhibit 4-A to Form 10-Q for the quarter ended June 30, 1989)

*4-A-12 -- Copy of Thirtieth Supplemental Indenture between CG&E and The Bank of New York dated as of May 1, 1990 (filed as Exhibit 4-A to Form 10-Q for the quarter ended June 30, 1990)

*4-A-13 -- Copy of Thirty-first Supplemental Indenture between CG&E and The Bank of New York dated as of December 1, 1990 (filed as Exhibit 4-A-21 to Form 10-K for the year ended December 31, 1990)

*4-A-14 -- Copy of Thirty-second Supplemental Indenture between CG&E and The Bank of New York dated as of December 15, 1991 (filed as Exhibit 4-A-29 to Registration Statement No. 33-45115 of CG&E)

*4-A-15 -- Copy of Thirty-third Supplemental Indenture between CG&E and The Bank of New York dated as of September 1, 1992 (filed as Exhibit 4-A-30 to Registration Statement No. 33-53578 of CG&E)

*4-A-16 -- Copy of Thirty-fourth Supplemental Indenture between CG&E and The Bank of New York dated as of October 1, 1993 (filed as Exhibit 4-A to Form 10-Q for the quarter ended September 30, 1993)

*4-A-17 -- Copy of Thirty-fifth Supplemental Indenture between CG&E and The Bank of New York dated as of January 1, 1994 (filed as Exhibit 4-A-32 to Registration Statement No. 33-52335 of CG&E)

*4-A-18 -- Copy of Thirty-sixth Supplemental Indenture between CG&E and The Bank of New York dated as of February 15, 1994 (filed as Exhibit 4-A-33 to Registration Statement No. 33-52335 of CG&E)

*4-A-19 -- Copy of Loan Agreement between CG&E and County of Boone, Kentucky dated as of February 1, 1985 (filed as Exhibit 4-A-26 to 1984 Form 10-K of CG&E)

*4-A-20 -- Copy of Loan Agreement between CG&E and State of Ohio Air Quality Development Authority dated as of December 1, 1985 (filed as Exhibit 4-A-28 to Form 10-K for the year ended December 31, 1985)

*4-A-21 -- Copy of Loan Agreement between CG&E and State of Ohio Air Quality Development Authority dated as of December 1, 1985 (filed as Exhibit 4-A-29 to Form 10-K for the year ended December 31, 1985)

*4-A-22 -- Copy of Loan Agreement between CG&E and State of Ohio Air Quality Development Authority dated as of December 1, 1985 (filed as Exhibit 4-A-30 to Form 10-K for the year ended December 31, 1985)

*4-A-23 -- Copy of Repayment Agreement between CG&E and The Dayton Power and Light Company dated as of December 23, 1992 (filed as Exhibit 4-A-29 to Form 10-K for the year ended December 31, 1992)

4-A-24 -- Copy of Loan Agreement between CG&E and State of Ohio Water Development Authority dated as of January 1, 1994

4-A-25 -- Copy of Loan Agreement between CG&E and State of Ohio Air Quality Development Authority dated as of January 1, 1994

4-A-26 -- Copy of Loan Agreement between CG&E and County of Boone, Kentucky dated as of January 1, 1994

*4-B-1 -- Copy of First Mortgage between Union Light and The Bank of New York dated as of February 1, 1949 (filed as Exhibit 7 to Registration Statement No. 2-7793)

*4-B-2 -- Copy of Fifth Supplemental Indenture between Union Light and The Bank of New York dated as of January 1, 1967 (filed as Exhibit 2-C-6 to Registration Statement No. 2-60961 of CG&E)

*4-B-3 -- Copy of Seventh Supplemental Indenture between Union Light and The Bank of New York dated as of October 1, 1973 (filed as Exhibit 2-C-7 to Registration Statement No. 2-60961 of CG&E)

*4-B-4 -- Copy of Eighth Supplemental Indenture between Union Light and The Bank of New York dated as of December 1,

1978 (filed as Exhibit 2-C-8 to Registration Statement No. 2-63591 of CG&E)

*4-B-5 -- Copy of Tenth Supplemental Indenture between Union Light and The Bank of New York dated as of July 1, 1989 (filed as Exhibit 4-B to Form 10-Q of CG&E for the quarter ended June 30, 1989)

*4-B-6 -- Copy of Eleventh Supplemental Indenture between Union Light and The Bank of New York dated as of June 1, 1990 (filed as Exhibit 4-B to Form 10-Q of CG&E for the quarter ended June 30, 1990)

*4-B-7 -- Copy of Twelfth Supplemental Indenture between Union Light and The Bank of New York dated as of November 15, 1990 (filed as Exhibit 4-B-8 to Form 10-K for the year ended December 31, 1990)

*4-B-8 -- Copy of Thirteenth Supplemental Indenture between Union Light and The Bank of New York dated as of August 1, 1992 (filed as Exhibit 4-B-9 to Form 10-K for the year ended December 31, 1992)

*4-C -- Rights Agreement between The Cincinnati Gas & Electric Company and The Fifth Third Bank, as Rights Agent, dated as of July 15, 1992 (filed as Exhibit 4 to Form 8-K dated June 17, 1992)

*10-A-1 -- Copy of Deferred Compensation Agreement between Jackson H. Randolph and CG&E dated January 1, 1992 (filed as Exhibit 10-B-1 to Form 10-K for the year ended December 31, 1992)

*10-A-2 -- Copy of Supplemental Executive Retirement Income Plan between CG&E and certain executive officers (filed as Exhibit 10-B-4 to 1988 Form 10-K of CG&E)

*10-A-3 -- Copy of Amendment to Supplemental Executive Retirement Income Plan between CG&E and certain executive officers (filed as Exhibit 10-B-3 to Form 10-K for the year ended December 31, 1992)

*10-A-4 -- Copy of Key Employee Annual Incentive Plan offered by CG&E to executive officers and other key employees (filed as Exhibit 10-B-5 to 1988 Form 10-K of CG&E)

*10-A-5 -- Copy of Executive Severance Agreement between CG&E and each of its executive officers (filed as Exhibit 10-B-6 to 1989 Form 10-K of CG&E)

*10-A-6 -- Copy of Amendment to Executive Severance Agreement between CG&E and each of its executive officers (filed as Exhibit 10-B-6 to Form 10-K for the year ended December 31, 1992)

*10-A-7 -- Copy of Employment Agreement by and among CG&E, CINergy Corp., PSI Resources, Inc., PSI Energy, Inc. and Jackson H. Randolph dated December 11, 1992 (filed as Exhibit 10-B-7 to Form 10-K for the year ended December 31, 1992)

*10-A-8 -- Copy of Employment Agreement by and among PSI Resources, Inc., PSI Energy, Inc., CG&E, CINergy Corp. and James E. Rogers, Jr., dated December 11, 1992 (filed as Exhibit 10-B-8 to Form 10-K for the year ended December 31, 1992)

21 -- Not applicable

23 -- Consent of Independent Public Accountants dated as of March 15, 1994

(b) Reports on Form 8-K filed during the quarter ended December 31, 1993:

Date of Report	Item Reported
October 20, 1993	Item 7. Financial Statements and Exhibits
October 26, 1993	Item 5. Other Events
	Item 7. Financial Statements and Exhibits

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All schedules, other than Schedules V, VI, VIII, and IX, are omitted as the information is not required or is otherwise furnished, per Title 17, Section 210.5-04, CFR.

* The exhibits with an asterisk have been filed with the Securities and Exchange Commission and are incorporated herein by reference.

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SCHEDULE V

THE CINCINNATI GAS & ELECTRIC COMPANY
AND SUBSIDIARY COMPANIES CONSOLIDATED
Property, Plant and Equipment

For the Year Ended December 31, 1993

(Thousands of Dollars)

Column A Classification	Column B Balance at December 31, 1992	Column C Additions at cost	Column D Retirements or sales	Column E Other changes--debit or (credit)(a)	Column F Balance at December 31, 1993
<S>	<C>	<C>	<C>	<C>	<C>
ELECTRIC					
Production	$3,045,705	$ 47,717 (b)	$ 3,899	$ (229,868)(c)	$2,859,655
Transmission	357,056	9,549	1,161	(57)	365,387
Distribution	941,419	65,853	11,185	187	996,274
General	60,608	3,143	1,751	(1,116)	60,884
Plant held for future use	2,193	--	--	(130)	2,063
Completed construction--not classified (d)	62,498	47,037	--	--	109,535
Total electric	4,469,479	173,299	17,996	(230,984)	4,393,798
GAS					
Production	10,064	51	1	--	10,114
Storage	22	--	--	--	22
Distribution	537,244	40,353	2,800	--	574,797
General	16,691	1,822	931	7	17,589
Plant held for future use	25	--	--	--	25
Completed construction--not classified (d)	13,051	(4,019)	--	--	9,032
Total gas	577,097	38,207	3,732	7	611,579
COMMON	114,753	64,533	602	1,127	179,811
Completed construction--not classified (d)	1,706	1,708	--	--	3,414
Total common	116,459	66,241	602	1,127	183,225
Property, plant and equipment in service	$5,163,035	$277,747	$22,330	$ (229,850)	$5,188,602
CONSTRUCTION WORK IN PROGRESS (d)					
Electric	$ 91,311	$(29,764)	$ --	$ 340 (e)	$ 61,887
Gas	6,887	(925)	--	--	5,962
Common	46,650	(45,148)	--	--	1,502
Total construction work in progress	$ 144,848	$(75,837)	$ --	$ 340	$ 69,351

<FN>
Notes: (a) Amounts in Column E represent transfers between plant accounts.
(b) Includes Unit 1 at the Woodsdale Generating Station which began commercial operation in May 1993.
(c) Reflects the write-off of a portion of Zimmer Station. See Note 5 to the Consolidated Financial Statements for additional information.
(d) Additions are net of transfers to plant in service.
(e) Represents a reclassification from non-utility property.
</TABLE>

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SCHEDULE V

THE CINCINNATI GAS & ELECTRIC COMPANY
AND SUBSIDIARY COMPANIES CONSOLIDATED
Property, Plant and Equipment
For the Year Ended December 31, 1992

(Thousands of Dollars)

Column A Classification	Column B Balance at December 31, 1991	Column C Additions at cost	Column D Retirements or sales	Column E Other changes--debit or (credit)(a)	Column F Balance at December 31, 1992
<S>	<C>	<C>	<C>	<C>	<C>
ELECTRIC					
Production	$2,808,314	$ 245,604 (b)	$ 8,282	$ 69	$3,045,705
Transmission	336,893	21,389	1,225	(1)	357,056
Distribution	895,956	56,390	10,927	--	941,419
General	56,897	7,594	3,857	(26)	60,608

Plant held for future use	2,261	--	--	(68)	2,193
Completed construction--not classified (c)	53,717	8,781	--	--	62,498
Total electric	4,154,038	339,758	24,291	(26)	4,469,479
GAS					
Production	9,873	200	9	--	10,064
Storage	21	1	--	--	22
Distribution	498,808	41,302	2,866	--	537,244
General	15,399	2,705	1,441	28	16,691
Plant held for future use	58	--	33	--	25
Completed construction--not classified (c)	20,200	(7,149)	--	--	13,051
Total gas	544,359	37,059	4,349	28	577,097
COMMON	93,329	22,172	746	(2)	114,753
Completed construction--not classified (c)	18,375	(16,669)	--	--	1,706
Total common	111,704	5,503	746	(2)	116,459
Property, plant and equipment in service	$4,810,101	$ 382,320	$29,386	$ --	$5,163,035
CONSTRUCTION WORK IN PROGRESS (c)					
Electric	$ 253,417	$(162,114)(b)	$ --	$ 8 (d)	$ 91,311
Gas	5,670	1,217	--	--	6,887
Common	41,039	5,611	--	--	46,650
Total construction work in progress	$ 300,126	$(155,286)	$ --	$ 8	$ 144,848

<FN>
Notes: (a) Amounts in Column E represent transfers between plant accounts.
(b) Includes the Woodsdale Generating Station which began commercial operation in May 1992.
(c) Additions are net of transfers to plant in service.
(d) Represents a reclassification from non-utility property.
</TABLE>

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SCHEDULE V

THE CINCINNATI GAS & ELECTRIC COMPANY
AND SUBSIDIARY COMPANIES CONSOLIDATED
Property, Plant and Equipment
For the Year Ended December 31, 1991

(Thousands of Dollars)

Column A Classification	Column B Balance at December 31, 1990	Column C Additions at cost	Column D Retirements or sales	Column E Other changes--debit or (credit)(a)	Column F Balance at December 31, 1991
<S>	<C>	<C>	<C>	<C>	<C>
ELECTRIC					
Production	$1,362,584	$ 1,454,855 (b)	$ 9,508	$ 383	$2,808,314
Transmission	307,561	30,699	734	(633)	336,893
Distribution	843,083	59,643	7,403	633	895,956
General	53,383	8,464	4,972	22	56,897
Plant held for future use	2,644	--	--	(383)	2,261
Completed construction--not classified (c)	44,562	9,155	--	--	53,717
Total electric	2,613,817	1,562,816	22,617	22	4,154,038
GAS					
Production	9,848	38	13	--	9,873
Storage	21	--	--	--	21
Distribution	447,383	54,168	2,743	--	498,808
General	14,475	2,126	1,206	4	15,399
Plant held for future use	58	--	--	--	58
Completed construction--not classified (c)	21,197	(997)	--	--	20,200
Total gas	492,982	55,335	3,962	4	544,359
COMMON	92,804	2,701	2,150	(26)	93,329
Completed construction--not classified (c)	4,902	13,473	--	--	18,375
Total common	97,706	16,174	2,150	(26)	111,704
Property, plant and equipment in service	$3,204,505	$ 1,634,325	$28,729	$ --	$4,810,101

CONSTRUCTION WORK IN PROGRESS (c)					
Electric	$1,492,341	$ (1,239,182)(b)	$ --	$ 258 (d)	$ 253,417
Gas	7,736	(2,066)	--	--	5,670
Common	24,039	17,000	--	--	41,039
Total construction work in progress	$1,524,116	$ (1,224,248)	$ --	$ 258	$ 300,126

<FN>
Notes: (a) Amounts in Column E represent transfers between plant accounts.
(b) Includes the Wm. H. Zimmer Generating Station which began commercial operation in March 1991.
(c) Additions are net of transfers to plant in service.
(d) Represents a reclassification from non-utility property.
</TABLE>

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SCHEDULE VI

THE CINCINNATI GAS & ELECTRIC COMPANY
AND SUBSIDIARY COMPANIES CONSOLIDATED
Accumulated Provisions for Depreciation
For the Years Ended December 31, 1993, 1992 and 1991

(Thousands of Dollars)

Column A	Column B	Column C		Column D		Column E	Column F
		Additions		Deductions			
Description	Balance at beginning of period	Charged to expenses	Charged to clearing	Retirements or sales	Salvage and cost of removal, net	Other	Balance at end of period
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
For the Year Ended December 31, 1993							
Electric	$1,196,987	$129,171	$2,789	$17,925	$2,470	$(17,369)(a)	$1,291,183
Gas	159,334	15,798	1,067	3,731	(12)	--	172,480
Common	13,663	5,552	579	596	239	280	19,239
Retirement work in progress	(7,516)	--	--	--	3,073	--	(10,589)
	$1,362,468	$150,521	$4,435	$22,252	$5,770	$(17,089)	$1,472,313
For the Year Ended December 31, 1992							
Electric	$1,096,440	$122,840	$2,780	$24,120	$ 914	$ (39)	$1,196,987
Gas	149,474	14,385	1,068	4,315	1,283	5	159,334
Common	10,812	3,304	599	745	341	34	13,663
Retirement work in progress	(7,680)	--	--	--	(164)	--	(7,516)
	$1,249,046	$140,529	$4,447	$29,180	$2,374	$ --	$1,362,468
For the Year Ended December 31, 1991							
Electric	$1,006,455	$113,901	$2,704	$22,470	$4,159	$ 9	$1,096,440
Gas	140,483	13,159	996	3,961	1,203	--	149,474
Common	10,025	2,994	600	2,150	648	(9)	10,812
Retirement work in progress	(6,854)	--	--	--	826	--	(7,680)
	$1,150,109	$130,054	$4,300	$28,581	$6,836	$ --	$1,249,046

<FN>
Notes: (a) Reflects the accumulated provision for depreciation associated with the Zimmer Station write-off. See Note 5 to the Consolidated Financial Statements for additional information.
</TABLE>

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SCHEDULE VIII

THE CINCINNATI GAS & ELECTRIC COMPANY

AND SUBSIDIARY COMPANIES

Other Accumulated Provisions

For the Year Ended December 31, 1993

(Thousands of Dollars)

Column A Description	Column B Balance at December 31, 1992	Column C Additions Charged to expenses	Column C Additions Charged to other accounts	Column D Deductions for purposes for which provisions were made	Column E Balance at December 31, 1993
<S>	<C>	<C>	<C>	<C>	<C>
Shown on asset side of balance sheet					
Doubtful accounts	$ 12,114	$19,801	$ 1,032	$ 18,041	$ 14,906
Amounts due from customers - income taxes (a)	$ --	$ --	$387,748	$ --	$387,748
Deferred income taxes (a) (b)	$ 35,569	$ --	$(35,569)	$ --	$ --
Shown on liability side of balance sheet					
Deferred income taxes (a)	$307,139	$45,631	$396,307	$ 15,853	$733,224
Investment tax credits	$147,663	$ 1,196	$ --	$ 7,339	$141,520
Accrued pension cost	$ 37,295	$ 6,866	$ 746	$ 3,081	$ 41,826
Other liabilities and deferred credits-					
Customers' advances for construction	$ 9,850	$ --	$ (1,025)	$ --	$ 8,825
Injuries and damages	1,078	5,035	--	5,639	474
Other	61,977	20,580	197,081	181,063	98,575 (c)
	$ 72,905	$25,615	$196,056	$186,702	$107,874

<FN>
Notes: (a) Reflects the adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". See Note 1 to the Consolidated Financial Statements for further information.
(b) Included in Other Assets on the Consolidated Balance Sheet.
(c) Includes $30.0 million of accrued post-retirement benefits and $8.1 million of gas costs refundable to customers. See Note 1 to the Consolidated Financial Statements for further information.
</TABLE>

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SCHEDULE VIII

THE CINCINNATI GAS & ELECTRIC COMPANY

AND SUBSIDIARY COMPANIES

Other Accumulated Provisions

For the Year Ended December 31, 1992

(Thousands of Dollars)

Column A Description	Column B Balance at December 31, 1991	Column C Additions Charged to expenses	Column C Additions Charged to other accounts	Column D Deductions for purposes for which provisions were made	Column E Balance at December 31, 1992
<S>	<C>	<C>	<C>	<C>	<C>
Shown on asset side of balance sheet					

Doubtful accounts	$ 12,003	$18,143	$ 989	$ 19,021	$ 12,114
Deferred income taxes (a)	$ 26,734	$21,218	$ 586	$ 12,969	$ 35,569
Shown on liability side of balance sheet					
Deferred income taxes	$246,056	$80,074	$ 586	$ 19,577	$307,139
Investment tax credits	$153,502	$ (30)	$ --	$ 5,809	$147,663
Other liabilities and deferred credits-					
Customers' advances for construction	$ 9,972	$ --	$ (122)	$ --	$ 9,850
Injuries and damages	1,572	10,275	--	10,769	1,078
Other	56,982	18,804	149,098	125,612	99,272 (b)
	$ 68,526	$29,079	$148,976	$136,381	$110,200

<FN>
Notes: (a) Included in Other Assets on the Consolidated Balance Sheet.
(b) Includes $28.4 million of additional pension benefits extended in connection with an early retirement program and workforce reduction, and $20.2 million of accrued post-retirement life insurance benefits. See Note 1 to the Consolidated Financial Statements for further information.
</TABLE>

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SCHEDULE VIII

THE CINCINNATI GAS & ELECTRIC COMPANY
AND SUBSIDIARY COMPANIES
Other Accumulated Provisions
For the Year Ended December 31, 1991
(Thousands of Dollars)

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at December 31, 1990	Charged to expenses	Charged to other accounts	Deductions for purposes for which provisions were made	Balance at December 31, 1991
<S>	<C>	<C>	<C>	<C>	<C>
Shown on asset side of balance sheet					
Doubtful accounts	$ 11,752	$17,757	$ 796	$ 18,302	$ 12,003
Deferred income taxes (a)	$ 20,089	$24,359	$ (3,125)	$ 14,589	$ 26,734
Shown on liability side of balance sheet					
Deferred income taxes	$219,105	$56,373	$ (3,125)	$ 26,297	$246,056
Investment tax credits	$158,614	$ 737	$ --	$ 5,849	$153,502
Other liabilities and deferred credits-					
Customers' advances for construction	$ 9,104	$ --	$ 868	$ --	$ 9,972
Injuries and damages	2,046	5,299	--	5,773	1,572
Other	52,352	22,959	(1,985)	16,344	56,982 (b)

$ 63,502	$28,258	$ (1,117)	$ 22,117	$ 68,526

<FN>
Notes: (a) Included in Other Assets on the Consolidated Balance Sheet.
(b) Includes $19.2 million of accrued post-retirement life insurance benefits and $4.6 million of gas costs refundable to customers.
</TABLE>

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SCHEDULE IX

THE CINCINNATI GAS & ELECTRIC COMPANY
AND SUBSIDIARY COMPANIES CONSOLIDATED
Short-Term Borrowings
For the Years Ended December 31, 1993, 1992 and 1991

(Thousands of Dollars)

Column A Category of aggregate short-term borrowings	Column B Balance at end of period	Column C Weighted average interest rate	Column D Maximum amount outstanding during the period (a)	Column E Average amount outstanding during the period (b)	Column F Weighted average interest rate during the period (b)
<S>	<C>	<C>	<C>	<C>	<C>
For the Year Ended December 31, 1993					
Notes payable--					
Bank (c)	$31,000	3.48%	$ 56,080	$22,518	3.35%
Commercial paper (d)	--	--	$ 28,000	$ 7,694	3.44%
For the Year Ended December 31, 1992					
Notes payable--					
Bank (c)	$33,500	3.74%	$ 72,500	$27,007	4.06%
Commercial paper (d)	$13,000	4.22%	$ 26,000	$ 3,098	3.82%
For the Year Ended December 31, 1991					
Notes payable--					
Bank (c)	$25,000	4.81%	$112,500	$39,656	5.90%
Commercial paper (d)	--	--	$ 53,000	$24,852	6.09%

<FN>
Notes: (a) Reflects the maximum amount outstanding for each category of short-term borrowings but not necessarily the maximum aggregate amount outstanding during the period.
(b) Computed by using the average daily borrowings outstanding during the period.
(c) Consists of bank notes issued for 90 days or less.
(d) Commercial paper is issued to a dealer at a discount with a term not to exceed nine months.
</TABLE>

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on this 15th day of March, 1994.

THE CINCINNATI GAS & ELECTRIC COMPANY

By Jackson H. Randolph
(Jackson H. Randolph,
Chairman of the Board, President and
Chief Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

(i) Principal Executive Officer:

Chairman of the Board,

Jackson H. Randolph (Jackson H. Randolph)	President and Chief Executive Officer and Director	March 15, 1994

(ii) Principal Financial Officer:

C. R. Everman (C. Robert Everman)	Senior Vice-President--Finance and Director	March 15, 1994

(iii) Principal Accounting Officer:

Daniel R. Herche (Daniel R. Herche)	Controller	March 15, 1994

(iv) A Majority of the Board of Directors:

Neil A. Armstrong (Neil A. Armstrong)	Director	March 15, 1994
Oliver W. Birckhead (Oliver W. Birckhead)	Director	March 15, 1994
Clement L. Buenger (Clement L. Buenger)	Director	March 15, 1994
George C. Juilfs (George C. Juilfs)	Director	March 15, 1994
Thomas E. Petry (Thomas E. Petry)	Director	March 15, 1994
 (Jane L. Rees)	Director	March 15, 1994
John J. Schiff, Jr. (John J. Schiff, Jr.)	Director	March 15, 1994
Dudley S. Taft (Dudley S. Taft)	Director	March 15, 1994
Oliver W. Waddell (Oliver W. Waddell)	Director	March 15, 1994

EXHIBIT 3-A-1

Amended
Articles of Incorporation

of

THE CINCINNATI GAS & ELECTRIC COMPANY

Effective
January 24, 1994

AMENDED ARTICLES OF INCORPORATION

of

THE CINCINNATI GAS & ELECTRIC COMPANY

The Cincinnati Gas & Electric Company, a corporation for profit, heretofore organized in the year 1837 and now existing under the laws of the State of Ohio, adopts, makes and files these Amended Articles of Incorporation to supersede and take the place of its heretofore existing Articles of Incorporation and all previously adopted Amendments thereto:

ARTICLE FIRST

The name of the corporation shall be The Cincinnati Gas & Electric Company (hereinafter referred to as the "Company").

ARTICLE SECOND

The place in the State of Ohio where the principal office of the Company is located is the City of Cincinnati and the County of Hamilton.

ARTICLE THIRD

The purpose for which the Company is formed is to engage in any lawful act or activity for which corporations may be formed under Sections 1701.01 to 1701.98 of the Ohio Revised Code.

ARTICLE FOURTH

The maximum number of shares which the Company is authorized to have outstanding is 126,000,000 shares of which 6,000,000 shares of the par value of $100 each and of the aggregate par value of $600,000,000 are to be Cumulative Preferred Stock, and 120,000,000 shares of the par value of $8.50 each and of the aggregate par value of $1,020,000,000 are to be Common Stock.

The Common Stock and Cumulative Preferred Stock shall have the following respective designations, preferences, dividend rights, voting powers, redemption rights, conversion rights, restrictions on issuance of shares and other relative, participating, optional or other special rights and preferences, and qualifications, limitations or restrictions thereon, and are created on the following terms, respectively:

COMMON STOCK

The shares of Common Stock may be issued at any time or from time to time for such amount of consideration as may be fixed by the Board of Directors. The holders of Common Stock shall not be entitled to subscribe for or purchase or receive any part of any new or additional issue of, or any warrant, option or other right for the purchase of, stock of any class or securities convertible into stock of any class whether now or hereafter authorized and whether issued for cash, property, by way of dividends or otherwise, except as authorized by the Board of Directors.

CUMULATIVE PREFERRED STOCK

Clause 1. Except as otherwise provided by this Article Fourth or by the resolution or resolutions of the Board of Directors providing for the issue of any series of Cumulative Preferred Stock, the Cumulative Preferred Stock may be issued at any time or from time to time in any amount, not exceeding in the aggregate, including all shares of any and all series

thereof theretofore issued, the total number of shares of Cumulative Preferred Stock hereinabove authorized, as Cumulative Preferred Stock of one or more series, as hereinafter provided, and for such lawful consideration as shall be fixed from time to time by the Board of Directors. All shares of any one series of Cumulative Preferred Stock shall be alike in every particular, each series thereof shall be distinctively designated by letter or descriptive words, and all series of Cumulative Preferred Stock shall rank equally and be identical in all respects except as permitted by the provisions of Clause 2 of this Article Fourth.

Clause 2. Authority is hereby expressly granted to the Board of Directors from time to time to adopt amendments to these Articles providing for the issue in one or more series of any unissued or treasury shares of the Cumulative Preferred Stock, and to fix, by the amendment creating each such series of the Cumulative Preferred Stock, the designation and number of shares, dividend rate, dividend payments dates (for any series issued subsequent to April 22, 1981), redemption rights and price, sinking fund requirements, conversion rights and restrictions on issuance of shares, of such series, to the full extent now or hereafter permitted by the laws of the State of Ohio and notwithstanding the provisions of any other Article of these Amended Articles of the Company, in respect of the matters set forth in the following subdivisions (a) to (g), inclusive:

(a) The designation and number of shares of such series;

(b) The dividend rate of such series;

(c) The dividend payment dates of such series (for any series issued subsequent to April 22, 1981);

(d) The price or prices at which shares of such series may be redeemed, provided that such price shall not be less than $100 a share and not more than $115 a share, plus an amount equal to all accrued dividends thereon to the date fixed for redemption;

(e) The amount of the sinking fund, if any, to be applied to the purchase or redemption of shares of such series and the manner of its application;

(f) Whether or not the shares of such series shall

be made convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same class of stock of the Company, and if made so convertible or exchangeable, the conversion price or prices, or the rates of exchange, and the adjustments, if any, at which such conversion or exchange may be made; and

(g) Whether or not the issue of any additional shares of such series or any future series in addition to such series shall be subject to any restrictions and, if so, the nature of such restrictions.

Clause 3. Before any dividends shall be declared or paid upon or set apart for, or distribution made on, the Common Stock and before any sum shall be paid or set apart for the purchase or redemption of Cumulative Preferred Stock of any series or for the purchase of the Common Stock, the holders of Cumulative Preferred Stock of each series shall be entitled to receive, if and when declared by the Board of Directors, dividends at the annual rate fixed for such series in accordance with the provisions of this Article Fourth, and no more, from October 1, 1945, or if the first issue of any shares of a series is made subsequent to December 31, 1945 but prior to April 23, 1981, from the dividend payment date of, or next preceding the date of, issue thereof, payable on January 1, April 1, July 1 and October 1 of each year; provided, however, if the first issue of any shares of a series is made subsequent to April 22, 1981, from the dividend payment date of, or next preceding the date of, issue thereof, payable on quarterly payment dates as fixed by the Board of Directors. Dividends shall be cumulative so that if for any dividend period or periods dividends on the outstanding Cumulative Preferred Stock of any series, at the rates fixed for such series, shall not have been paid, such dividends shall be paid, or declared and set apart for payment, before any dividends shall be declared or paid upon or set apart for, or any distribution made on, the Common Stock and before any sum shall be paid or set apart for the purchase or redemption of Cumulative Preferred Stock of any series or for the purchase of Common Stock. Deferred dividends shall not bear interest. Dividends on all Cumulative Preferred Stock of the same series shall be cumulative from the same date and in the event of the issue of additional Cumulative Preferred Stock of any series all dividends paid on Cumulative Preferred Stock of such series on the date of or on a date prior to the issue of such additional Cumulative Preferred Stock and all dividends declared and payable to holders of record of Cumulative Preferred Stock of such series on a date prior to such additional issue shall be deemed to have been paid on the

additional stock so issued. If at any time Cumulative Preferred Stock of more than one series shall be outstanding, any dividends declared upon the Cumulative Preferred Stock in an amount less than the full amount payable on all Cumulative Preferred Stock outstanding shall be declared pro rata so that the amounts of dividends declared on each share of the Cumulative Preferred Stock of different series shall in all cases bear to each other the same proportions that the respective dividend rates of such respective series bear to each other.

Clause 4. Upon at least thirty days previous notice given by mail to record holders of Cumulative Preferred Stock to be redeemed at their respective addresses as they appear on the books of the Company and by publication in a newspaper of general circulation in the City of Cincinnati, Ohio, and in a newspaper of general circulation in the Borough of Manhattan, City and State of New York, the Company, at its election, by action of its Board of Directors may redeem the whole of the Cumulative Preferred Stock or any series thereof or any part of any series thereof by lot or pro rata, at any time or from time to time and at the prices fixed for the redemption of such shares in accordance with the provisions of this Article Fourth (the price so fixed for any series being herein called the redemption price of such series). If the Company shall determine to redeem by lot less than all the shares of any series of Cumulative Preferred Stock, the selection by lot of the shares of such series so to be redeemed shall be conducted by an independent bank or trust company. From and after the date fixed in such notice as the date of redemption, unless default shall be made by the Company in providing moneys at the time and place specified for the payment of the redemption price pursuant to such notice, or, if the Company shall so elect, from and after a date, which shall be prior to the date fixed as the date of redemption, on which the Company shall provide moneys for the payment of the redemption price by depositing the amount thereof in trust for the account of the holders of the Cumulative Preferred Stock called for redemption with a bank or trust company doing business in the Borough of Manhattan, in the City and State of New York, or in the City of Cincinnati, Ohio, and having capital and surplus of at least $5,000,000, pursuant to notice of such election included in the notice of redemption specifying the date on which such deposit will be made, all dividends on the Cumulative Preferred Stock called for redemption shall cease to accrue and all rights of the holders thereof as shareholders of the Company, except the right to receive the redemption price

upon presentation and surrender of the respective certificates for the Cumulative Preferred Stock called for redemption, shall cease and determine. The Company may, from time to time, purchase the whole of the Cumulative Preferred Stock or any series thereof, or any part of any series thereof, upon the best terms reasonably obtainable, but in no event at a price greater than the redemption price in effect at the date of such purchase of the shares so purchased. Such redemption or purchase may, however, be effected only if full cumulative dividends upon all shares of the Cumulative Preferred Stock of all series then outstanding and not then to be redeemed or purchased shall have been declared and payment provided for. Cumulative Preferred Stock of any series redeemed or purchased may in the discretion of the Board of Directors be reissued, at any time or from time to time, as stock of the same or of a different series, or may be cancelled and not reissued.

Clause 5. After full cumulative dividends as aforesaid upon the Cumulative Preferred Stock of all series then outstanding shall have been paid for all past dividend periods, and after or concurrently with making payment of or provision for full dividends on the Cumulative Preferred Stock of all series then outstanding for the current dividend period, then and not otherwise dividends may be declared upon the Common Stock at such rate as the Board of Directors may determine and no holders of shares of any series of the Cumulative Preferred Stock, as such, shall be entitled to share therein.

Clause 6-A. So long as any shares of the Cumulative Preferred Stock of any series shall be outstanding, the Company shall not, without the consent in writing of the holders of record of at least a majority of the total number of shares of the Cumulative Preferred Stock of all series then outstanding or the consent (given by vote at a meeting called for that purpose in the manner prescribed by the Code of Regulations of the Company) of the holders of record of at least a majority of the total number of shares of the Cumulative Preferred Stock of all series then outstanding:

(a) Increase the authorized number of shares of the Cumulative Preferred Stock; or

(b) 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

indebtedness theretofore incurred or assumed by the Company or the redemption or other retirement of outstanding shares of stock ranking prior to the Cumulative Preferred Stock with respect to the payment of dividends or upon the dissolution, liquidation or winding up of the Company, whether voluntary or involuntary, 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 Company and then outstanding (including unsecured securities then to be issued or assumed) would exceed 20% of the aggregate of (i) the total principal amount of all bonds and other securities representing secured indebtedness issued or assumed by the Company and then to be outstanding, and (ii) the capital and surplus of the Company as then to be stated on the books of account of the Company; or

(c) Consolidate or merge with or into any other corporation or corporations, unless such consolidation or merger, or the issuance or assumption of all securities to be issued or assumed in connection with such consolidation or merger, shall have been ordered, approved or permitted by the Securities and Exchange Commission or by any successor commission or other regulatory authority of the United States of America having jurisdiction over such consolidation or merger or the issuance or assumption of securities in connection therewith; provided that the provisions of this subdivision (c) shall not apply to (i) a consolidation of the Company with, or a merger into the Company of, any subsidiary all the outstanding shares of stock of which at the time shall be owned by the Company, or (ii) the purchase or other acquisition by the Company of the franchises or assets of another corporation, or (iii) any transaction which does not involve a consolidation or merger under the laws of the State of Ohio.

Clause 6-B. So long as any shares of the Cumulative Preferred Stock of any series shall be outstanding, the Company shall not, without the consent in writing of the holders of record of at least two-thirds of the total number of shares of the Cumulative Preferred Stock of all series then outstanding or the consent (given by vote at a meeting called for that purpose in the manner prescribed by the Code of Regulations of the Company) of the

holders of record of at least two-thirds of the total number of shares of the Cumulative Preferred Stock of all series then outstanding:

(a) Create or authorize any kind of stock ranking prior to the Cumulative Preferred Stock with respect to the payment of dividends or upon the dissolution, liquidation or winding up of the Company, whether voluntary or involuntary, or create or authorize any obligation or security convertible into shares of any such kind of stock; or

(b) Amend, alter, change or repeal any of the express terms of the Cumulative Preferred Stock so as to affect the holders thereof adversely; or

(c) Sell all or substantially all its assets, or sell all or substantially all its electric properties; or

(d) Issue any additional shares of any series of the Cumulative Preferred Stock, other than a maximum of 270,000 shares of the first series, or any shares ranking on a parity with it, unless the consolidated income of the Company and its subsidiaries (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 shall be authorized by the Board of Directors of the Company shall have been in the aggregate not less than one and one-half times the sum, on a consolidated basis, of the interest requirements (adjusted by provision for amortization of debt discount and expense or of premium on debt, as the case may be) for one year on all the indebtedness of the Company and its subsidiaries outstanding at the date of such proposed issue and the full dividend requirements for one year on all shares of preferred stock of the subsidiaries of the Company outstanding at the date of such proposed issue and the full dividend requirements for one year on all outstanding shares (including those then proposed to be issued but excluding any shares proposed to be retired in connection with such issue) of the Cumulative Preferred Stock and all other stock, if any, ranking prior to or on a parity with the Cumulative Preferred Stock with respect to the payment of dividends or the distribution of assets upon the dissolution, liquidation or winding up of the Company, whether

voluntary or involuntary.

"Consolidated income" for any period for the purposes of this subdivision (d) of Clause 6-B shall be computed by adding to the consolidated net income of the Company and its subsidiaries for said period, determined in accordance with generally accepted accounting principles and practices, as adjusted by action of the Board of Directors of the Company as hereinafter provided, the amount deducted for interest (adjusted as above provided) in determining such net income. In determining such consolidated net income for any period, there shall be deducted, in addition to other items of expense, the amount charged to income for said period on the books of the Company and its subsidiaries for taxes and depreciation expense. In the determination of consolidated net income for the purposes of this subdivision (d), the Board of Directors of the Company

may, in the exercise of due discretion, make adjustments by way of increase or decrease in such consolidated 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 Company or its subsidiaries either prior to the issuance of any shares of Cumulative Preferred Stock then to be issued or in connection therewith.

The term "subsidiary" as used in this subdivision (d) of Clause 6-B shall mean any corporation more than 50% of the voting stock (stock at the time entitling the holders thereof to elect a majority of the Board of Directors of such corporation) of which at the time is owned or controlled, directly or indirectly, by the Company or by one or more subsidiaries of the Company, or by the Company and by one or more subsidiaries of the Company.

The term "preferred stock" of a subsidiary as used in this subdivision (d) of Clause 6-B shall mean any stock of such subsidiary entitled to a preference as to dividends or as to assets upon any liquidation or dissolution of such subsidiary over any other stock of such subsidiary.

Clause 6-C. So long as any shares of the Cumulative Preferred Stock of any series shall be outstanding, the Company shall not, without the consent in writing of the holders of record of at least two-thirds of the total number of shares of all series of the Cumulative Preferred Stock which may be affected adversely or the consent (given by vote at a meeting called for that purpose in the manner prescribed by the Code of Regulations of the Company) of the holders of record of at least two-thirds of the total number of shares of all series of the Cumulative Preferred Stock which may be affected adversely, amend, alter, change or repeal any of the express terms of one or more series of the Cumulative Preferred Stock so as to affect such series adversely.

Clause 7. Except as and to the extent otherwise provided in this Article Fourth, the Cumulative Preferred Stock shall not entitle any holder thereof to vote at any meeting of shareholders or election of the Company, or otherwise to participate in any action taken by the Company or the shareholders thereof; provided, however, that whenever dividends payable on the Cumulative Preferred Stock shall be in default in an aggregate amount equivalent to four full quarterly dividends on all shares of such Cumulative Preferred Stock then outstanding, and until all such dividends then in default shall have been paid or declared and set apart for payment, the holders of the Cumulative Preferred Stock of all series, voting separately as a class and regardless of series, shall be entitled to elect a majority of the Board of Directors, as then constituted, of the Company, and the holders of any other class or classes of stock of the Company entitled to vote for the election of directors shall be entitled, voting separately as a class, to elect the remainder of the Board of Directors, as then constituted, of the Company. The right of the holders of the Cumulative Preferred Stock voting separately as a class to elect members of the Board of Directors of the Company as aforesaid shall continue until such time as all dividends accumulated on the Cumulative Preferred Stock shall have been paid in full, or declared and set apart for payment (and such dividends shall be paid, or declared and set apart for payment, out of assets available therefor as soon as is reasonably practicable), at which time

the right of the holders of the Cumulative Preferred Stock voting separately as a class to elect members of the Board of Directors as aforesaid and the right of the holders or any other class or classes of stock of the Company entitled to

vote for the election of directors voting separately as a class to elect the remainder of the Board of Directors as aforesaid shall terminate, subject to revesting in the event of each and every subsequent default of the character above mentioned.

The aforesaid rights of the holders of the Cumulative Preferred Stock and of any other class or classes of stock of the Company to vote separately for the election of members of the Board of Directors may be exercised at any annual meeting of shareholders of the Company or, within the limitations hereinafter provided, at a special meeting of shareholders of the Company held for the purpose of electing directors.

At such time when the right of the holders of the Cumulative Preferred Stock to elect a majority of the Board of Directors shall have become vested as aforesaid, a special meeting of shareholders of the Company may be called and held for the purpose of electing directors in the following manner (unless under the provisions of the Code of Regulations of the Company, as then in effect, an annual meeting of shareholders of the Company is to be held within 60 days after the vesting in the holders of the Cumulative Preferred Stock of the right to elect members of the Board of Directors or unless, subsequent to such vesting, a meeting of shareholders of the Company has been held at which holders of the Cumulative Preferred Stock were entitled to elect members of the Board of Directors).

Upon the written request of any holder of record of the Cumulative Preferred Stock then outstanding, regardless of series, addressed to the Secretary of the Company, the Secretary or an Assistant Secretary of the Company shall call a special meeting of the shareholders entitled to vote for the election of directors, for the purpose of electing a majority of the Board of Directors by the vote of the holders of the Cumulative Preferred Stock, and the remainder of the Board of Directors by the vote of the holders of such other class or classes of stock as may then be entitled to vote for the election of directors, voting separately as hereinbefore provided. Such meeting shall be held within 50 days after personal service of such written request upon the Secretary of the Company, or within 50 days after mailing the same within the United States of America by registered mail addressed to the Secretary of the Company at its principal office. If such meeting shall not be called within 20 days of such personal service or mailing, then any holder of record of the Cumulative Preferred Stock then outstanding, regardless of series, may designate in writing himself or any other holder of record of the Cumulative Preferred Stock to call such special meeting at the expense of the Company, and

such meeting may be called by such person so designated upon the notice required for special meetings of shareholders and shall be held at the place for the holding of annual meetings of shareholders of the Company. Any holder of the Cumulative Preferred Stock so designated shall have access to the stock books of the Company for the purpose of causing said meeting to be called as aforesaid.

At any annual or special meeting held for the purpose of electing directors when the holders of the Cumulative Preferred Stock shall be entitled to elect members of the Board of Directors as aforesaid, the presence in person or by proxy of the holders of a majority of the total number of outstanding shares of the class or classes of stock of the Company

other than the Cumulative Preferred Stock entitled to elect directors as aforesaid shall be required to constitute a quorum of such class or classes for the election of directors by such class or classes, and the presence in person or by proxy of the holders of a majority of the total number of outstanding shares of the Cumulative Preferred Stock shall be required to constitute a quorum of such class for the election of directors by such class; provided, however, that a majority of those holders of the stock of either such class or classes who are present in person or by proxy shall have power to adjourn such meeting for the election of directors by such class from time to time without notice other than announcement at the meeting.

Upon the election of a majority of the Board of Directors by the holders of the Cumulative Preferred Stock, the term of office of all directors then in office shall terminate; and no delay or failure by the holders of other classes of stock in electing the remainder of the Board of Directors shall invalidate the election of a majority thereof by the holders of the Cumulative Preferred Stock.

Upon any termination of the right of the holders of the Cumulative Preferred Stock to elect members of the Board of Directors as aforesaid, the term of office of the directors then in office shall terminate upon the election of a majority of the Board of Directors, as then constituted, at a meeting of the holders of the class or classes of stock of the Company then entitled to vote for directors, which meeting may be held at any time after such termination of such right, and shall be called upon the request of holders of record of such class or classes of stock then entitled to

vote for directors, in like manner and subject to similar conditions as hereinbefore in this Clause 7 provided with respect to the call of a special meeting of shareholders for the election of directors by the holders of the Cumulative Preferred Stock.

In case of any vacancy in the office of a director occurring among the directors elected by the holders of the Cumulative Preferred Stock as aforesaid, or of a successor to any such director, the remaining directors so elected may elect, by affirmative vote of a majority thereof, or the remaining director so elected if there be but one, a successor or successors to hold office for the unexpired term of the director or directors whose place or places shall be vacant, and such successor or successors shall be deemed to have been elected by the holders of the Cumulative Preferred Stock as aforesaid. Likewise, in case of any vacancy in the office of a director occurring (at a time when the holders of the Cumulative Preferred Stock shall be entitled to elect members of the Board of Directors as aforesaid) among the directors elected by the holders of the class or classes of stock of the Company other than the Cumulative Preferred Stock, or of a successor to any such director, the remaining directors so elected may elect, by affirmative vote of a majority thereof, or the remaining director so elected if there be but one, a successor or successors to hold office for the unexpired term of the director or directors whose place or places shall be vacant, and such successor or successors shall be deemed to have been elected by such holders of the class or classes of stock of the Company other than the Cumulative Preferred Stock.

Except as herein otherwise expressly provided and except when some mandatory provision of law shall be controlling, whenever shares of two or more series of the Cumulative Preferred Stock shall be outstanding, no particular series of the Cumulative Preferred Stock shall be entitled to vote as a separate series on any matter and all shares of the Cumulative Preferred Stock of all series shall be deemed to constitute but one class for any purpose for which a vote of the shareholders of the Company by classes may now or hereafter be required.

Clause 8. Upon any dissolution, liquidation, winding up or reduction of the capital stock of the Company resulting in a distribution of assets to its shareholders, holders of Cumulative Preferred Stock of each series then outstanding, before any distribution of assets shall be made to the

holders of Common Stock, shall be entitled to receive (a) in the event of any involuntary dissolution, liquidation or winding up of the Company, $100 a share together with an amount equal to all accrued dividends thereon, and (b) in the event of any voluntary dissolution, liquidation or winding up of the Company or in the event of a reduction of the capital stock of the Company resulting in a distribution of assets to its shareholders, an amount equal to the redemption price then in effect of the Cumulative Preferred Stock of such series. If upon any such dissolution, liquidation or winding up of the Company or reduction of its capital stock, the assets so to be distributed among the holders of the Cumulative Preferred Stock shall be insufficient to permit the payment to such holders of the full preferential amounts aforesaid, then the entire assets of the Company shall be distributed ratably among the holders of the Cumulative Preferred Stock in proportion to the full preferential amounts to which they are respectively entitled as aforesaid. After payment to the holders of the Cumulative Preferred Stock of the full preferential amounts hereinbefore provided for, the holders of the Cumulative Preferred Stock, as such, shall have no right or claim to any of the remaining assets of the Company and the remaining assets to be distributed, if any, shall be distributed to the holders of the Common Stock.

Clause 9. The holders of the Cumulative Preferred Stock shall have no right whatever to subscribe for or purchase or receive any part of any new or additional issue of stock of any class or securities convertible into stock of any class whether now or hereafter authorized and whether issued for cash, property or by way of dividends.

Clause 10. The term "accrued dividends", whenever used herein with respect to the Cumulative Preferred Stock of any series shall be deemed to mean that amount which would have been paid as dividends on the Cumulative Preferred Stock of such series to date had full dividends been paid thereon at the rate fixed for such series in accordance with the provisions of this Article Fourth, less in each case the amount of all dividends paid upon the shares of such series and the dividends deemed to have been paid as provided in Clause 3 hereof.

Clause 11. So long as any shares of the first series of Cumulative Preferred Stock shall be outstanding, the Company shall not, at any time after December 31, 1949, declare any dividend on any of its Common Stock, except dividends payable in shares of Common Stock of the Company, or purchase any shares of its Common Stock, or make any distribution of cash or property among its Common Stockholders, by the reduction of its

capital stock or otherwise, unless, after giving effect to such dividend, purchase or distribution, the aggregate of all such dividends and all amounts applied to such purchases or so distributed subsequent to December 31, 1949, shall not exceed 75% of the net income of the Company subsequent to December 31, 1949, if, at the time of the declaration of such dividend or the making of such purchase or distribution, the aggregate of the par value of, or stated capital represented by, the outstanding shares of Common Stock of the Company and of the surplus of the Company shall be less than an amount equal to 25% of the total capitalization and surplus of the Company.

For the purposes of this Clause 11, the following terms shall have the following meanings:

(a) The term "net income of the Company" shall mean the gross earnings of the Company from all sources less all proper deductions for operating expenses, taxes (including income, excess profits and other taxes based on or measured by income or undistributed earnings or income), interest charges and other appropriate items, including provision for maintenance, retirements, depreciation and obsolescence in an amount not less than 15% of the amount of the operating revenues of the Company, and less all dividends paid or accrued on the Cumulative Preferred Stock of the Company which are applicable to the period subsequent to December 31, 1949, and otherwise determined in accordance with sound accounting practice. The term "operating revenues of the Company", as used in this paragraph, shall mean and include all operating revenues derived by the Company from the operation of its plants and properties remaining after deducting therefrom an amount equal to the aggregate cost to the Company of electricity, gas (natural, artificial or mixed), steam or water purchased and rentals paid for the use of property owned by others and leased to or operated by the Company and the maintenance of which and depreciation on which are borne by the owners.

(b) The term "total capitalization" shall mean the aggregate of the principal amount of all indebtedness of the Company outstanding in the hands of the public maturing more than twelve months after the date of issue or assumption thereof, plus the par

value of, or stated capital represented by, the outstanding shares of all classes of stock of the Company.

(c) The term "surplus of the Company" shall include capital surplus, earned surplus and any other surplus of the Company.

VARIABLE TERMS OF EXISTING SERIES
OF CUMULATIVE PREFERRED STOCK

Clause 12. There has been previously created and issued by resolution of the Board of Directors adopted October 25, 1945, an outstanding first series of the Cumulative Preferred Stock authorized by this Article Fourth, consisting of 270,000 shares designated "Cumulative Preferred Stock, 4% Series", the shares of such series having the express terms and provisions stated in such Article Fourth and as provided in paragraphs (a) to (f), inclusive, of such resolution, to wit:

(a) The designation of such series shall be "Cumulative Preferred Stock, 4% Series", and such series shall consist of 270,000 shares;

(b) The dividend rate of such series shall be 4% a share per year;

(c) The prices at which the shares of such series may be redeemed shall be $111 a share if the date fixed for redemption is prior to October 1, 1950; $109.50 a share if the date fixed for redemption is October 1, 1950, or thereafter and prior to October 1, 1955; and $108 a share if the date fixed for redemption is on or after October 1, 1955; in each case plus an amount equal to all dividends accrued thereon to the date fixed for redemption;

(d) The shares of such series shall not be entitled to the benefit of any sinking fund to be applied to the purchase or redemption of shares of such series;

(e) The shares of such series shall not be convertible into or exchangeable for shares of any other class or classes or of any other series of the

same or any other class or classes of stock of the Company; and

(f) The issue of any additional shares of such series or any future series shall not, by reason of this Clause 12 of Article Fourth, be subject to any restrictions in addition to the restrictions set forth in the Articles of the Company.

Clause 13. There has been previously created and issued by resolution of the Board of Directors adopted March 10, 1958, an outstanding second series of the Cumulative Preferred Stock authorized by this Article Fourth, consisting of 130,000 shares designated "Cumulative Preferred Stock, 4 3/4% Series", the shares of such series having the express terms and provisions stated in such Article Fourth and as provided in paragraphs (a) to (f), inclusive, of such resolution, to wit:

(a) The designation of such series shall be "Cumulative Preferred Stock, 4 3/4% Series", and such series shall consist of 130,000 shares;

(b) The dividend rate of such series shall be 4 3/4% a share per year;

(c) The prices at which the shares of such series may be redeemed shall be $106 a share if the date fixed for redemption is prior to April 1, 1963; $104 a share if the date fixed for redemption is April 1, 1963, or thereafter and prior to April 1, 1968; $102 a share if the date fixed for redemption is April 1, 1968, or thereafter and prior to April 1, 1973; and $101 a share if the date fixed for redemption is on or after April 1, 1973; in each case plus an amount equal to all dividends accrued thereon to the date fixed for redemption; provided,

however, the Company shall not on or prior to April 1, 1963 exercise its option to redeem any shares of the Cumulative Preferred Stock, 4 3/4% Series, as a part of or in anticipation of any refunding operation by the application, directly or indirectly, of borrowed funds or the proceeds of issue of any stock ranking prior to or on a parity with the Cumulative Preferred Stock if such borrowed funds have an interest rate or interest cost (calculated in accordance with accepted financial practice), or such shares have a dividend

rate or cost, to the Company so calculated, less than the dividend rate per annum of the Cumulative Preferred Stock, 4 3/4% Series;

(d) The shares of such series shall not be entitled to the benefit of any sinking fund to be applied to the purchase or redemption of shares of such series;

(e) The shares of such series shall not be convertible into or exchangeable for shares of any other class or classes or of any other series of the same class of stock of the Company; and

(f) The issue of any additional shares of such series or any future series shall not, by reason of this Clause l3 of Article Fourth, be subject to any restrictions in addition to the restrictions set forth in the Articles of the Company.

Clause 14. There has been previously created and issued by resolution of the Board of Directors adopted April 10, 1972, an outstanding third series of the Cumulative Preferred Stock authorized by this Article Fourth, consisting of 400,000 shares designated "Cumulative Preferred Stock, 7.44% Series", the shares of such series having the express terms and provisions stated in such Article Fourth and as provided in paragraphs (a) to (f), inclusive, of such resolution, to wit:

(a) The designation of such series shall be "Cumulative Preferred Stock, 7.44% Series", and such series shall consist of 400,000 shares;

(b) The dividend rate of such series shall be 7.44% a share per year;

(c) The prices at which the shares of such series may be redeemed shall be $107.50 a share if the date fixed for redemption is prior to April 1, 1977; $105.00 a share if the date fixed for redemption is April 1, 1977, or thereafter and prior to April 1, 1982; $102.50 a share if the date fixed for redemption is April 1, 1982, or thereafter and prior to April 1, 1987; and $101.00 a share if the date fixed for redemption is on or after April 1, 1987; in each case plus an amount equal to all dividends accrued thereon to the date fixed for redemption; provided, however, the Company shall not, prior to April 1, 1977, exercise its option to redeem any shares of the Cumulative Preferred Stock, 7.44%

Series, as a part of or in anticipation of any refunding operation by the application, directly or indirectly, of borrowed funds or the proceeds of issue of any Cumulative Preferred Stock or any stock ranking prior to or on a parity with the

Cumulative Preferred Stock if such borrowed funds have an effective interest cost, or such shares have a dividend cost, to the Company which is less than the annual dividend rate of the Cumulative Preferred Stock, 7.44% Series (in each case calculated to the second place in accordance with generally accepted financial practice);

(d) The shares of such series shall not be entitled to the benefit of any sinking fund to be applied to the purchase or redemption of shares of such series;

(e) The shares of such series shall not be convertible into or exchangeable for shares of any other class or classes or of any other series of the same class of stock of the Company; and

(f) The issue of any additional shares of such series or any future series shall not, by reason of this Clause 14 of Article Fourth, be subject to any restrictions in addition to the restrictions set forth in the Articles of the Company.

Clause 15. There has been previously created and issued by resolution of the Board of Directors adopted June 17, 1974, an outstanding fourth series of the Cumulative Preferred Stock authorized by this Article Fourth, consisting of 400,000 shares designated "Cumulative Preferred Stock, 9.28% Series", the shares of such series having the express terms and provisions stated in such Article Fourth and as provided in paragraphs (a) to (f), inclusive, of such resolution, to wit:

(a) The designation of such series shall be "Cumulative Preferred Stock, 9.28% Series", and such series shall consist of 400,000 shares;

(b) The dividend rate of such series shall be 9.28% a share per year;

(c) The prices at which the shares of such

series may be redeemed shall be $109.50 a share if the date fixed for redemption is prior to July 1, 1979; $106.00 a share if the date fixed for redemption is July 1, 1979, or thereafter and prior to July 1, 1984; $103.00 a share if the date fixed or redemption is July 1, 1984, or thereafter and prior to July 1, 1989; and $101.00 a share if the date fixed for redemption is on or after July 1, 1989; in each case plus an amount equal to all dividends accrued thereon to the date fixed for redemption; provided, however, that the Company shall not, prior to July 1, 1979, exercise its option to redeem any shares of the Cumulative Preferred Stock, 9.28% Series, as a part of or in anticipation of any refunding operation by the application, directly or indirectly, of borrowed funds or the proceeds of issue of any Cumulative Preferred Stock or any stock ranking prior to or on a parity with the Cumulative Preferred Stock if such borrowed funds have an effective interest cost, or such shares have a dividend cost, to the Company which is less than the annual dividend rate of the Cumulative Preferred Stock, 9.28% Series (in each

case calculated to the second place in accordance with generally accepted financial practice);

(d) The shares of such series shall not be entitled to the benefit of any sinking fund to be applied to the purchase or redemption of shares of such series;

(e) The shares of such series shall not be convertible into or exchangeable for shares of any other class or classes or of any other series of the same class of stock of the Company; and

(f) The issue of any additional shares of such series or any future series shall not, by reason of this Clause 15 of Article Fourth, be subject to any restrictions in addition to the restrictions set forth in the Articles of the Company.

Clause 16. There has been previously created and issued by resolution of the Finance Committee of the Board of Directors of the Company, being theretofore duly authorized by the Board of Directors, adopted July 12, 1990, an outstanding fifth series of the Cumulative Preferred Stock

authorized by this Article Fourth, consisting of 500,000 shares designated "Cumulative Preferred Stock, 9.15% Series", the shares of such series having the express terms and provisions stated in such Article Fourth and as provided in paragraphs (a) to (f), inclusive, of such resolution, to wit:

(a) The designation of such series shall be "Cumulative Preferred Stock, 9.15% Series", and such series shall consist of 500,000 shares;

(b) The dividend rate of such series shall be 9.15% a share per year;

(c) The prices at which the shares of such series may be redeemed are set forth below:

Twelve Months Beginning July 1	Redemption Price Per Share	Twelve Months Beginning July 1	Redemption Price Per Share
1990	$109.15	1998 . . .	$104.27
1991	108.54	1999 . . .	103.66
1992	107.93	2000 . . .	103.05
1993	107.32	2001 . . .	102.44
1994	106.71	2002 . . .	101.83
1995	106.10	2003 . . .	101.22
1996	105.49	2004 . . .	100.61
1997	104.88		

and $100.00 a share if the date fixed for redemption is on or after July 1, 2005, in each case plus an amount equal to all dividends accrued thereon to the date fixed for redemption; provided, however, that the Company shall not, prior to July 1, 1995, exercise its option to redeem any shares of the Cumulative Preferred Stock, 9.15% Series, as a part of or in anticipation of any refunding operation by the application, directly or indirectly, of borrowed funds or the proceeds of issue of any Cumulative Preferred Stock or any stock ranking prior to or on a parity with the Cumulative Preferred Stock if such borrowed funds have an effective interest cost, or such shares have a dividend cost, to the Company which is less than the annual dividend rate of the Cumulative Preferred Stock, 9.15% Series (in each case calculated to the second place in accordance

with generally accepted financial practice);

(d) Beginning July 1, 1996 and on each July 1 thereafter, as long as any shares of the series shall be outstanding, the Company shall acquire by redemption, as a mandatory sinking fund requirement and out of any funds legally available therefor, 25,000 shares of the series or, if less than 25,000 shares are then outstanding, such lesser number of shares, at a redemption price of $100 a share, plus an amount equal to all accrued dividends thereon to the date fixed for redemption. The Company may redeem, at its option, on July 1 of each such year, not more than 25,000 additional shares at the same price. Such optional right of redemption will not be cumulative and will not reduce the mandatory sinking fund requirement in any subsequent year. The sinking fund requirement may be satisfied in whole or in part by crediting shares of the series acquired by the Company. To the extent the Company does not satisfy the mandatory sinking fund obligation in any year such obligation must be satisfied in the succeeding year or years. If the Company is in arrears in the redemption of the shares of the series pursuant to the mandatory sinking fund requirement, the Company shall not purchase or otherwise acquire for value, or pay dividends on, Common Stock.

(e) The shares of such series shall not be convertible into or exchangeable for shares of any other class or classes or of any other series of the same class of stock of the Company; and

(f) The issue of any additional shares of such series or any future series shall not, by reason of this Clause 16 of Article Fourth, be subject to any restrictions in addition to the restrictions set forth in the Articles of the Company.

Clause 17. There has been previously created and issued by resolution of the Finance Committee of the Board of Directors of the Company, being theretofore duly authorized by the Board of Directors, adopted December 11, 1991, an outstanding sixth series of the Cumulative Preferred Stock authorized by this Article Fourth, consisting of 800,000 shares designated "Cumulative Preferred Stock, 7 7/8% Series", the shares of such series having the express terms and provisions stated in such Article Fourth and as provided in paragraphs (a) to (f), inclusive, of such resolution, to wit:

(a) The designation of such series shall be "Cumulative Preferred Stock, 7 7/8% Series", and such series shall consist of 800,000 shares;

(b) The dividend rate of such series shall be 7 7/8% a share per year;

(c) The Cumulative Preferred Stock, 7 7/8% Series is not redeemable prior to January 1, 2004. The entire series is subject to mandatory redemption on January 1, 2004 at $100 per share, plus accrued dividends to the redemption date;

(d) The shares of such series shall not be entitled to the benefit of any sinking fund to be applied to the purchase or redemption of shares of such series;

(e) The shares of such series shall not be convertible into or exchangeable for shares of any other class or classes or of any other series of the same class of stock of the Company; and

(f) The issue of any additional shares of such series or any future series shall not, by reason of this Clause 17 of Article Fourth, be subject to any restrictions in addition to the restrictions set forth in the Articles of the Company.

Clause 18. There has been previously created and issued by resolution of the Finance Committee of the Board of Directors of the Company, being theretofore duly authorized by the Board of Directors, adopted August 13, 1992, an outstanding seventh series of the Cumulative Preferred Stock authorized by this Article Fourth, consisting of 800,000 shares designated "Cumulative Preferred Stock, 7 3/8% Series", the shares of such series having the express terms and provisions stated in such Article Fourth and as provided in paragraphs (a) to (f), inclusive, of such resolution, to wit:

(a) The designation of such series shall be "Cumulative Preferred Stock, 7 3/8% Series", and such series shall consist of 800,000 shares;

(b) The dividend rate of such series shall be 7 3/8% a share per year;

(c) The Cumulative Preferred Stock, 7 3/8% Series is not redeemable on or before August 1, 2002. Thereafter, such series is redeemable, in whole or in part, at a redemption price equal to $100 per share plus an amount equal to all dividends accrued thereon to the date fixed for redemption;

(d) Beginning August 1, 1998 and on each August 1 thereafter, as long as any shares of the series shall be outstanding, the Company shall acquire by redemption, as a mandatory sinking fund requirement and out of any funds legally available therefor, 40,000 shares of the series or, if less than 40,000 shares are then outstanding, such lesser number of shares, at a redemption price of $100 a share, plus an amount equal to all accrued dividends thereon to the

date fixed for redemption. The Company may redeem, at its option, on August 1 of each such year, not more than 40,000 additional shares at the same price. Such optional right of redemption will not be cumulative and will not reduce the mandatory sinking fund requirement in any subsequent year. The sinking fund requirement may be satisfied in whole or in part by crediting shares of the series acquired by the Company. To the extent the Company does not satisfy the mandatory sinking fund obligation in any year such obligation must be satisfied in the succeeding year or years. If the Company is in arrears in the redemption of the shares of the series pursuant to the mandatory sinking fund requirement, the Company shall not purchase or otherwise acquire for value, or pay dividends on, Common Stock.

(e) The shares of such series shall not be convertible into or exchangeable for shares of any other class or classes or of any other series of the same class of stock of the Company; and

(f) The issue of any additional shares of such series or any future series shall not, by reason of this Clause 18 of Article Fourth, be subject to any restrictions in addition to the restrictions set forth in the Articles of the Company.

ARTICLE FIFTH

These Amended Articles of Incorporation supersede and take the place of the existing Articles of Incorporation, as amended.

EXHIBIT 4-A-24

LOAN AGREEMENT

between

OHIO WATER DEVELOPMENT AUTHORITY

and

THE CINCINNATI GAS & ELECTRIC COMPANY

$21,400,000
State of Ohio
Collateralized Water Development
Revenue Refunding Bonds, 1994 Series A
(The Cincinnati Gas & Electric Company Project)

Dated

as of

January 1, 1994

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(This Index is not a part of the Agreement
but rather is for convenience of reference only.)

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LOAN AGREEMENT

THIS LOAN AGREEMENT is made and entered into as of January 1, 1994 between the OHIO WATER DEVELOPMENT AUTHORITY (the "Authority"), a body politic and corporate organized and existing under the laws of the State of Ohio, and THE CINCINNATI GAS & ELECTRIC COMPANY (the "Company"), a public utility and corporation duly organized and validly existing under the laws of the State of Ohio. Capitalized terms used in the following recitals are used as defined in Article I of this Agreement.

Pursuant to Section 13 of Article VIII of the Ohio Constitution and the Act, the Authority has determined to issue, sell and deliver the Bonds and to lend the proceeds derived from the sale thereof to the Company to assist in the refunding of the Refunded Bonds as defined below. The Refunded Bonds were originally issued to provide funds to make loans to the Company to assist in the financing of its portion of the costs of the Project as defined below.

The Company and the Authority each have full right and lawful authority to enter into this Agreement and to perform and observe the provisions hereof on their respective parts to be performed and observed.

NOW THEREFORE, in consideration of the premises and the mutual representations and agreements hereinafter contained, the Authority and the Company agree as follows (provided that any obligation of the Authority or the State created by or arising out of this Agreement shall never constitute a general debt of the Authority or the State or give rise to any pecuniary liability of the Authority or the State but shall be payable solely out of Revenues, including Loan Payments made pursuant to the First Mortgage Bonds):

ARTICLE I

DEFINITIONS

Section 1.1. Use of Defined Terms. In addition to the words and terms defined elsewhere in this Agreement or by reference to another document, the words and terms set forth in Section 1.2 hereof shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.2. Definitions. As used herein:

"Act" means Chapter 6121 and 6123, Ohio Revised Code, as enacted and amended from time to time pursuant to Section 13 of Article VIII of the Ohio Constitution.

"Additional Payments" means the amounts required to be paid by the Company pursuant to the provisions of Section 4.2 hereof.

"Administration Expenses" means the compensation (which compensation shall not be greater than that typically charged in similar circumstances) and reimbursement of reasonable expenses and advances payable to the Trustee, the Registrar, any Paying Agent and any Authenticating Agent.

"Agreement" means this Loan Agreement, as amended or supplemented from time to time.

"Authenticating Agent" means the Authenticating Agent as defined in the Indenture.

"Authority Fee" means an amount not to exceed $63,100.

"Bond Fund" means the Bond Fund created in the Indenture.

"Bond Insurance Policy" means the municipal bond insurance policy issued by the Bond Insurer that guarantees payment when due of principal and interest on the Bonds.

"Bond Insurer" means Municipal Bond Investors Assurance Corporation, a stock insurance company incorporated under the laws of the State of New York, or its successor.

"Bond Resolution" means the resolution of the Authority providing for the issuance of the Bonds and approving this Agreement, the Indenture and related matters, as amended or supplemented from time to time.

"Bond Service Charges" means, for any period or time, the principal of, premium, if any, and interest due on the Bonds for that period or payable at that time whether due at maturity or upon acceleration or redemption or

otherwise.

"Bonds" means the $21,400,000 Collateralized Water Development Revenue Refunding Bonds, 1994 Series A (The Cincinnati Gas & Electric Company Project), issued by the Authority pursuant to the Bond Resolution and the Indenture.

"Bonds Outstanding" or "Outstanding Bonds" means Outstanding Bonds as defined in the Indenture.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. References to the Code and Sections of the Code include relevant applicable regulations and proposed regulations thereunder and under the Internal Revenue Code of 1954, as amended, and any successor provisions to those Sections, regulations or proposed regulations and, in addition, all applicable official rulings and judicial determinations under the foregoing applicable to the Bonds.

"Company Mortgage" means the First Mortgage, dated as of August 1, 1936, between the Company and the Company Mortgage Trustee, as amended, modified or supplemented from time to time.

"Company Mortgage Trustee" means The Bank of New York (formerly Irving Trust Company), as trustee under the Company Mortgage, and its successors and assigns.

"Eligible Investments" means Eligible Investments as defined in the Indenture.

"Engineer" means an engineer (who may be an employee of the Company) or engineering firm qualified to practice the profession of engineering under the laws of the State and who or which is acceptable to the Trustee.

"EPA" means the Environmental Protection Agency of the State and any successor body, agency, commission or department.

"Event of Default" means any of the events described as an Event of Default in Section 7.1 hereof.

"First Mortgage Bonds" means the $21,400,000 aggregate principal amount of First Mortgage Bonds, 5.45% Series A Due 2024, issued under the Company Mortgage pursuant to the Supplemental Mortgage Indenture.

"Force Majeure" means any of the causes, circumstances or events described as constituting Force Majeure in Section 7.1 hereof.

"Holder" or "Holder of a Bond" means the Person in whose name a Bond is registered on the Register.

"Indenture" means the Trust Indenture, dated as of the same date as this Agreement, between the Authority and the Trustee, as amended or supplemented from time to time.

"Interest Rate for Advances" means the interest rate per year payable on the Bonds.

"Kentucky Bonds" means the $48,000,000 Collateralized Pollution Control Revenue Refunding Bonds, 1994 Series A (the Cincinnati Gas & Electric Company Project) issued by the County of Boone, Kentucky.

"Loan" means the loan by the Authority to the Company of the proceeds received from the sale of the Bonds.

"Loan Payment Date" means any date on which any Bond Service Charges are due and payable.

"Loan Payments" means the amounts required to be paid by the Company on the First Mortgage Bonds in repayment of the Loan pursuant to Section 4.1 hereof.

"1954 Code" means the Internal Revenue Code of 1954 as amended from time to time through the date of enactment of the Code. References to the 1954 Code and Sections of the 1954 Code include relevant applicable regulations (including temporary regulations) and proposed regulations thereunder and any successor provisions to those Sections, regulations or proposed regulations.

"1994 Bonds" means collectively, the Bonds, the Ohio Air Bonds and the Kentucky Bonds.

"Notice Address" means:

(a) As to the Authority: Ohio Water Development Authority
88 East Broad Street
Suite 1300
Columbus, Ohio 43215
Attention: Executive Director

(b) As to the Company: The Cincinnati Gas & Electric Company
P.O. Box 960
Cincinnati, Ohio 45201
Attention: Treasurer

(c) As to the Trustee: The Bank of New York
101 Barclay Street
21st Floor
New York, New York 10286
Attention: Corporate Trust Administration

or such additional or different address, notice of which is given under Section 8.3 hereof.

"Ohio Air Bonds" means the $25,300,000 Collateralized Air Quality Development Revenue Refunding Bonds, 1994 Series B (The Cincinnati Gas &

Electric Company Project).

"Opinion of Bond Counsel" means a written opinion of nationally recognized bond counsel selected by the Company and acceptable to the Trustee who is experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions. Bond Counsel may be counsel to the Trustee or the Company.

"Original Purchaser" means the Original Purchaser as defined in the Indenture.

"Paying Agent" means the Paying Agent as defined in the Indenture.

"Person" or words importing persons mean firms, associations, partnerships (including without limitation, general and limited partnerships), societies, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

"Project" or "Project Facilities" means the real, personal or real and personal property, including undivided or other interests therein, identified in the Project Description.

"Project Description" means the description of the Project Facilities identified in and attached hereto as Exhibit A (such portion hereinafter referred to as "Killen Project Unit"), Exhibit B (such portion hereinafter referred to as "Walter C. Beckjord Project Unit"), and Exhibit C (such portion hereinafter referred to as "Miami Fort Project Unit") as each may be amended in accordance with this Agreement.

"Project Purposes" means the purposes of Waste Water Facilities and/or Solid Waste Facilities as described in the Act and as particularly described in Exhibits A, B and C hereto.

"Project Site" means, as to the Killen Project Unit, the Killen Electric Generating Station in Adams County, Ohio; as to the Miami Fort Project Unit, the Miami Fort Electric Generating Station in Hamilton County, Ohio; and as to the Walter C. Beckjord Project Unit, the Walter C. Beckjord Electric Generating Station in Clermont County, Ohio.

"Project Units" means each of the three project units included in the Project and described in Exhibits A, B and C hereto.

"Rebate Fund" means the Rebate Fund created in the Indenture.

"Refunded Bonds" means the $21,400,000 in aggregate principal amount of State of Ohio Collateralized Water Development Revenue Bonds, 1983 Series (The Cincinnati Gas & Electric Company Project) dated as of May 1, 1983.

"Refunded Bonds Indenture" means the Trust Indenture for the Refunded Bonds between the Authority and the Refunded Bonds Trustee dated as of May 1,

1983.

"Refunded Bonds Loan Agreement" means the Loan Agreement between the Authority and the Company dated as of May 1, 1983 entered into in connection with the Refunded Bonds.

"Refunded Bonds Trustee" means The Bank of New York (formerly Irving Trust Company), as trustee under the Refunded Bonds Indenture.

"Refunding Fund" means the Refunding Fund created in the Indenture.

"Register" means the books kept and maintained for the registration and transfer of Bonds pursuant to Section 3.05 of the Indenture.

"Registrar" means the Registrar as defined in the Indenture.

"Revenues" means (a) the Loan Payments, (b) all other moneys received or to be received by the Authority (excluding the Authority Fee) or the Trustee in respect of repayment of the Loan, including without limitation, all moneys and investments in the Bond Fund, (c) any moneys and investments in the Refunding Fund (until applied to the redemption of the Refunded Bonds), and (d) all income and profit from the investment of the foregoing moneys. The term "Revenues" does not include any moneys or investments in the Rebate Fund.

"Solid Waste Facility" or "Solid Waste Facilities" means those facilities which are solid waste facilities as defined in Section 6123.01, Ohio Revised Code.

"State" means the State of Ohio.

"Supplemental Mortgage Indenture" means the Thirty-fifth Supplemental Indenture, dated as of January 1, 1994, between the Company and the Company Mortgage Trustee, as amended or supplemented from time to time.

"Trustee" means The Bank of New York, New York, New York, a corporation duly organized and validly existing under the laws of the State of New York, until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter "Trustee" shall mean the successor Trustee. "Principal Office" of the Trustee shall mean the principal corporate trust office of the Trustee, which office at the date of issuance of the Bonds is located at its Notice Address.

"Unassigned Authority's Rights" means all of the rights of the Authority to receive Additional Payments under Section 4.2 hereof, to access and inspect pursuant to Section 5.1 hereof, to be held harmless and indemnified under Section 5.9 hereof, to take certain corrective measures as provided in Section 5.11 hereof, to be reimbursed for attorney's fees and expenses under Section 7.4 hereof and to give or withhold consent to amendments, changes, modifications, alterations and termination of this Agreement under Section 8.6 hereof and its right to enforce such rights.

"Waste Water Facility" or "Waste Water Facilities" means those facilities which are waste water facilities as defined in Section 6121.01, Ohio Revised Code.

Section 1.3. Interpretation. Any reference herein to the State, to the Authority or to any member or officer of either includes entities or officials succeeding to their respective functions, duties or responsibilities pursuant to or by operation of law or lawfully performing their functions.

Any reference to a section or provision of the Constitution of the State or the Act, or to a section, provision or chapter of the Ohio Revised Code, or to any statute of the United States of America, includes that section, provision or chapter as amended, modified, revised, supplemented or superseded from time to time; provided, that no amendment, modification, revision, supplement or superseding section, provision or chapter shall be applicable solely by reason of this provision, if it constitutes in any way an impairment of the rights or obligations of the Authority, the State, the Holders, the Trustee, the Registrar, an Authenticating Agent, a Paying Agent or the Company under this Agreement, the Indenture, the Bonds, the Company Mortgage, the Supplemental Mortgage Indenture or the First Mortgage Bonds.

Unless the context indicates otherwise, words importing the singular number include the plural number, and vice versa; the terms "hereof", "hereby", "herein", "hereto", "hereunder" and similar terms refer to this Agreement; and the term "hereafter" means after, and the term "heretofore" means before, the date of delivery of the Bonds. Words of any gender include the correlative words of the other genders, unless the sense indicates otherwise.

Section 1.4. Captions and Headings. The captions and headings in this Agreement are used solely for convenience of reference and in no way define, limit or describe the scope or intent of any Articles, Sections, subsections, paragraphs or subparagraphs or clauses hereof.

(End of Article I)

ARTICLE II

REPRESENTATIONS

Section 2.1. Representations of the Authority. The Authority represents that: (a) it is a body politic and corporate duly organized and validly existing under the laws of the State; (b) it has duly accomplished all conditions necessary to be accomplished by it prior to the issuance and delivery of the Bonds and the execution and delivery of this Agreement and the Indenture; (c) it is not in violation of or in conflict with any provisions of the laws of the State which would impair its ability to carry out its obligations contained in this Agreement or the Indenture; (d) it is empowered to enter into the transactions contemplated by this Agreement and the Indenture; (e) it has duly authorized the execution, delivery and performance of this Agreement and the

Indenture; and (f) it will do all things in its power in order to maintain its existence or assure the assumption of its obligations under this Agreement and the Indenture by any successor public body.

Section 2.2. No Warranty by Authority of Condition or Suitability of the Project. The Authority makes no warranty, either express or implied, as to the suitability or utilization of the Project for the Project Purposes, or as to the condition of the Project Facilities or that the Project Facilities are or will be suitable for the Company's purposes or needs.

Section 2.3. Representations and Covenants of the Company. The Company represents that:

(a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State, with power and authority (corporate and other) to own its properties and conduct its business, to execute and deliver this Agreement, the Supplemental Mortgage Indenture and the First Mortgage Bonds, and to perform its obligations under this Agreement, the Company Mortgage, the Supplemental Mortgage Indenture and the First Mortgage Bonds.

(b) This Agreement, the Supplemental Mortgage Indenture and the Company Mortgage have been duly authorized, executed and delivered by the Company; the First Mortgage Bonds have been duly authorized, executed, issued and delivered; and this Agreement, the Supplemental Mortgage Indenture, the Company Mortgage and the First Mortgage Bonds constitute valid and legally binding obligations of the Company, enforceable in accordance with their respective terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights, to laws relating to or affecting the enforcement of the security provided by the Company Mortgage and to general equity principles.

(c) The execution, delivery and performance by the Company of this Agreement and the Supplemental Mortgage Indenture and the consummation of the transactions contemplated hereby and thereby will not violate any provision of law or regulation applicable to the Company, or of any writ or decree of any court or governmental instrumentality, or of the Articles of Incorporation, as amended, or the Regulations of the Company, or of any mortgage, indenture, contract, agreement or other undertaking to which the Company is a party or which purports to be binding upon the Company or upon any of its assets.

(d) Substantially all (at least 90%) of the proceeds of the Refunded Bonds were used to provide "water pollution control facilities" and "solid waste disposal facilities" within the meaning of Sections 103(b)(4)(E) and (F) of the 1954 Code, the original use of which facilities commenced with the Company and

all of the proceeds of the Refunded Bonds have been spent for the Project or to pay costs of issuance of the Refunded Bonds. The proceeds of the Bonds (other than any accrued interest thereon) will be used exclusively to refund the Refunded Bonds and none of the proceeds of the Bonds will be used to pay for any costs of issuance of the Bonds. The Refunded Bonds were issued prior to August 16, 1986. The principal amount of the Bonds does not exceed the outstanding principal amount of the Refunded Bonds. The proceeds of the Bonds will be used to retire the Refunded Bonds not later than 90 days after the date of issuance of the Bonds.

(e) Either the acquisition and construction of the Project Facilities financed with the Refunded Bonds, was not commenced (within the meaning of Treasury Regulations Section 1.103-8(a)(5) as applicable to the Refunded Bonds) prior to the adoption of the respective resolutions of the Authority evidencing the intent of the Authority to issue those Refunded Bonds (being March 11, 1976 with respect to the financing for the Killen Project Unit and October 8, 1981 with respect to the financing for the Walter C. Beckjord Project Unit and the Miami Fort Project Unit), or, any proceeds of the corresponding Refunded Bonds used to pay costs incurred prior to the adoption of such corresponding resolution have been treated for purposes of this Agreement as having been used to provide working capital (not land or depreciable property) to the Company.

(f) It has caused the Project to be substantially completed. The Project constitutes a combined Waste Water Facility and Solid Waste Facility under the Act and is consistent with the purposes of Section 13 of Article VIII of the Ohio Constitution and of the Act. The Project is being, and the Company will cause the Project to be, operated and maintained in such manner to conform with all applicable zoning, planning, building, environmental and other applicable governmental regulations and all permits, variances and orders issued or granted pursuant thereto, including the permit-to-install for the Project, which permits, variances and orders have not been withdrawn or otherwise suspended, and to be consistent with the Act.

(g) It has used or operated or has caused to be used or operated, and presently intends to use or operate or cause to be used or operated the Project Facilities in a manner consistent with the Project Purposes until the date on which the Bonds have been fully paid and knows of no reason why the Project Facilities will not be so operated. The Company does not intend to sell or otherwise dispose of the Project or any portion thereof.

(h) None of the proceeds of the Refunded Bonds were used and none of the proceeds of the Bonds will be used to provide any private or commercial golf course, country club, massage parlor,

tennis club, skating facility (including roller skating, skateboard and ice skating), racquet sports facility (including handball or racquetball court), hot tub facility, suntan facility, racetrack, airplane, skybox or other private luxury box, or health club facility; any facility primarily used for gambling; any store the principal business of which is the sale of alcoholic beverages for consumption off premises; or any facilities for retail food and beverage services (except grocery stores), automobile sales or service, or the provision of recreation or entertainment.

(i) Less than 25% of the proceeds of the Refunded Bonds have been used and less than 25% of the proceeds of the Bonds will be used directly or indirectly to acquire land or any interest therein, and none of such proceeds has been or will be used to provide land which is to be used for farming purposes.

(j) No portion of the proceeds of the Refunded Bonds has been used and no portion of the proceeds of the Bonds will be used to acquire existing property or any interest therein unless the first use of such property was by the Company and was pursuant to and followed such acquisition.

(k) After the expiration of any applicable temporary period under Section 148(d)(3) of the Code, at no time during any bond year will the aggregate amount of gross proceeds of the 1994 Bonds invested in higher yielding investments (within the meaning of Section 148(b) of the Code) exceed 150 percent of the debt service on the 1994 Bonds for such bond year and the aggregate amount of gross proceeds of the 1994 Bonds invested in higher yielding investments, if any, will be promptly and appropriately reduced as the outstanding amount of the 1994 Bonds is reduced, provided however that the foregoing shall not require the sale or disposition of any investments in higher yielding investments if such sale or disposition would result in a loss which exceeds the amount which would be paid to the United States (but for such sale or disposition) at the time of such sale or disposition if a payment were due at such time. At no time will any funds constituting gross proceeds of the 1994 Bonds be used in a manner as would constitute failure of compliance with Section 148 of the Code.

The terms "bond year", "gross proceeds", "higher yielding investments", "yield", and "debt service" have the meanings assigned to them for purposes of Section 148 of the Code.

(l) The Refunded Bonds were not, and the Bonds will not be, "federally guaranteed" within the meaning of Section 149(b) of the Code.

(m) It is not anticipated that as of the date hereof, there

will be created any "replacement proceeds", within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the 1994 Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code.

(n) On the date of issuance and delivery of the Refunded Bonds, the Company reasonably expected that all of the proceeds of such Refunded Bonds would be used to carry out the governmental purposes of each such issue within the 3-year period beginning on the date each such issue was issued and none of the proceeds of each such issue, if any, were invested in nonpurpose investments having a substantially guaranteed yield for 3 years or more.

(o) The average maturity of the 1994 Bonds does not exceed 120% of the average reasonably expected economic life of the facilities financed or refinanced by the 1994 Bonds (determined under Section 147(b) of the Code).

(p) The information furnished by the Company and used by the Authority in preparing the certifications and statements pursuant to Sections 148 and 149(e) of the Code or their statutory predecessors with respect to the Refunded Bonds was accurate and complete as of the dates of issuance of the Refunded Bonds, and the information furnished by the Company and used by the Authority in preparing the certification pursuant to Section 148 of the Code and in preparing the information statement pursuant to Section 149(e) of the Code, both referred to in the Bond Resolution, will be accurate and complete as of the date of issuance of the Bonds.

(q) The Project Facilities do not include any office except for offices (i) located on the Project Site and (ii) not more than a de minimis amount of the functions to be performed at which is not directly related to the day-to-day operations of the Project Facilities.

(End of Article II)

ARTICLE III

COMPLETION OF THE PROJECT; ISSUANCE OF THE BONDS

Section 3.1. Acquisition, Construction and Installation. The Company represents that it and the other public utility companies which own undivided interests in the Project Facilities with the Company as tenants-in-common have caused the Project Facilities to be acquired, constructed and installed on the

applicable Project Sites, substantially in accordance with the Project Description and in conformance with all applicable zoning, planning, building and other similar regulations of all governmental authorities having jurisdiction over the Project and all permits, variances and orders issued in respect of the Project by EPA, and that the proceeds derived from the Refunded Bonds, including any investment thereof, were expended in accordance with the Refunded Bonds Indenture and the Refunded Bonds Loan Agreement.

Section 3.2. Project Description. The Project Description may be changed from time to time by, or with the consent of, the Company provided that any such change shall also be filed with the Authority and provided further that no change in the Project Description shall materially change the function of the Project Facilities unless the Trustee shall have received (i) an Engineer's certificate that such changes will not impair the significance or character of the Project Facilities as Waste Water Facilities and/or Solid Waste Facilities and (ii) an Opinion of Bond Counsel or ruling of the Internal Revenue Service to the effect that such amendment will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 3.3. Issuance of the Bonds; Application of Proceeds. To provide funds to make the Loan to the Company to assist the Company in the refunding of the Refunded Bonds, concurrently with the delivery to the Trustee of the First Mortgage Bonds as provided in Section 4.1 hereof, the Authority will issue, sell and deliver the Bonds to the Original Purchaser. The Bonds will be issued pursuant to the Indenture in the aggregate principal amount, will bear interest, will mature and will be subject to redemption as set forth therein. The Company hereby approves the terms and conditions of the Indenture and the Bonds, and the terms and conditions under which the Bonds will be issued, sold and delivered.

The proceeds from the sale of the Bonds (other than any accrued interest) shall be loaned to the Company to assist the Company in refunding the Refunded Bonds in order to reduce the interest cost payable by the Company and shall be deposited in the Refunding Fund and disbursed as follows: all of the proceeds of the Bonds (other than any accrued interest) will be deposited in the Refunding Fund (as created and defined in the Indenture) and on February 14, 1994 all moneys on deposit in the Refunding Fund shall be deposited in the Bond Fund created in the Refunded Bonds Indenture and applied by the Refunded Bonds Trustee to the payment of principal of, redemption premium and interest on the Refunded Bonds on February 15, 1994.

Pending disbursement pursuant to this Section, the proceeds so deposited in the Refunding Fund, together with any investment earnings there on, shall constitute a part of the Revenues assigned by the Authority to the Trustee for the payment of Bond Service Charges. Any accrued interest shall be deposited in the Bond Fund.

The Company hereby requests that the Authority notify the Refunded Bonds Trustee that the entire outstanding principal amount of the Refunded Bonds is to be redeemed on February 15, 1994 at a redemption price of 103% of the principal amount thereof plus accrued interest to the redemption date.

Section 3.4. Investment of Fund Moneys. At the oral (confirmed promptly in writing) or written request of the Company, any moneys held as part of the Bond Fund, the Refunding Fund or the Rebate Fund shall be invested or reinvested by the Trustee in Eligible Investments; provided, that such moneys shall be invested or reinvested by the Trustee only in Eligible Investments which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the date upon which the moneys so invested are needed to make payments from those Funds. The Authority (to the extent it retained or retains direction or control) and the Company each hereby represents that the investment and reinvestment and the use of the proceeds of the Refunded Bonds were restricted in such manner and to such extent as was necessary so that the Refunded Bonds would not constitute arbitrage bonds under the statutory predecessor of the Code and each hereby covenants that it will restrict that investment and reinvestment and the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code.

The Company shall provide the Authority with, and the Authority may base its certificate and statement, each as authorized by the Bond Resolution, on a certificate of an appropriate officer, employee or agent of or consultant to the Company for inclusion in the transcript of proceedings for the Bonds, setting forth the reasonable expectations of the Company on the date of delivery of and payment for the Bonds regarding the amount and use of the proceeds of the Bonds and the facts, estimates and circumstances on which those expectations are based.

Section 3.5. Rebate Fund. To the extent required by Section 5.09 of the Indenture, within five days after the end of the fifth Bond Year (as defined in the Indenture) and every fifth Bond Year thereafter, and within five days after payment in full of all outstanding Bonds, the Company shall calculate the amount of Excess Earnings (as defined in the Indenture) as of the end of that Bond Year or the date of such payment and shall notify the Trustee of that amount. If the amount then on deposit in the Rebate Fund created under the Indenture is less than the amount of Excess Earnings (computed by taking into account the amount or amounts, if any, previously paid to the United States pursuant to Section 5.09 of the Indenture and this Section), the Company shall, within five days after the date of the aforesaid calculation, pay to the Trustee for deposit in the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to the Excess Earnings. The obligation of the Company to make such payments shall remain in effect and be binding upon the Company notwithstanding the release and discharge of the Indenture. The Company shall obtain and keep such records of the computations made pursuant to this Section as are required under Section 148(f) of the Code.

(End of Article III)

ARTICLE IV

LOAN BY AUTHORITY; LOAN PAYMENTS;

Section 4.1. Loan Repayment; Delivery of First Mortgage Bonds. Upon the terms and conditions of this Agreement, the Authority agrees to make the Loan to the Company. The proceeds of the Loan shall be deposited with the Trustee pursuant to Section 3.3 hereof. As evidence of its obligation hereunder to repay the Loan, the Company agrees to execute and deliver the First Mortgage Bonds to the Authority, in the manner provided in Section 4.6 hereof. In consideration of and in repayment of the Loan, the Company shall make, as Loan Payments, to the Trustee for the account of the Authority, payments on the First Mortgage Bonds which correspond, as to time, and are equal in amount, to the Bond Service Charges payable on the Bonds. All Loan Payments received by the Trustee shall be held and disbursed in accordance with the provisions of the Indenture and this Agreement for application to the payment of Bond Service Charges.

The Company shall be entitled to a credit against the Loan Payments required to be made on any Loan Payment Date to the extent that the balance of the Bond Fund is then in excess of amounts required (a) for the payment of Bonds theretofore matured or theretofore called for redemption, or to be called for redemption pursuant to Section 6.1 hereof (b) for the payment of interest for which checks or drafts have been drawn and mailed by the Trustee or Paying Agent, and (c) to be deposited in the Bond Fund by the Indenture for use other than for the payment of Bond Service Charges due on that Loan Payment Date.

Except for such interest of the Company as may hereafter arise pursuant to Section 8.2 hereof or Sections 5.07 or 5.08 of the Indenture, the Company and the Authority each acknowledge that neither the Company, the State nor the Authority has any interest in the Bond Fund, and any moneys deposited therein shall be in the custody of and held by the Trustee in trust for the benefit of the Holders.

Section 4.2. Additional Payments. The Company shall pay to the Authority, the Authority Fee and, as Additional Payments hereunder, any and all costs and expenses incurred or to be paid by the Authority in connection with the issuance and delivery of the Bonds or otherwise related to actions taken by the Authority under this Agreement or the Indenture.

The Company shall pay the Administration Expenses to the Trustee, the Registrar, and any Paying Agent or Authenticating Agent, as appropriate, as Additional Payments hereunder.

The Company may, without creating a default hereunder, contest in good faith the reasonableness of any such cost or expense incurred or to be paid by the Authority and any Administration Expenses claimed to be due to the Trustee, the Registrar, any Paying Agent or any Authenticating Agent.

In the event the Company should fail to pay any Loan Payments or Additional Payments (including Administration Expenses) when due, the payment in default shall continue as an obligation of the Company until the amount in

default shall have been fully paid together with interest thereon during the default period at the Interest Rate for Advances.

Section 4.3. Place of Payments. The Company shall make all Loan Payments directly to the Trustee at its Principal Office. Additional Payments shall be made directly to the person or entity to whom or to which they are due.

Section 4.4. Obligations Unconditional. The obligations of the Company to make Loan Payments, Additional Payments (including Administration Expenses) and any payments required of the Company under Section 5.09 of the Indenture shall be absolute and unconditional, and the Company shall make such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim which the Company may have or assert against the Authority, the Trustee, the Registrar or any other Person.

Section 4.5. Assignment of Revenues, Agreement and First Mortgage Bonds. To secure the payment of Bond Service Charges, the Authority shall absolutely assign to the Trustee, its successors in trust and its and their assigns forever, by the Indenture, all right, title and interest of the Authority in and to (a) the Revenues, including, without limitation, all Loan Payments and other amounts receivable by or on behalf of the Authority under the Agreement in respect of repayment of the Loan, (b) the Agreement except for the Unassigned Authority's Rights, and (c) the First Mortgage Bonds. The Company hereby agrees and consents to those assignments.

Section 4.6. First Mortgage Bonds. To evidence and secure the obligations of the Company to make the Loan Payments and repay the Loan, the Company will, concurrently with the issuance of the Bonds, execute and deliver First Mortgage Bonds to the Authority in an aggregate principal amount equal to the aggregate principal amount of the Bonds. The Company agrees that First Mortgage Bonds authorized pursuant to the Company Mortgage will be issued containing the terms and conditions and in substantially the form set forth in the Supplemental Mortgage Indenture. The First Mortgage Bonds shall:

(a) provide for payments of interest equal to the payments of interest on the Bonds;

(b) provide for payments of principal and any premium equal to the payments of principal (whether at maturity or by call for mandatory or optional redemption or pursuant to acceleration or otherwise) and any premium on the Bonds;

(c) require all such payments on such First Mortgage Bonds to be made on or prior to the due date for the corresponding payments to be made on the Bonds; and

(d) contain redemption provisions corresponding with such provisions of the Bonds.

Unless the Company is entitled to a credit under this Agreement or the

Indenture, all payments on the First Mortgage Bonds shall be in the full amount required thereunder. The First Mortgage Bonds shall be registered in the name of the Trustee and shall not be transferred by the Trustee, except to effect transfers to any successor trustee under the Indenture.

(End of Article IV)

ARTICLE V

ADDITIONAL AGREEMENTS AND COVENANTS

Section 5.1. Right of Access. The Company agrees that, subject to reasonable security and safety regulations and to reasonable requirements as to notice, the Authority and the Trustee and their or any of their respective duly authorized agents shall have the right at all reasonable times to enter upon the Project Site to examine and inspect the Project. The Company further agrees that the Authority and its duly authorized agents shall have such rights of access to the Project Site as may be reasonably necessary to enable the Authority to exercise its rights under Section 5.11 hereof, and for such purpose the Company has executed and delivered to the Authority a good and sufficient deed of easement pertaining to the Project Site. The Company warrants and represents that it has good and sufficient title to the Project Site to permit the maintenance and operation of the Project as contemplated herein.

Section 5.2. Maintenance. The Company shall use its best efforts to keep and maintain the Project Facilities, including all appurtenances thereto and any personal property therein or thereon, in good repair and good operating condition so that the Project Facilities will continue to constitute Waste Water Facilities and/or Solid Waste Facilities, for the purposes of the operation thereof as required by Section 5.4 hereof.

So long as such shall not be in violation of the Act or impair the character of the Project Facilities as Waste Water Facilities and/or Solid Waste Facilities, and provided there is continued compliance with applicable laws and regulations of governmental entities having jurisdiction thereof, the Company shall have the right to remodel the Project Facilities or make additions, modifications and improvements thereto, from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, the cost of which remodeling, additions, modifications and improvements shall be paid by the Company and the same shall, when made, become a part of the Project Facilities.

Section 5.3. Removal of Portions of the Project Facilities. The Company shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary portions of the Project Facilities, except that, subject to Section 5.4 hereof, it will use its best efforts to ensure the continued character of the Project Facilities as Waste Water Facilities and/or Solid Waste Facilities. The Company shall have the right from time to time to substitute personal property or fixtures for any portions of the Project Facilities, provided that the personal property or

fixtures so substituted shall not impair the character of the Project Facilities as Waste Water Facilities and/or Solid Waste Facilities. Any such substituted property or fixtures shall, when so substituted, become a part of the Project Facilities. The Company shall also have the right to remove any portion of the Project Facilities, without substitution therefor; provided, that the Company shall deliver to the Trustee a certificate signed by an Engineer describing said portion of the Project Facilities and stating that the removal of such property or fixtures will not impair the character of the Project Facilities as Waste Water Facilities and/or Solid Waste Facilities.

Section 5.4. Operation of Project Facilities. The Company will, subject to its obligations and rights to maintain, repair or remove portions of the Project Facilities, as provided in Sections 5.2 and 5.3 hereof, use its best efforts to continue operation of the Project Facilities so long as and to the extent that operation thereof is required to comply with laws or regulations of governmental entities having jurisdiction thereof or unless the Authority shall have approved the discontinuance of such operation (which approval shall not be unreasonably withheld). The Company agrees that it will, within the design capacities thereof, use its best efforts to operate and maintain the Project Facilities in accordance with all applicable, valid and enforceable rules and regulations of governmental entities having jurisdiction thereof; provided, that the Company reserves the right to contest in good faith any such laws or regulations. The Company agrees that sufficient qualified operating personnel will be retained and operational tests and measurements necessary to determine compliance with the preceding sentence will be performed to insure proper and efficient operation and maintenance of the Project Facilities.

Nothing in this Agreement shall prevent or restrict the Company, in its sole discretion, at any time, from discontinuing or suspending either permanently or temporarily its use of any facility of the Company served by the Project Facilities and in the event such discontinuance or suspension shall render unnecessary the continued operation of the Project Facilities, the Company shall have the right to discontinue the operation of the Project Facilities during the period of any such discontinuance or suspension.

Section 5.5. Insurance. The Company agrees to insure its interest in the Project Facilities in the amount and with the coverage required by the Company Mortgage.

Section 5.6. Workers' Compensation Coverage. Throughout the term of this Agreement, the Company shall comply, or cause compliance, with applicable workers' compensation laws of the State.

Section 5.7. Damage; Destruction and Eminent Domain. If, during the term of this Agreement, the Project Facilities or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project Facilities or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Company or the Company Mortgage Trustee receives net proceeds from insurance or any condemnation award in connection therewith, the Company (unless it shall have exercised its option to prepay the Loan Payments pursuant to provisions of

Section 6.2 hereof), to the extent required to comply with applicable laws and regulations with respect to the operations of facilities of the Company served by the Project, shall promptly cause such net proceeds or an amount equal thereto to be used to repair, rebuild or restore the portion of the Project Facilities so damaged, destroyed or taken with such changes, alterations and modifications (including the substitution and addition of other property) as may be necessary or desirable for the administration and operation of the Project Facilities as Waste Water Facilities and/or Solid Waste Facilities and as shall not impair the character or significance of the Project Facilities as furthering the purposes of the Act. It is hereby acknowledged and agreed that any net proceeds from insurance or any condemnation award relating to the Project Facilities are subject to the lien of the Company Mortgage and shall be disposed of in accordance with the terms and provisions of the Company Mortgage and that any obligations of the Company under this Section 5.7 not satisfied by application of such net proceeds shall be limited to the general credit of the Company and does not require disposition of such net proceeds contrary to the requirements of the Company Mortgage.

Section 5.8. Company to Maintain its Corporate Existence; Conditions Under Which Exceptions Permitted. The Company agrees that during the term of this Agreement it will maintain its corporate existence and will not sell its electric properties as an entirety or substantially as an entirety or consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it, except to the extent permitted under the provisions of the Company Mortgage, provided that any successor corporation resulting from any such sale, consolidation or merger shall assume all obligations of the Company arising under or contemplated by the provisions of this Agreement.

If consolidation, merger or sale or other transfer is made as provided in this Section, the provisions of this Section shall continue in full force and effect and no further consolidation, merger or sale or other transfer shall be made except in compliance with the provisions of this Section.

Section 5.9. Indemnification. The Company releases the Authority from, agrees that the Authority shall not be liable for, and indemnifies the Authority against, all liabilities, claims, costs and expenses imposed upon or asserted against the Authority on account of: (a) any loss or damage to property or injury to or death of or loss by any person that may be occasioned by any cause whatsoever pertaining to the construction, maintenance, operation and use of the Project Facilities; (b) any breach or default on the part of the Company in the performance of any covenant or agreement of the Company under this Agreement or any related document, or arising from any act or failure to act by the Company, or any of its agents, contractors, servants, employees or licensees; (c) the authorization, issuance and sale of the Bonds, and the provision of any information furnished in connection therewith concerning the Project Facilities or the Company (including, without limitation, any information furnished by the Company for inclusion in any certifications made by the Authority under Section 3.4 hereof or for inclusion in, or as a basis for preparation of, the information statements filed by the Authority pursuant to Section 8(a)(ii) of the Bond Resolution); and (d) any claim or action or proceeding with respect to

the matters set forth in (a), (b) and (c) above brought thereon; provided that if the Authority has exercised its rights to operate and maintain the Project Facilities under Section 5.11 hereof, the Company shall not be obligated to indemnify the Authority against any loss or damage to, or any injury or death of, any person if that loss, damage, injury or death results from the gross negligence or willful misconduct of the Authority or its agents or employees.

The Company agrees to indemnify the Trustee, the Paying Agent and the Registrar (each hereinafter referred to in this section as an "indemnified party") for and to hold each of them harmless against all liabilities, claims, costs and expenses incurred without negligence or willful misconduct on the part of the indemnified party, on account of any action taken or omitted to be taken by the indemnified party in accordance with the terms of this Agreement, the Bonds or the Indenture or any action taken at the request of or with the consent of the Company, including the costs and expenses of the indemnified party in defending itself against any such claim, action or proceeding brought in connection with the exercise or performance of any of its powers or duties under this Agreement, the Bonds or the Indenture or any action taken at the request of or with the consent of the Company.

In case any action or proceeding is brought against the Authority or an indemnified party in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give notice of that action or proceeding to the Company, and the Company upon receipt of that notice shall have the obligation and the right to assume the defense of the action or proceeding; provided, that failure of a party to give that notice shall not relieve the Company from any of its obligations under this Section unless that failure prejudices the defense of the action or proceeding by the Company. At its own expense, an indemnified party may employ separate counsel and participate in the defense; provided, however, where it is ethically inappropriate for one firm to represent the interests of the Authority and any other indemnified party or parties, the Company shall pay the Authority's legal expenses in connection with the Authority's retention of separate counsel. The Company shall not be liable for any settlement made without its consent.

The indemnification set forth above is intended to and shall include the indemnification of all affected officials, directors, officers and employees of the Authority, the Trustee, the Paying Agent and the Registrar, respectively. That indemnification is intended to and shall be enforceable by the Authority, the Trustee, the Paying Agent and the Registrar, respectively, to the full extent permitted by law.

Section 5.10. Company Not to Adversely Affect Exclusion of Interest on Bonds From Gross Income For Federal Income Tax Purposes. The Company hereby covenants and represents that it has taken and caused to be taken and shall take and cause to be taken all actions that may be required of it for the interest on the 1994 Bonds to be and remain excluded from the gross income of the Holders for federal income tax purposes, and that it has not taken or permitted to be taken on its behalf, and covenants that it will not take, or permit to be taken on its behalf, any action which, if taken, would adversely affect that exclusion under the provisions of the Code.

Section 5.11. Operation and Maintenance. In the event the Company shall fail (i) to cause the Project Facilities to be kept in good repair and operating condition, or (ii) to use its best efforts to cause the Project Facilities to be operated in accordance with Section 5.4 hereof, the Authority after 30 days' written notice to the Company specifying the particular failure and the corrective measures which the Authority proposes to take and the refusal by the Company to take such corrective measures as are needed to insure compliance with Section 5.4 hereof, may take (but shall not be required to), subject to all requirements and restrictions under which the production facility served by the Project Facilities is operated, such corrective measures, including employment of operating personnel (who must be approved by and act under the direction and control of the Company) but excluding any curtailment in whole or in part of the operation of the production facility served by the Project Facilities other than to permit the repair of the Project Facilities, as are specified in said notice to insure compliance with Section 5.4 hereof, and provide for payment thereof. Any expenditures incurred by the Authority in connection with its undertaking corrective measures pursuant to the provisions of this Section, including without limitation the costs of any public liability insurance which the Authority obtains in connection with such undertaking, shall become an additional obligation of the Company to the Authority which, together with interest thereon at the Interest Rate for Advances from the date such expenditures are incurred by the Authority, the Company agrees to pay.

In the event the Authority exercises its right to take such corrective measures, the Authority shall cease taking such measures and withdraw any operating personnel from the Project Facilities at the earlier of (i) the time as of which the Project Facilities have been restored to proper operating condition or as of which proper operation of the Project Facilities has been resumed by the Company or (ii) unless there exists an Event of Default under Section 7.1(a) hereof, two months from the date on which such corrective measures were originally taken.

Section 5.12. Use of Project Facilities. The Authority agrees that it will not take any action, or cause any action to be taken on its behalf, to interfere with the Company's ownership interest in the Project or to prevent the Company from having possession, custody, use and enjoyment of the Project other than pursuant to Section 5.11 or Article VII of this Agreement or Article VII of the Indenture.

Section 5.13. Assignment by Company. This Agreement may be assigned in whole or in part by the Company without the necessity of obtaining the consent of either the Authority or the Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 5.8 hereof) shall relieve the Company from primary liability for any of its obligations hereunder, and in the event of any such assignment the Company shall continue to remain primarily liable for the payment of the Loan Payments and Additional Payments and for performance and observance of the agreements on its part herein

provided to be performed and observed by it.

(b) Any assignment by the Company must retain for the Company such rights and interests as will permit it to perform its obligations under this Agreement, and any assignee from the Company shall assume the obligations of the Company hereunder to the extent of the interest assigned.

(c) The Company shall, within 30 days after execution thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of each such assignment together with any instrument of assumption.

(d) Any assignment from the Company shall not materially impair fulfillment of the Project Purposes to be accomplished by operation of the Project as herein provided.

Section 5.14. Agreements with Bond Insurer. So long as the Bond Insurance Policy is in full force and effect with respect to the Bonds and the Bond Insurer is not in default thereunder as defined in Section 7.10 of the Indenture, the following provisions shall apply:

(a) Any action requiring the approval or consent of the Holders, the Authority, the Trustee or the Company under the Agreement shall also require the prior written consent of the Bond Insurer.

(b) The Company shall provide the Bond Insurer annually with copies of the Company's audited financial statements.

(c) Upon the occurrence and continuance of an Event of Default hereunder, the Bond Insurer shall have the same right as the Authority and the Trustee to pursue the remedies provided in Sections 7.2 and 7.3 hereof; and

(d) The Company shall give notice to the Bond Insurer, not less than two days prior to any Loan Payment Date, if the Company does not intend or will be unable to make the Loan Payment on that Loan Payment Date.

(End of Article V)

ARTICLE VI

REDEMPTION

Section 6.1. Optional Redemption. Provided no Event of Default shall have occurred and be subsisting, at any time and from time to time, the Company may deliver moneys to the Trustee in addition to Loan Payments or Additional

Payments required to be made and direct the Trustee to use the moneys so delivered for the purpose of calling Bonds for optional redemption in accordance with the applicable provisions of the Indenture providing for optional redemption at the redemption price stated in the Indenture. Pending application for those purposes, any moneys so delivered shall be held by the Trustee in a special account in the Bond Fund and delivery of those moneys shall not, except as set forth in Section 4.1 hereof, operate to abate or postpone Loan Payments or Additional Payments otherwise becoming due or to alter or suspend any other obligations of the Company under this Agreement.

Section 6.2. Extraordinary Optional Redemption. The Company shall have, subject to the conditions hereinafter imposed, the option to direct the redemption of the Bonds in whole in accordance with the applicable provisions of the Indenture upon the occurrence of any of the following events:

(a) The Project or a Project Unit shall have been damaged or destroyed to such an extent that (1) it cannot reasonably be expected to be restored, within a period of six consecutive months, to the condition thereof immediately preceding such damage or destruction or (2) the Company is reasonably expected to be prevented from carrying on its normal operations in connection therewith for a period of six consecutive months.

(b) Title to, or the temporary use of, all or a significant part of the Project or a Project Unit shall have been taken under the exercise of the power of eminent domain (1) to such extent that it cannot reasonably be expected to be restored within a period of six consecutive months to a condition of usefulness comparable to that existing prior to the taking or (2) to such an extent that the Company is reasonably expected to be prevented from carrying on its normal operations in connection therewith for a period of six consecutive months.

(c) As a result of any changes in the Constitution of the State, the Constitution of the United States of America or any state or federal laws or as a result of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after any contest thereof by the Authority or the Company in good faith, this Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in this Agreement.

(d) Unreasonable burdens or excessive liabilities shall have been imposed upon the Authority or the Company with respect to the Project or a Project Unit or the operation thereof, including, without limitation, the imposition of federal, state or other ad valorem, property, income or other taxes other than ad valorem taxes at the rates presently levied upon privately owned property used for the same general purpose as the Project

or a Project Unit.

(e) Changes in the economic availability of raw materials, operating supplies, energy sources or supplies or facilities (including, but not limited to, facilities in connection with the disposal of industrial wastes) necessary for the operation of the Project or a Project Unit for the Project Purposes occur or technological or other changes occur which the Company cannot reasonably overcome or control and which in the Company's reasonable judgment render the Project or a Project Unit uneconomic or obsolete for the Project Purposes.

(f) Any court or administrative body shall enter a judgment, order or decree, or shall take administrative action, requiring the Company to cease all or any substantial part of its operations served by the Project or a Project Unit to such extent that the Company is or will be prevented from carrying on its normal operations at the Project or a Project Unit for a period of six consecutive months.

(g) The termination by the Company of operations at a Project Unit.

The amount payable by the Company in the event of its exercise of the option granted in this Section shall be the sum of the following:

(i) An amount of money which, when added to the moneys and investments held to the credit of the Bond Fund, will be sufficient pursuant to the provisions of the Indenture to pay, at 100% of the principal amount thereof plus accrued interest to the redemption date, and discharge, all Outstanding Bonds on the earliest applicable redemption date, that amount to be paid to the Trustee, plus

(ii) An amount of money equal to the Additional Payments relating to those Bonds accrued and to accrue until actual final payment and redemption of those Bonds, that amount or applicable portions thereof to be paid to the Trustee or to the Persons to whom those Additional Payments are or will be due.

The requirement of (ii) above with respect to Additional Payments to accrue may be met if provisions satisfactory to the Trustee and the Authority are made for paying those amounts as they accrue.

The rights and options granted to the Company in this Section may be exercised whether or not the Company is in default hereunder; provided, that such default will not relieve the Company from performing those actions which are necessary to exercise any such right or option granted hereunder.

Section 6.3. Mandatory Redemption. The Company shall deliver to the Trustee the moneys needed to redeem the Bonds in accordance with any mandatory

redemption provisions relating thereto as may be set forth in Section 4.01(b) of the Indenture.

Section 6.4. Notice of Redemption. In order to exercise an option granted in, or to consummate a redemption required by, this Article VI, the Company shall, within 180 days following the event authorizing the exercise of such option or at any time during the continuation of the condition referred to in paragraphs (c), (d) or (e) of Section 6.2 hereof or promptly upon the occurrence of a Determination of Taxability (as defined in the Indenture), give written notice to the Authority, the Trustee and the Company Mortgage Trustee that it is exercising its option to direct the redemption of Bonds, or that the redemption thereof is required by Section 4.01(b) of the Indenture due to the occurrence of a Determination of Taxability, as the case may be, in accordance with the Agreement and the Indenture, and shall specify therein the date on which such redemption is to be made, which date shall not be more than 180 days from the date such notice is mailed. The Company shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption to the Holders of the Bonds, in which arrangements the Authority shall cooperate. The Company shall make arrangements satisfactory to the Company Mortgage Trustee to effect a concurrent redemption of an equivalent principal amount of corresponding First Mortgage Bonds under the Supplemental Mortgage Indenture.

Section 6.5. Actions by Authority. At the request of the Company or the Trustee, the Authority shall take all steps required of it under the applicable provisions of the Indenture or the Bonds to effect the redemption of all or a portion of the Bonds pursuant to this Article VI.

Section 6.6. Concurrent Discharging of First Mortgage Bonds. In the event any of the Bonds shall be paid and discharged, or deemed to be paid and discharged, pursuant to any provisions of this Agreement and the Indenture, so that such Bonds are not thereafter outstanding within the meaning of the Indenture, a like principal amount of corresponding First Mortgage Bonds shall be deemed fully paid for purposes of this Agreement and to such extent the obligations of the Company hereunder shall be deemed terminated.

(End of Article VI)

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1. Events of Default. Each of the following shall be an Event of Default:

(a) The occurrence of an event of default as defined in Section 7.01 (a) or (b) of the Indenture;

(b) The Company shall fail to observe and perform any other

agreement, term or condition contained in this Agreement, other than such failure as will have resulted in an event of default described in (a) above and the continuation of that failure for a period of 90 days after notice thereof shall have been given to the Company by the Authority or the Trustee, or for such longer period as the Authority and the Trustee may agree to in writing; provided, that failure shall not constitute an Event of Default so long as the Company institutes curative action within the applicable period and diligently pursues that action to completion; and

(c) The occurrence of a "completed default" as defined in the Company Mortgage.

Notwithstanding the foregoing, if, by reason of Force Majeure, the Company is unable to perform or observe any agreement, term or condition hereof which would give rise to an Event of Default under subsection (b) hereof, the Company shall not be deemed in default during the continuance of such inability.

However, the Company shall promptly give notice to the Trustee and the Authority of the existence of an event of Force Majeure and shall use its best efforts to remove the effects thereof; provided that the settlement of strikes or other industrial disturbances shall be entirely within its discretion.

The term Force Majeure shall mean the following:

(i) acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, nuclear accidents or other malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of a utility serving the Project; shortages of labor, materials, supplies or transportation; or

(ii) any cause, circumstance or event not reasonably within the control of the Company.

The exercise of remedies hereunder shall be subject to any applicable limitations of federal bankruptcy law affecting or precluding that declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

Section 7.2. Remedies on Default. Whenever an Event of Default shall have happened and be subsisting, either or both of the following remedial steps may be taken:

(a) The Authority or the Trustee may have access to, inspect, examine and make copies of the books, records, accounts and financial data of the Company, only, however, insofar as they pertain to the Project; or

(b) The Authority or the Trustee may pursue all remedies now or hereafter existing at law or in equity to recover all amounts, including all Loan Payments and Additional Payments, then due and thereafter to become due under this Agreement, or to enforce the performance and observance of any other obligation or agreement of the Company under those instruments.

Notwithstanding the foregoing, the Authority shall not be obligated to take any step which in its opinion will or might cause it to expend time or money or otherwise incur liability unless and until a satisfactory indemnity bond has been furnished to the Authority at no cost or expense to the Authority. Any amounts collected as Loan Payments or applicable to Loan Payments and any other amounts which would be applicable to payment of Bond Service Charges collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the outstanding Bonds have been paid and discharged in accordance with the provisions of the Indenture, shall be paid as provided in Section 5.08 of the Indenture for transfers of remaining amounts in the Bond Fund.

The provisions of this Section are subject to the further limitation that the rescission and annulment by the Trustee of its declaration that all of the Bonds are immediately due and payable also shall constitute a rescission and annulment of the consequences of that declaration and of the Event of Default with respect to which that declaration has been made, provided that no such rescission and annulment shall extend to or affect any subsequent or other default or impair any right consequent thereon.

Section 7.3. No Remedy Exclusive. No remedy conferred upon or reserved to the Authority or the Trustee by this Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement, or now or hereafter existing at law, in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair that right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than any notice required by law or for which express provision is made herein.

Section 7.4. Agreement to Pay Attorneys' Fees and Expenses. If an Event of Default should occur and the Authority or the Trustee should incur expenses, including attorneys' fees, in connection with the enforcement of this Agreement or the collection of sums due hereunder, the Company shall be required, to the extent permitted by law, to reimburse the Authority and the Trustee, as applicable, for the expenses so incurred upon demand.

Section 7.5. No Waiver. No failure by the Authority or the Trustee to insist upon the strict performance by the Company of any provision hereof shall constitute a waiver of their right to strict performance and no express waiver shall be deemed to apply to any other existing or subsequent right to remedy the failure by the Company to observe or comply with any provision hereof.

Section 7.6. Notice of Default. The Company shall notify the Trustee immediately if it becomes aware of the occurrence of any Event of Default hereunder or of any fact, condition or event which, with the giving of notice or passage of time or both, would become an Event of Default.

(End of Article VII)

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Term of Agreement. This Agreement shall be and remain in full force and effect from the date of delivery of the Bonds to the Original Purchaser until such time as all of the Bonds shall have been fully paid (or provision made for such payment) pursuant to the Indenture and all other sums payable by the Company under this Agreement shall have been paid.

Section 8.2. Amounts Remaining in Funds. Any amounts in the Bond Fund remaining unclaimed by the Holders of Bonds for four years after the due date thereof (whether at stated maturity, by redemption, upon acceleration or otherwise), at the option of the Company, shall be deemed to belong to and shall be paid, subject to Section 5.07 of the Indenture, at the written request of the Company, to the Company by the Trustee. With respect to the principal of and any premium and interest on the Bonds to be paid from moneys paid to the Company pursuant to the preceding sentence, the Holders of the Bonds entitled to those moneys shall look solely to the Company for the payment of those moneys. Further, any amounts remaining in the Bond Fund and any other special funds or accounts created under this Agreement or the Indenture, except the Rebate Fund, after all of the Bonds shall be deemed to have been paid and discharged under the provisions of the Indenture and all other amounts required to be paid under this Agreement and the Indenture have been paid, shall be paid to the Company to the extent that those moneys are in excess of the amounts necessary to effect the payment and discharge of the Outstanding Bonds.

Section 8.3. Notices. All notices, certificates, requests or other communications hereunder shall be in writing, except as provided in Section 3.4 hereof, and shall be deemed to be sufficiently given when mailed by registered or certified mail, postage prepaid, and addressed to the appropriate Notice Address. A duplicate copy of each notice, certificate, request or other communication given hereunder to the Authority, the Company or the Trustee shall

also be given to the others. The Company, the Authority and the Trustee, by notice given hereunder, may designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

The Bond Insurer shall receive copies of all notices required to be given by the Trustee, the Authority or the Company under this Agreement, including all notices to Holders. All notices required to be given to the Bond Insurer under this Agreement shall be in writing and shall be sent by registered or certified mail addressed to municipal Bond Investors Assurance Corporation, 113 King Street, Armonk, New York 10504, Attention: Surveillance.

Section 8.4. Extent of Covenants of the Authority; No Personal Liability. All covenants, obligations and agreements of the Authority contained in this Agreement or the Indenture shall be effective to the extent authorized and permitted by applicable law. No such covenant, obligation or agreement shall be deemed to be a covenant, obligation or agreement of any present or future member, officer, agent or employee of the Authority in other than his official capacity, and neither the members of the Authority nor any official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or by reason of the covenants, obligations or agreements of the Authority contained in this Agreement or in the Indenture.

Section 8.5. Binding Effect. This Agreement shall inure to the benefit of the Authority, the Company, the Trustee, the Paying Agent, the Registrar and their respective permitted successors and assigns and shall be binding in accordance with its terms upon the Authority, the Company and their respective permitted successors and assigns provided that this Agreement may not be assigned by the Company (except as permitted under Sections 5.8 or 5.13 hereof) and may not be assigned by the Authority except to (i) the Trustee pursuant to the Indenture or as otherwise may be necessary to enforce or secure payment of Bond Service Charges or (ii) any successor public body to the Authority.

Section 8.6. Amendments and Supplements. Except as otherwise expressly provided in this Agreement or the Indenture, subsequent to the issuance of the Bonds and prior to all conditions provided for in the Indenture for release of the Indenture having been met, this Agreement may not be effectively amended, changed, modified, altered or terminated by the parties hereto except with the consents and notices required by, and in accordance with, the provisions of Article XI of the Indenture, as applicable.

Section 8.7. Execution Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

Section 8.8. Severability. If any provision of this Agreement, or any covenant, obligation or agreement contained herein is determined by a judicial or administrative authority to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion

were not contained herein. That invalidity or unenforceability shall not affect any valid and enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 8.9. Governing Law. This Agreement shall be deemed to be a contract made under the laws of the State and for all purposes shall be governed by and construed in accordance with the laws of the State.

(End of Article VIII)

IN WITNESS WHEREOF, the Authority and the Company have caused this Agreement to be duly executed in their respective names, all as of the date hereinbefore written.

OHIO WATER DEVELOPMENT AUTHORITY

By: /S/ Steve Grossman

Executive Director

Attest: /S/ M. Donita Hoosier

Secretary-Treasurer

THE CINCINNATI GAS & ELECTRIC COMPANY

By: /S/ William L. Sheafer

Title: Treasurer

Attest: /S/ D. R. Blum

Secretary

EXHIBIT A

PROJECT FACILITIES COMPRISING
THE KILLEN PROJECT UNIT

General:

The Killen Electric Generating Station ("Killen") is located in Adams County, Ohio, and its ownership is shared by the Company and The Dayton Power and Light Company as tenants in common. The Company's undivided interest in the portion of Killen comprising the Killen Project Unit is 33%. Killen is operated by The Dayton Power and Light Company, which is responsible for managing the acquisition, construction and installation of the Killen Project Unit.

Scope:

Circulating Water System

The circulating water system at Killen is a closed cycle system utilizing one mechanical draft cooling tower. The round mechanical draft cooling tower is approximately sixty-six feet high with a base diameter of approximately two hundred twenty-seven feet.

Engineering, material, labor and supervision were provided for the installation of the following components for the circulating water system:

Cooling tower including materials and hardware such as casing, structural framework, fill, air inlet louvers, drift eliminators, ferrous hardware and non-ferrous hardware

Water distribution system including riser pipes, distribution piping, valving, fittings, tower deicing, etc.

Electrical supply to: fan motors, lighting, pump motors and any other electrical work associated with the cooling tower

Access stairs, ladders, platforms and walkways

Lightning protection and grounding

Water circulation system including intake and discharge piping, valves, circulating water pumps and motor

Substructure consisting of piling, footer and any other construction technology necessary to support the cooling tower

Wastewater Treatment System

The wastewater treatment system at Killen represents a maximum facility
required for the treatment of various plant wastewaters.

The treatment philosophy recommended for the various waste streams generated at Killen was and is based on waste flows, characteristics and final effluent limitations.

Sanitary wastes are treated in an extended aeration package unit which provides secondary treatment. Effluent from this treatment facility is subjected to disinfection by chlorination and discharged to the collection basin. The sludge produced is hauled periodically for disposal in an approved manner. Demineralizer and condensate polisher regenerate wastes, laboratory and seal trough drains, coal pile area (active and dead storage) and precipitator area runoff, bottom ash and fly ash sluicing pipe drainage and bottom ash system overflow and seal water are all nonconcurrent and vary in flow rates. These waste streams are all directed to the collection basin for equalization, self-neutralization, retention and removal of particulates or solids by sedimentation.

Boiler blowdown does not exceed the limitations set forth for iron and copper and has been and will be directed to the collection basin. However, facilities will be provided to divert this flow to the cleaning waste retention basin, if it is found that the blowdown contains iron and copper at levels higher than the effluent limitation. The waste is then treated in a treatment facility either alone or combined with other cleaning wastes which are directed to the cleaning waste retention basin. The effluent from the treatment system is sent to the collection basin.

Boiler cleaning, reheater, superheater and air preheater cleaning wastes which are occasional and may contain iron and copper in excess of effluent limitations are directed to the cleaning waste retention basin and treated to remove iron and copper. The effluent is directed to the collection basin. Any sludge that is produced in the treatment facility is disposed of in an approved manner.

Equipment drain, floor drain and other miscellaneous low volume equipment cleaning wastes contaminated with oil are treated in an oil-water separator system for separation of oil and the effluent sent to the collection basin. The separated oil is collected in a waste oil storage tank for reuse or disposal in an approved manner.

Storm water wastes from transformer and oil storage tanks area are collected locally in a system of drains and directed to local oil-storm water separator systems. The separated oil is collected in waste oil storage tanks for reuse or disposal in an approved manner. The effluent water is directed to the collection basin.

All waste streams directed to the collection basin are retained in the basin for a minimum of 24 hours to permit sedimentation to occur. The overflow or supernatant from the collection basin is directed to the bottom ash pond.

Cooling tower cleaning wastes, cooling tower blowdown and bottom ash transport water are all directed to the bottom ash pond. Bottom ash pond water is used for bottom ash and fly ash sluicing. Overflow from the bottom ash pond is sent to the fly ash pond.

The fly ash pond, in addition to receiving the overflow from the bottom ash pond, also receives the fly ash transport water. The final discharge from

the fly ash pond is to the river. An automatic liquid Carbon Dioxide Recarbonation System neutralizes the high pH effluent to acceptable limits.

Ash Handling and Disposal

The ash handling system at Killen consists of a dry vacuum collection system and a wet sluicing removal system designed to remove ash from the electrostatic precipitator and bottom ash hoppers and to transport the collected ash to on-site storage ponds.

Engineering, material, labor and supervision were provided for the installation of the following components for the ash handling and disposal system:

Hoppers, valves, controls, pumps, manifold pipe connection system, vacuum producing equipment, discharge conveying pipes to the wet ash disposal area
On-site ash disposal ponds
Supporting structural steel, pipe hangers and foundations
Necessary stairways, galleries and enclosures
Electrical work associated with the ash disposal system

EXHIBIT B

PROJECT FACILITIES COMPRISING THE WALTER C. BECKJORD PROJECT UNIT

General:

The Walter C. Beckjord Electric Generating Station ("Beckjord Station") is located in Clermont County, Ohio, and ownership of Unit 6 of the Beckjord Station is shared by the Company, The Dayton Power and Light Company and the Columbus & Southern Ohio Electric Company as tenants in common. The Company's undivided interest in the portions of the Beckjord Station comprising the Beckjord Project Unit is 37.5%. The Company operates the Beckjord Station and is responsible for managing the acquisition, construction and installation of the Beckjord Project Unit.

Scope:

The Beckjord Project Unit involved improvements in connection with the then existing ash settling pond and construction of a new ash settling pond for the disposal of fly ash and bottom ash (as defined below) produced at the Beckjord Station.

The fly ash that is collected in the precipitators for generating units 5 and 6, together with the bottom ash collected in the hoppers below such

generating units, is transported to the then existing ash settling pond ("Ash Settling Pond") by means of a sluicing system. This sluicing system consists of a series of pipes through which water is pumped to convey ash from the precipitators and ash hoppers to the Ash Settling Pond, where the fly and bottom ash settles to the bottom of the pond. Ash-free water flows from the top of the Ash Settling Pond into the adjacent river. Periodically, the settled ash is dredged out of the Ash Settling Pond and is disposed of off-site in a landfill.

The then existing Ash Settling Pond described above is located immediately adjacent to the river bank. Improvements were necessary to shore up the bank of the river to prevent the release of ash materials from the pond into the river. These improvements were accomplished in four phases and involved the installation of "rip-rap" along 2,200 feet of the river bank. "Rip-rap" is a layer of materials consisting of a plastic fabric cloth placed on top of a six inch layer of sand. A layer of small No. 2 stone is placed on the plastic fabric and a twelve to eighteen inch layer of exposed stone of at least 10 inches in diameter covers the smaller stone.

Because the then existing Ash Settling Pond for units 5 and 6 was filled with fly and bottom ash, a new Ash Settling Pond ("New Ash Settling Pond") was constructed in order to accommodate further on-site disposal of ash. The New Ash Settling Pond consists of a dike, constructed from clay on an 80 acre site, that is 40 feet tall, 15 feet wide at the top, and 175 feet wide at its base. A vertical overflow pipe is located at the end of the Pond through which clarified water flows to the adjacent river.

EXHIBIT C

PROJECT FACILITIES COMPRISING THE MIAMI FORT PROJECT UNIT

General

The Miami Fort Electric Generating Station ("Miami Fort Station") is located in Hamilton County, Ohio, and ownership of Units 7 and 8 of the Station is shared by the Company and The Dayton Power and Light Company as tenants in common. The Company's undivided interest in the portions of the Miami Fort Station comprising the Miami Fort Project Unit is 64%. The Miami Fort Station is operated by the Company, which is responsible for managing the acquisition, construction and installation of the Miami Fort Project Unit.

Scope:

The Miami Fort Project Unit involved the acquisition of land for and the construction of a Dry Fly Ash Disposal Basin ("Basin") and the construction of a new Ash Settling Pond "B". The Pond and Basin are used for the disposal of fine particulate residues ("fly ash") and heavy particulate residues ("bottom ash") produced by the coal-fired boilers used to drive turbo generators at the Miami

Fort Electric Generating Station. The fly ash, which is captured in electrostatic precipitators, and the bottom ash, which collects at the bottom of the boilers in hoppers, are first transported by sluicing systems to ash settling ponds. The Basin provides for the final disposal of fly and bottom ash that is excavated from existing ash settling ponds and removed from fly ash silos located adjacent to generating units 7 and 8.

Because the then existing Ash Settling Pond (Ash Basin "A") was filled with ash, it became necessary to construct a new Ash Settling Pond "B" in order to accommodate the deposit of additional ash. This addition involved raising the elevation of the dike walls, which was accomplished in four stages. Upon completion, the dike walls were raised to an elevation of 510 feet. Final site work included the completion of the grading of the site, consulting services, seeding the dike, construction of a floating walkway, and installation of an erosion slab.

The Basin was constructed in a 30-40 foot deep gravel pit located on an 80 acre site. The gravel pit is lined with two feet of clay to prevent the fly ash from seeping into underground water. Three monitoring wells were drilled and monitoring equipment was installed to test ground water in selected areas around the Basin for evidence of leaching of ash deposited in the Basin. Rainwater is pumped from the surface of the Basin into a new clarifying pond which was constructed to allow settling of any fly ash before discharge into the adjacent river.

EXHIBIT 4-A-25

LOAN AGREEMENT

between

OHIO AIR QUALITY DEVELOPMENT AUTHORITY

and

THE CINCINNATI GAS & ELECTRIC COMPANY

$25,300,000
State of Ohio
Collateralized Air Quality Development
Revenue Refunding Bonds, 1994 Series B
(The Cincinnati Gas & Electric Company Project)

Dated

as of

January 1, 1994

INDEX

(This Index is not a part of the Agreement
but rather is for convenience of reference only.)

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LOAN AGREEMENT

THIS LOAN AGREEMENT is made and entered into as of January 1, 1994 between the OHIO AIR QUALITY DEVELOPMENT AUTHORITY (the "Authority"), a body politic and corporate organized and existing under the laws of the State of Ohio, and THE CINCINNATI GAS & ELECTRIC COMPANY (the "Company"), a public utility and corporation duly organized and validly existing under the laws of the State of Ohio. Capitalized terms used in the following recitals are used as defined in Article I of this Agreement.

Pursuant to Section 13 of Article VIII of the Ohio Constitution and the Act, the Authority has determined to issue, sell and deliver the Bonds and to lend the proceeds derived from the sale thereof to the Company to assist in the refunding of the Refunded Bonds as defined below. The Refunded Bonds were originally issued to provide funds to make loans to the Company to assist in the financing of its portion of the costs of the Project as defined below.

The Company and the Authority each have full right and lawful authority to enter into this Agreement and to perform and observe the provisions hereof on their respective parts to be performed and observed.

NOW THEREFORE, in consideration of the premises and the mutual representations and agreements hereinafter contained, the Authority and the Company agree as follows (provided that any obligation of the Authority or the State created by or arising out of this Agreement shall never constitute a general debt of the Authority or the State or give rise to any pecuniary liability of the Authority or the State but shall be payable solely out of Revenues, including Loan Payments made pursuant to the First Mortgage Bonds):

ARTICLE I

DEFINITIONS

Section 1.1. Use of Defined Terms. In addition to the words and terms defined elsewhere in this Agreement or by reference to another document, the words and terms set forth in Section 1.2 hereof shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.2. Definitions. As used herein:

"Act" means Chapter 3706, Ohio Revised Code, as enacted and amended from time to time pursuant to Section 13 of Article VIII of the Ohio Constitution.

"Additional Payments" means the amounts required to be paid by the Company pursuant to the provisions of Section 4.2 hereof.

"Administration Expenses" means the compensation (which compensation shall not be greater than that typically charged in similar circumstances) and reimbursement of reasonable expenses and advances payable to the Trustee, the Registrar, any Paying Agent and any Authenticating Agent.

"Agreement" means this Loan Agreement, as amended or supplemented from time to time.

"Air Quality Facility" or "Air Quality Facilities" means those facilities which are air quality facilities as defined in Section 3706.01, Ohio Revised Code.

"Authenticating Agent" means the Authenticating Agent as defined in the Indenture.

"Authority Fee" means an amount not to exceed $57,875.

"Bond Fund" means the Bond Fund created in the Indenture.

"Bond Insurance Policy" means the municipal bond insurance policy issued by the Bond Insurer that guarantees payment when due of principal and interest on the Bonds.

"Bond Insurer" means Municipal Bond Investors Assurance Corporation, a stock insurance company incorporated under the laws of the State of New York, or its successor.

"Bond Resolution" means the resolution of the Authority providing for the issuance of the Bonds and approving this Agreement, the Indenture and related matters, as amended or supplemented from time to time.

"Bond Service Charges" means, for any period or time, the principal of, premium, if any, and interest due on the Bonds for that period or payable at that time whether due at maturity or upon acceleration or redemption or otherwise.

"Bonds" means the $25,300,000 Collateralized Air Quality Development Revenue Refunding Bonds, 1994 Series B (The Cincinnati Gas & Electric Company Project), issued by the Authority pursuant to the Bond Resolution and the Indenture.

"Bonds Outstanding" or "Outstanding Bonds" means Outstanding Bonds as defined in the Indenture.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. References to the Code and Sections of the Code include relevant applicable regulations and proposed regulations thereunder and under the Internal Revenue Code of 1954, as amended, and any successor provisions to those Sections, regulations or proposed regulations and, in addition, all applicable official rulings and judicial determinations under the foregoing applicable to the Bonds.

"Company Mortgage" means the First Mortgage, dated as of August 1, 1936, between the Company and the Company Mortgage Trustee, as amended, modified or supplemented from time to time.

"Company Mortgage Trustee" means The Bank of New York (formerly Irving Trust Company), as trustee under the Company Mortgage, and its successors and assigns.

"Eligible Investments" means Eligible Investments as defined in the Indenture.

"Engineer" means an engineer (who may be an employee of the Company) or engineering firm qualified to practice the profession of engineering under the laws of the State and who or which is acceptable to the Trustee.

"EPA" means the Environmental Protection Agency of the State and any successor body, agency, commission or department.

"Event of Default" means any of the events described as an Event of Default in Section 7.1 hereof.

"First Mortgage Bonds" means the $25,300,000 aggregate principal amount of First Mortgage Bonds, 5.45% Series B Due 2024, issued under the Company Mortgage pursuant to the Supplemental Mortgage Indenture.

"Force Majeure" means any of the causes, circumstances or events

described as constituting Force Majeure in Section 7.1 hereof.

"Holder" or "Holder of a Bond" means the Person in whose name a Bond is registered on the Register.

"Indenture" means the Trust Indenture, dated as of the same date as this Agreement, between the Authority and the Trustee, as amended or supplemented from time to time.

"Interest Rate for Advances" means the interest rate per year payable on the Bonds.

"Kentucky Bonds" means the $48,000,000 Collateralized Pollution Control Revenue Refunding Bonds, 1994 Series A (The Cincinnati Gas & Electric Company Project) issued by the County of Boone, Kentucky.

"Loan" means the loan by the Authority to the Company of the proceeds received from the sale of the Bonds.

"Loan Payment Date" means any date on which any Bond Service Charges are due and payable.

"Loan Payments" means the amounts required to be paid by the Company on the First Mortgage Bonds in repayment of the Loan pursuant to Section 4.1 hereof.

"1954 Code" means the Internal Revenue Code of 1954 as amended from time to time through the date of enactment of the Code. References to the 1954 Code and Sections of the 1954 Code include relevant applicable regulations (including temporary regulations) and proposed regulations thereunder and any successor provisions to those Sections, regulations or proposed regulations.

"1994 Bonds" means collectively, the Bonds, the Ohio Water Bonds and the Kentucky Bonds.

"Notice Address" means:

(a) As to the Authority:
Ohio Air Quality Development Authority
1901 LeVeque Tower
50 West Broad Street
Columbus, Ohio 43215
Attention: Executive Director

(b) As to the Company:
The Cincinnati Gas & Electric Company
P.O. Box 960
Cincinnati, Ohio 45201
Attention: Treasurer

(c) As to the Trustee:
The Bank of New York
101 Barclay Street
21st Floor

New York, New York 10286
Attention: Corporate Trust Administration

or such additional or different address, notice of which is given under Section 8.3 hereof.

"Ohio Water Bonds" means the $21,400,000 Collateralized Water Development Revenue Refunding Bonds, 1994 Series A (The Cincinnati Gas & Electric Company Project).

"Opinion of Bond Counsel" means a written opinion of nationally recognized bond counsel selected by the Company and acceptable to the Trustee who is experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions. Bond Counsel may be counsel to the Trustee or the Company.

"Original Purchaser" means the Original Purchaser as defined in the Indenture.

"Paying Agent" means the Paying Agent as defined in the Indenture.

"Person" or words importing persons mean firms, associations, partnerships (including without limitation, general and limited partnerships), societies, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

"Project" or "Project Facilities" means the real, personal or real and personal property, including undivided or other interests therein, identified in the Project Description.

"Project Description" means, collectively, the description of the Project Facilities attached hereto as Exhibit A (with respect to the Series 1976 Project), Exhibit B (with respect to the Series 1980 Project) and Exhibit C (with respect to the Series 1983 Project), as the same may be amended in accordance with this Agreement.

"Project Purposes" means the purposes of Air Quality Facilities as described in the Act and as particularly described in Exhibits A, B and C hereto.

"Project Site" means, with respect to the Series 1976 Bonds, the Miami Fort Electric Generating Station in Hamilton County, Ohio; with respect to the Series 1980 Bonds, the Walter C. Beckjord Electric Generating Station in Clermont County, Ohio; and with respect to the Series 1983 Bonds, the Killen Electric Generating Station in Adams County, Ohio.

"Rebate Fund" means the Rebate Fund created in the Indenture.

"Refunded Bonds" means, collectively, the Series 1976 Bonds, the Series 1980 Bonds and the Series 1983 Bonds.

"Refunded Bonds Indenture" means, collectively, the Series 1976 Indenture, the Series 1980 Indenture and the Series 1983 Indenture.

"Refunded Bonds Loan Agreement" means, collectively, the Series 1976 Loan Agreement, the Series 1980 Loan Agreement and the Series 1983 Loan Agreement.

"Refunded Bonds Trustee" means, collectively, the Series 1976 Trustee, the Series 1980 Trustee and the Series 1983 Trustee.

"Refunding Fund" means the Refunding Fund created in the Indenture.

"Register" means the books kept and maintained for the registration and transfer of Bonds pursuant to Section 3.05 of the Indenture.

"Registrar" means the Registrar as defined in the Indenture.

"Revenues" means (a) the Loan Payments, (b) all other moneys received or to be received by the Authority (excluding the Authority Fee) or the Trustee in respect of repayment of the Loan, including without limitation, all moneys and investments in the Bond Fund, (c) any moneys and investments in the Refunding Fund (until applied to the redemption of the Refunded Bonds), and (d) all income and profit from the investment of the foregoing moneys. The term "Revenues" does not include any moneys or investments in the Rebate Fund.

"Series 1976 Bonds" means the $10,000,000 State of Ohio Air Quality Development Revenue Bonds, 1976 Series A (The Cincinnati Gas & Electric Company Project) dated as of June 1, 1976.

"Series 1980 Bonds" means the $5,000,000 State of Ohio Air Quality Development Revenue Bonds, Series 1980 (The Cincinnati Gas & Electric Company Project) dated as of May 1, 1980.

"Series 1983 Bonds" means the $10,300,000 State of Ohio 9-5/8% Collateralized Air Quality Revenue Bonds, 1983 Series (The Cincinnati Gas & Electric Company Project) dated as of May 1, 1983.

"Series 1976 Indenture" means the Trust Indenture between the Authority and the Series 1976 Trustee dated as of June 1, 1976.

"Series 1980 Indenture" means the First Supplemental Trust Indenture between the Authority and the Series 1980 Trustee dated as of May 1, 1980.

"Series 1983 Indenture" means the Trust Indenture between the Authority and the Series 1983 Trustee dated as of May 1, 1983.

"Series 1976 Loan Agreement" means the Loan Agreement between the Authority and the Company dated as of June 1, 1976.

"Series 1980 Loan Agreement" means the First Supplemental Loan

Agreement between the Authority and the Company dated as of May 1, 1980.

"Series 1983 Loan Agreement" means the Loan Agreement between the Authority and the Company dated as of May 1, 1983.

"Series 1976 Project" means the real, personal or real and personal property including undivided or other interests therein financed with the proceeds of the Series 1976 Bonds and identified in Exhibit A hereto.

"Series 1980 Project" means the real, personal or real and personal property including undivided or other interests therein financed with the proceeds of the Series 1980 Bonds and identified in Exhibit B hereto.

"Series 1983 Project" means the real, personal or real and personal property including undivided or other interests therein financed with the proceeds of the Series 1983 Bonds and identified in Exhibit C hereto.

"Series 1976 Trustee" means The Fifth Third Bank, as trustee under the Series 1976 Indenture.

"Series 1980 Trustee" means The Fifth Third Bank, as trustee under the Series 1980 Indenture.

"Series 1983 Trustee" means The Bank of New York (formerly Irving Trust Company), as trustee under the Series 1983 Indenture.

"State" means the State of Ohio.

"Station Units" means the Miami Fort Generating Station Units 5 and Unit 6, the Walter C. Beckjord Electric Generating Station Unit 6 and Killen Electric Generating Station Unit 2.

"Supplemental Mortgage Indenture" means the Thirty-fifth Supplemental Indenture, dated as of January 1, 1994, between the Company and the Company Mortgage Trustee, as amended or supplemented from time to time.

"Trustee" means The Bank of New York, New York, New York, a corporation duly organized and validly existing under the laws of the State of New York, until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter "Trustee" shall mean the successor Trustee. "Principal Office" of the Trustee shall mean the principal corporate trust office of the Trustee, which office at the date of issuance of the Bonds is located at its Notice Address.

"Unassigned Authority's Rights" means all of the rights of the Authority to receive Additional Payments under Section 4.2 hereof, to access and inspect pursuant to Section 5.1 hereof, to be held harmless and indemnified under Section 5.9 hereof, to be reimbursed for attorney's fees and expenses under Section 7.4 hereof and to give or withhold consent to amendments, changes, modifications, alterations and termination of this Agreement under Section 8.6 hereof and its right to enforce such rights.

Section 1.3. Interpretation. Any reference herein to the State, to the Authority or to any member or officer of either includes entities or officials succeeding to their respective functions, duties or responsibilities pursuant to or by operation of law or lawfully performing their functions.

Any reference to a section or provision of the Constitution of the State or the Act, or to a section, provision or chapter of the Ohio Revised Code, or to any statute of the United States of America, includes that section, provision or chapter as amended, modified, revised, supplemented or superseded from time to time; provided, that no amendment, modification, revision, supplement or superseding section, provision or chapter shall be applicable solely by reason of this provision, if it constitutes in any way an impairment of the rights or obligations of the Authority, the State, the Holders, the Trustee, the Registrar, an Authenticating Agent, a Paying Agent or the Company under this Agreement, the Indenture, the Bonds, the Company Mortgage, the Supplemental Mortgage Indenture or the First Mortgage Bonds.

Unless the context indicates otherwise, words importing the singular number include the plural number, and vice versa; the terms "hereof", "hereby", "herein", "hereto", "hereunder" and similar terms refer to this Agreement; and the term "hereafter" means after, and the term "heretofore" means before, the date of delivery of the Bonds. Words of any gender include the correlative words of the other genders, unless the sense indicates otherwise.

Section 1.4. Captions and Headings. The captions and headings in this Agreement are used solely for convenience of reference and in no way define, limit or describe the scope or intent of any Articles, Sections, subsections, paragraphs or subparagraphs or clauses hereof.

(End of Article I)

ARTICLE II

REPRESENTATIONS

Section 2.1. Representations of the Authority. The Authority represents that: (a) it is a body politic and corporate duly organized and validly existing under the laws of the State; (b) it has duly accomplished all conditions necessary to be accomplished by it prior to the issuance and delivery of the Bonds and the execution and delivery of this Agreement and the Indenture; (c) it is not in violation of or in conflict with any provisions of the laws of the State which would impair its ability to carry out its obligations contained in this Agreement or the Indenture; (d) it is empowered to enter into the transactions contemplated by this Agreement and the Indenture; (e) it has duly authorized the execution, delivery and performance of this Agreement and the Indenture; and (f) it will do all things in its power in order to maintain its existence or assure the assumption of its obligations under this Agreement and

the Indenture by any successor public body.

Section 2.2. No Warranty by Authority of Condition or Suitability of the Project. The Authority makes no warranty, either express or implied, as to the suitability or utilization of the Project for the Project Purposes, or as to the condition of the Project Facilities or that the Project Facilities are or will be suitable for the Company's purposes or needs.

Section 2.3. Representations and Covenants of the Company. The Company represents that:

(a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State, with power and authority (corporate and other) to own its properties and conduct its business, to execute and deliver this Agreement, the Supplemental Mortgage Indenture and the First Mortgage Bonds, and to perform its obligations under this Agreement, the Company Mortgage, the Supplemental Mortgage Indenture and the First Mortgage Bonds.

(b) This Agreement, the Supplemental Mortgage Indenture and the Company Mortgage have been duly authorized, executed and delivered by the Company; the First Mortgage Bonds have been duly authorized, executed, issued and delivered; and this Agreement, the Supplemental Mortgage Indenture, the Company Mortgage and the First Mortgage Bonds constitute valid and legally binding obligations of the Company, enforceable in accordance with their respective terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights, to laws relating to or affecting the enforcement of the security provided by the Company Mortgage and to general equity principles.

(c) The execution, delivery and performance by the Company of this Agreement and the Supplemental Mortgage Indenture and the consummation of the transactions contemplated hereby and thereby will not violate any provision of law or regulation applicable to the Company, or of any writ or decree of any court or governmental instrumentality, or of the Articles of Incorporation, as amended, or the Regulations of the Company, or of any mortgage, indenture, contract, agreement or other undertaking to which the Company is a party or which purports to be binding upon the Company or upon any of its assets.

(d) Substantially all (at least 90%) of the proceeds of each issue of the Refunded Bonds were used to provide "pollution control facilities" within the meaning of Sections 103(b)(4)(F) of the 1954 Code, the original use of which facilities commenced with the Company and all of the proceeds of the Refunded Bonds have been spent for the Project or to pay costs of issuance of the Refunded Bonds. The proceeds of the Bonds (other than any accrued interest thereon) will be used exclusively to refund the Refunded Bonds and none of the

proceeds of the Bonds will be used to pay for any costs of issuance of the Bonds. The Refunded Bonds were issued prior to August 16, 1986. The principal amount of the Bonds does not exceed the outstanding principal amount of the Refunded Bonds. The proceeds of the Bonds will be used to retire the Refunded Bonds not later than 90 days after the date of issuance of the Bonds.

(e) Either the acquisition and construction of the Series 1976 Project, the Series 1980 Project and the Series 1983 Project financed, respectively, with the Series 1976 Bonds, the Series 1980 Bonds and the Series 1983 Bonds, was not commenced (within the meaning of Treasury Regulations Section 1.103-8(a)(5) as applicable to the Refunded Bonds) prior to the adoption of the respective resolutions of the Authority evidencing the intent of the Authority to issue those Refunded Bonds (being March 3, 1975 with respect to the Series 1976 Bonds, March 8, 1977 with respect to the Series 1980 Bonds and November 19, 1975 with respect to the Series 1983 Bonds), or, any proceeds of the corresponding Refunded Bonds used to pay costs incurred prior to the adoption of such corresponding resolution have been treated for purposes of this Agreement as having been used to provide working capital (not land or depreciable property) to the Company.

(f) It has caused the Project to be substantially completed. The Project constitutes Air Quality Facilities under the Act and is consistent with the purposes of Section 13 of Article VIII of the Ohio Constitution and of the Act. The Project is being, and the Company will cause the Project to be, operated and maintained in such manner to conform with all applicable zoning, planning, building, environmental and other applicable governmental regulations and all permits, variances and orders issued or granted pursuant thereto, including the permit-to-install for the Project, which permits, variances and orders have not been withdrawn or otherwise suspended, and to be consistent with the Act.

(g) It has used or operated or has caused to be used or operated, and presently intends to use or operate or cause to be used or operated the Project Facilities in a manner consistent with the Project Purposes until the date on which the Bonds have been fully paid and knows of no reason why the Project Facilities will not be so operated. The Company does not intend to sell or otherwise dispose of the Project or any portion thereof.

(h) None of the proceeds of the Refunded Bonds were used and none of the proceeds of the Bonds will be used to provide any private or commercial golf course, country club, massage parlor, tennis club, skating facility (including roller skating, skateboard and ice skating), racquet sports facility (including handball or racquetball court), hot tub facility, suntan facility, racetrack, airplane, skybox or other private luxury box, or health club facility; any facility primarily used for gambling; any store the principal business of which

is the sale of alcoholic beverages for consumption off premises; or any facilities for retail food and beverage services (except grocery stores), automobile sales or service, or the provision of recreation or entertainment.

(i) Less than 25% of the proceeds of each issue of the Refunded Bonds have been used and less than 25% of the proceeds of the Bonds will be used directly or indirectly to acquire land or any interest therein, and none of such proceeds has been or will be used to provide land which is to be used for farming purposes.

(j) No portion of the proceeds of the Refunded Bonds has been used and no portion of the proceeds of the Bonds will be used to acquire existing property or any interest therein unless the first use of such property was by the Company and was pursuant to and followed such acquisition.

(k) After the expiration of any applicable temporary period under Section 148(d)(3) of the Code, at no time during any bond year will the aggregate amount of gross proceeds of the 1994 Bonds invested in higher yielding investments (within the meaning of Section 148(b) of the Code) exceed 150 percent of the debt service on the 1994 Bonds for such bond year and the aggregate amount of gross proceeds of the 1994 Bonds invested in higher yielding investments, if any, will be promptly and appropriately reduced as the outstanding amount of the 1994 Bonds is reduced, provided however that the foregoing shall not require the sale or disposition of any investments in higher yielding investments if such sale or disposition would result in a loss which exceeds the amount which would be paid to the United States (but for such sale or disposition) at the time of such sale or disposition if a payment were due at such time. At no time will any funds constituting gross proceeds of the 1994 Bonds be used in a manner as would constitute failure of compliance with Section 148 of the Code.

The terms "bond year", "gross proceeds", "higher yielding investments", "yield", and "debt service" have the meanings assigned to them for purposes of Section 148 of the Code.

(l) The Refunded Bonds were not, and the Bonds will not be, "federally guaranteed" within the meaning of Section 149(b) of the Code.

(m) It is not anticipated that as of the date hereof, there will be created any "replacement proceeds", within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the 1994 Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code.

(n) On the date of issuance and delivery of each issue of the Refunded Bonds, the Company reasonably expected that all of the

proceeds of each such issue of Refunded Bonds would be used to carry out the governmental purposes of each such issue within the 3-year period beginning on the date each such issue was issued and none of the proceeds of each such issue, if any, were invested in nonpurpose investments having a substantially guaranteed yield for 3 years or more.

(o) The average maturity of the 1994 Bonds does not exceed 120% of the respective average reasonably expected economic life of the facilities financed or refinanced by the 1994 Bonds (determined under Section 147(b) of the Code).

(p) The information furnished by the Company and used by the Authority in preparing the certifications and statements pursuant to Sections 148 and 149(e) of the Code or their statutory predecessors with respect to the Refunded Bonds was accurate and complete as of the dates of issuance of the Refunded Bonds, and the information furnished by the Company and used by the Authority in preparing the certification pursuant to Section 148 of the Code and in preparing the information statement pursuant to Section 149(e) of the Code, both referred to in the Bond Resolution, will be accurate and complete as of the date of issuance of the Bonds.

(q) The Project Facilities do not include any office except for offices (i) located on the Project Site and (ii) not more than a de minimis amount of the functions to be performed at which is not directly related to the day-to-day operations of the Project Facilities.

(End of Article II)

ARTICLE III

COMPLETION OF THE PROJECT; ISSUANCE OF THE BONDS

Section 3.1. Acquisition, Construction and Installation. The Company represents that it and the other public utility companies which own undivided interests in the Project Facilities with the Company as tenants-in-common have caused the Project Facilities to be acquired, constructed and installed on the applicable Project Sites, substantially in accordance with the Project Description and in conformance with all applicable zoning, planning, building and other similar regulations of all governmental authorities having jurisdiction over the Project and all permits, variances and orders issued in respect of the Project by EPA, and that the proceeds derived from the Refunded Bonds, including any investment thereof, were expended in accordance with the Refunded Bonds Indenture and the Refunded Bonds Loan Agreement.

Section 3.2. Project Description. The Project Description may be

changed from time to time by, or with the consent of, the Company provided that any such change shall also be filed with the Authority and provided further that no change in the Project Description shall materially change the function of the Project Facilities unless the Trustee shall have received (i) an Engineer's certificate that such changes will not impair the significance or character of the Project Facilities as Air Quality Facilities and (ii) an Opinion of Bond Counsel or ruling of the Internal Revenue Service to the effect that such amendment will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 3.3. Issuance of the Bonds; Application of Proceeds. To provide funds to make the Loan to the Company to assist the Company in the refunding of the Refunded Bonds, concurrently with the delivery to the Trustee of the First Mortgage Bonds as provided in Section 4.1 hereof, the Authority will issue, sell and deliver the Bonds to the Original Purchaser. The Bonds will be issued pursuant to the Indenture in the aggregate principal amount, will bear interest, will mature and will be subject to redemption as set forth therein. The Company hereby approves the terms and conditions of the Indenture and the Bonds, and the terms and conditions under which the Bonds will be issued, sold and delivered.

The proceeds from the sale of the Bonds (other than any accrued interest) shall be loaned to the Company to assist the Company in refunding the Refunded Bonds in order to reduce the interest cost payable by the Company and shall be deposited in the Refunding Fund and disbursed as follows:

(a) $10,000,000 of the proceeds of the Bonds (other than any accrued interest) will be deposited in the Series 1976 Account of the Refunding Fund (as created and defined in the Indenture) and on February 14, 1994 all moneys on deposit in the Series 1976 Account shall be deposited in a separate account in the Bond Fund created in the Series 1976 Indenture and applied by the Series 1976 Trustee to the payment of principal of, redemption premium and interest on the Series 1976 Bonds on February 15, 1994.

(b) $5,000,000 of the proceeds of the Bonds (other than any accrued interest) will be deposited in the Series 1980 Account of the Refunding Fund (as created and defined in the Indenture) and on February 14, 1994 all moneys on deposit in the Series 1980 Account shall be deposited in a separate account in the Bond Fund created in the Series 1976 Indenture and applied by the Series 1980 Trustee to the payment of principal of, redemption premium and interest on the Series 1980 Bonds on February 15, 1994.

(c) $10,300,000 of the proceeds of the Bonds (other than any accrued interest) will be deposited in the Series 1983 Account of the Refunding Fund (as created and defined in the Indenture) and on February 14, 1994 all moneys on deposit in the Series 1983 Account shall be deposited in the Bond Fund created in the Series 1983 Indenture and applied by the Series 1983 Trustee to the payment of principal of, redemption premium and interest on the

Series 1983 Bonds on February 15, 1994.

Pending disbursement pursuant to this Section, the proceeds so deposited in the Refunding Fund, together with any investment earnings thereon, shall constitute a part of the Revenues assigned by the Authority to the Trustee for the payment of Bond Service Charges. Any accrued interest shall be deposited in the Bond Fund.

The Company hereby requests that: (a) the Authority notify the Series 1976 Trustee (unless the Series 1976 Trustee has already received such notice) that the entire outstanding principal amount of the Series 1976 Bonds is to be redeemed on February 15, 1994 at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date; (b) the Authority notify the Series 1980 Trustee (unless the Series 1980 Trustee has already received such notice) that the entire outstanding principal amount of the Series 1980 Bonds is to be redeemed on February 15, 1994 at a redemption price of 102% of the principal amount thereof plus accrued interest to the redemption date; and (c) the Authority notify the Series 1983 Trustee that the entire outstanding principal amount of the Series 1983 Bonds is to be redeemed on February 15, 1994 at a redemption price of 103% of the principal amount thereof plus accrued interest to the redemption date.

Section 3.4. Investment of Fund Moneys. At the oral (confirmed promptly in writing) or written request of the Company, any moneys held as part of the Bond Fund, the Refunding Fund or the Rebate Fund shall be invested or reinvested by the Trustee in Eligible Investments; provided, that such moneys shall be invested or reinvested by the Trustee only in Eligible Investments which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the date upon which the moneys so invested are needed to make payments from those Funds. The Authority (to the extent it retained or retains direction or control) and the Company each hereby represents that the investment and reinvestment and the use of the proceeds of the Refunded Bonds were restricted in such manner and to such extent as was necessary so that the Refunded Bonds would not constitute arbitrage bonds under the statutory predecessor of the Code and each hereby covenants that it will restrict that investment and reinvestment and the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code.

The Company shall provide the Authority with, and the Authority may base its certificate and statement, each as authorized by the Bond Resolution, on a certificate of an appropriate officer, employee or agent of or consultant to the Company for inclusion in the transcript of proceedings for the Bonds, setting forth the reasonable expectations of the Company on the date of delivery of and payment for the Bonds regarding the amount and use of the proceeds of the Bonds and the facts, estimates and circumstances on which those expectations are based.

Section 3.5. Rebate Fund. To the extent required by Section 5.09 of the Indenture, within five days after the end of the fifth Bond Year (as defined in the Indenture) and every fifth Bond Year thereafter, and within five days

after payment in full of all outstanding Bonds, the Company shall calculate the amount of Excess Earnings (as defined in the Indenture) as of the end of that Bond Year or the date of such payment and shall notify the Trustee of that amount. If the amount then on deposit in the Rebate Fund created under the Indenture is less than the amount of Excess Earnings (computed by taking into account the amount or amounts, if any, previously paid to the United States pursuant to Section 5.09 of the Indenture and this Section), the Company shall, within five days after the date of the aforesaid calculation, pay to the Trustee for deposit in the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to the Excess Earnings. The obligation of the Company to make such payments shall remain in effect and be binding upon the Company notwithstanding the release and discharge of the Indenture. The Company shall obtain and keep such records of the computations made pursuant to this Section as are required under Section 148(f) of the Code.

(End of Article III)

ARTICLE IV

LOAN BY AUTHORITY; LOAN PAYMENTS; ADDITIONAL PAYMENTS; AND FIRST MORTGAGE BONDS

Section 4.1. Loan Repayment; Delivery of First Mortgage Bonds. Upon the terms and conditions of this Agreement, the Authority agrees to make the Loan to the Company. The proceeds of the Loan shall be deposited with the Trustee pursuant to Section 3.3 hereof. As evidence of its obligation hereunder to repay the Loan, the Company agrees to execute and deliver the First Mortgage Bonds to the Authority, in the manner provided in Section 4.6 hereof. In consideration of and in repayment of the Loan, the Company shall make, as Loan Payments, to the Trustee for the account of the Authority, payments on the First Mortgage Bonds which correspond, as to time, and are equal in amount, to the Bond Service Charges payable on the Bonds. All Loan Payments received by the Trustee shall be held and disbursed in accordance with the provisions of the Indenture and this Agreement for application to the payment of Bond Service Charges.

The Company shall be entitled to a credit against the Loan Payments required to be made on any Loan Payment Date to the extent that the balance of the Bond Fund is then in excess of amounts required (a) for the payment of Bonds theretofore matured or theretofore called for redemption, or to be called for redemption pursuant to Section 6.1 hereof (b) for the payment of interest for which checks or drafts have been drawn and mailed by the Trustee or Paying Agent, and (c) to be deposited in the Bond Fund by the Indenture for use other than for the payment of Bond Service Charges due on that Loan Payment Date.

Except for such interest of the Company as may hereafter arise pursuant to Section 8.2 hereof or Sections 5.07 or 5.08 of the Indenture, the Company and the Authority each acknowledge that neither the Company, the State nor the Authority has any interest in the Bond Fund, and any moneys deposited

therein shall be in the custody of and held by the Trustee in trust for the benefit of the Holders.

Section 4.2. Additional Payments. The Company shall pay to the Authority, the Authority Fee and, as Additional Payments hereunder, any and all costs and expenses incurred or to be paid by the Authority in connection with the issuance and delivery of the Bonds or otherwise related to actions taken by the Authority under this Agreement or the Indenture.

The Company shall pay the Administration Expenses to the Trustee, the Registrar, and any Paying Agent or Authenticating Agent, as appropriate, as Additional Payments hereunder.

The Company may, without creating a default hereunder, contest in good faith the reasonableness of any such cost or expense incurred or to be paid by the Authority and any Administration Expenses claimed to be due to the Trustee, the Registrar, any Paying Agent or any Authenticating Agent.

In the event the Company should fail to pay any Loan Payments or Additional Payments (including Administration Expenses) when due, the payment in default shall continue as an obligation of the Company until the amount in default shall have been fully paid together with interest thereon during the default period at the Interest Rate for Advances.

Section 4.3. Place of Payments. The Company shall make all Loan Payments directly to the Trustee at its Principal Office. Additional Payments shall be made directly to the person or entity to whom or to which they are due.

Section 4.4. Obligations Unconditional. The obligations of the Company to make Loan Payments, Additional Payments (including Administration Expenses) and any payments required of the Company under Section 5.09 of the Indenture shall be absolute and unconditional, and the Company shall make such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim which the Company may have or assert against the Authority, the Trustee, the Registrar or any other Person.

Section 4.5. Assignment of Revenues, Agreement and First Mortgage Bonds. To secure the payment of Bond Service Charges, the Authority shall absolutely assign to the Trustee, its successors in trust and its and their assigns forever, by the Indenture, all right, title and interest of the Authority in and to (a) the Revenues, including, without limitation, all Loan Payments and other amounts receivable by or on behalf of the Authority under the Agreement in respect of repayment of the Loan, (b) the Agreement except for the Unassigned Authority's Rights, and (c) the First Mortgage Bonds. The Company hereby agrees and consents to those assignments.

Section 4.6. First Mortgage Bonds. To evidence and secure the obligations of the Company to make the Loan Payments and repay the Loan, the Company will, concurrently with the issuance of the Bonds, execute and deliver First Mortgage Bonds to the Authority in an aggregate principal amount equal to

the aggregate principal amount of the Bonds. The Company agrees that First Mortgage Bonds authorized pursuant to the Company Mortgage will be issued containing the terms and conditions and in substantially the form set forth in the Supplemental Mortgage Indenture. The First Mortgage Bonds shall:

(a) provide for payments of interest equal to the payments of interest on the Bonds;

(b) provide for payments of principal and any premium equal to the payments of principal (whether at maturity or by call for mandatory or optional redemption or pursuant to acceleration or otherwise) and any premium on the Bonds;

(c) require all such payments on such First Mortgage Bonds to be made on or prior to the due date for the corresponding payments to be made on the Bonds; and

(d) contain redemption provisions corresponding with such provisions of the Bonds.

Unless the Company is entitled to a credit under this Agreement or the Indenture, all payments on the First Mortgage Bonds shall be in the full amount required thereunder. The First Mortgage Bonds shall be registered in the name of the Trustee and shall not be transferred by the Trustee, except to effect transfers to any successor trustee under the Indenture.

(End of Article IV)

ARTICLE V

ADDITIONAL AGREEMENTS AND COVENANTS

Section 5.1. Right of Access. The Company agrees that, subject to reasonable security and safety regulations and to reasonable requirements as to notice, the Authority and the Trustee and their or any of their respective duly authorized agents shall have the right at all reasonable times to enter upon the Project Site to examine and inspect the Projects.

Section 5.2. Maintenance. The Company shall use its best efforts to keep and maintain the Project Facilities, including all appurtenances thereto and any personal property therein or thereon, in good repair and good operating condition so that the Project Facilities will continue to constitute Air Quality Facilities, for the purposes of the operation thereof as required by Section 5.4 hereof.

So long as such shall not be in violation of the Act or impair the character of the Project Facilities as Air Quality Facilities, and provided there is continued compliance with applicable laws and regulations of governmental entities having jurisdiction thereof, the Company shall have the

right to remodel the Project Facilities or make additions, modifications and improvements thereto, from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, the cost of which remodeling, additions, modifications and improvements shall be paid by the Company and the same shall, when made, become a part of the Project Facilities.

Section 5.3. Removal of Portions of the Project Facilities. The Company shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary portions of the Project Facilities, except that, subject to Section 5.4 hereof, it will use its best efforts to ensure the continued character of the Project Facilities as Air Quality Facilities. The Company shall have the right from time to time to substitute personal property or fixtures for any portions of the Project Facilities, provided that the personal property or fixtures so substituted shall not impair the character of the Project Facilities as Air Quality Facilities. Any such substituted property or fixtures shall, when so substituted, become a part of the Project Facilities. The Company shall also have the right to remove any portion of the Project Facilities, without substitution therefor; provided, that the Company shall deliver to the Trustee a certificate signed by an Engineer describing said portion of the Project Facilities and stating that the removal of such property or fixtures will not impair the character of the Project Facilities as Air Quality Facilities.

Section 5.4. Operation of Project Facilities. The Company will, subject to its obligations and rights to maintain, repair or remove portions of the Project Facilities, as provided in Sections 5.2 and 5.3 hereof, use its best efforts to continue operation of the Project Facilities so long as and to the extent that operation thereof is required to comply with laws or regulations of governmental entities having jurisdiction thereof or unless the Authority shall have approved the discontinuance of such operation (which approval shall not be unreasonably withheld). The Company agrees that it will, within the design capacities thereof, use its best efforts to operate and maintain the Project Facilities in accordance with all applicable, valid and enforceable rules and regulations of governmental entities having jurisdiction thereof; provided, that the Company reserves the right to contest in good faith any such laws or regulations. The Company agrees that sufficient qualified operating personnel will be retained and operational tests and measurements necessary to determine compliance with the preceding sentence will be performed to insure proper and efficient operation and maintenance of the Project Facilities.

Nothing in this Agreement shall prevent or restrict the Company, in its sole discretion, at any time, from discontinuing or suspending either permanently or temporarily its use of any facility of the Company served by the Project Facilities and in the event such discontinuance or suspension shall render unnecessary the continued operation of the Project Facilities, the Company shall have the right to discontinue the operation of the Project Facilities during the period of any such discontinuance or suspension.

Section 5.5. Insurance. The Company agrees to insure its interest in the Project Facilities in the amount and with the coverage required by the Company Mortgage.

Section 5.6. Workers' Compensation Coverage. Throughout the term of this Agreement, the Company shall comply, or cause compliance, with applicable workers' compensation laws of the State.

Section 5.7. Damage; Destruction and Eminent Domain. If, during the term of this Agreement, the Project Facilities or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project Facilities or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Company or the Company Mortgage Trustee receives net proceeds from insurance or any condemnation award in connection therewith, the Company (unless it shall have exercised its option to prepay the Loan Payments pursuant to provisions of Section 6.2 hereof), to the extent required to comply with applicable laws and regulations with respect to the operations of facilities of the Company served by the Project, shall promptly cause such net proceeds or an amount equal thereto to be used to repair, rebuild or restore the portion of the Project Facilities so damaged, destroyed or taken with such changes, alterations and modifications (including the substitution and addition of other property) as may be necessary or desirable for the administration and operation of the Project Facilities as Air Quality Facilities and as shall not impair the character or significance of the Project Facilities as furthering the purposes of the Act. It is hereby acknowledged and agreed that any net proceeds from insurance or any condemnation award relating to the Project Facilities are subject to the lien of the Company Mortgage and shall be disposed of in accordance with the terms and provisions of the Company Mortgage and that any obligations of the Company under this Section 5.7 not satisfied by application of such net proceeds shall be limited to the general credit of the Company and does not require disposition of such net proceeds contrary to the requirements of the Company Mortgage.

Section 5.8. Company to Maintain its Corporate Existence; Conditions Under Which Exceptions Permitted. The Company agrees that during the term of this Agreement it will maintain its corporate existence and will not sell its electric properties as an entirety or substantially as an entirety or consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it, except to the extent permitted under the provisions of the Company Mortgage, provided that any successor corporation resulting from any such sale, consolidation or merger shall assume all obligations of the Company arising under or contemplated by the provisions of this Agreement.

If consolidation, merger or sale or other transfer is made as provided in this Section, the provisions of this Section shall continue in full force and effect and no further consolidation, merger or sale or other transfer shall be made except in compliance with the provisions of this Section.

Section 5.9. Indemnification. The Company releases the Authority from, agrees that the Authority shall not be liable for, and indemnifies the Authority against, all liabilities, claims, costs and expenses imposed upon or asserted against the Authority on account of: (a) any loss or damage to property or injury to or death of or loss by any person that may be occasioned

by any cause whatsoever pertaining to the construction, maintenance, operation and use of the Project Facilities; (b) any breach or default on the part of the Company in the performance of any covenant or agreement of the Company under this Agreement or any related document, or arising from any act or failure to act by the Company, or any of its agents, contractors, servants, employees or licensees; (c) the authorization, issuance and sale of the Bonds, and the provision of any information furnished in connection therewith concerning the Project Facilities or the Company (including, without limitation, any information furnished by the Company for inclusion in any certifications made by the Authority under Section 3.4 hereof or for inclusion in, or as a basis for preparation of, the information statements filed by the Authority pursuant to Section 8(a)(ii) of the Bond Resolution); and (d) any claim or action or proceeding with respect to the matters set forth in (a), (b) and (c) above brought thereon.

The Company agrees to indemnify the Trustee, the Paying Agent and the Registrar (each hereinafter referred to in this section as an "indemnified party") for and to hold each of them harmless against all liabilities, claims, costs and expenses incurred without negligence or willful misconduct on the part of the indemnified party, on account of any action taken or omitted to be taken by the indemnified party in accordance with the terms of this Agreement, the Bonds or the Indenture or any action taken at the request of or with the consent of the Company, including the costs and expenses of the indemnified party in defending itself against any such claim, action or proceeding brought in connection with the exercise or performance of any of its powers or duties under this Agreement, the Bonds or the Indenture or any action taken at the request of or with the consent of the Company.

In case any action or proceeding is brought against the Authority or an indemnified party in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give notice of that action or proceeding to the Company, and the Company upon receipt of that notice shall have the obligation and the right to assume the defense of the action or proceeding; provided, that failure of a party to give that notice shall not relieve the Company from any of its obligations under this Section unless that failure prejudices the defense of the action or proceeding by the Company. At its own expense, an indemnified party may employ separate counsel and participate in the defense; provided, however, where it is ethically inappropriate for one firm to represent the interests of the Authority and any other indemnified party or parties, the Company shall pay the Authority's legal expenses in connection with the Authority's retention of separate counsel. The Company shall not be liable for any settlement made without its consent.

The indemnification set forth above is intended to and shall include the indemnification of all affected officials, directors, officers and employees of the Authority, the Trustee, the Paying Agent and the Registrar, respectively.

That indemnification is intended to and shall be enforceable by the Authority, the Trustee, the Paying Agent and the Registrar, respectively, to the full extent permitted by law.

Section 5.10. Company Not to Adversely Affect Exclusion of Interest on Bonds From Gross Income For Federal Income Tax Purposes. The Company hereby covenants and represents that it has taken and caused to be taken and shall take and cause to be taken all actions that may be required of it for the interest on the 1994 Bonds to be and remain excluded from the gross income of the Holders for federal income tax purposes, and that it has not taken or permitted to be taken on its behalf, and covenants that it will not take, or permit to be taken on its behalf, any action which, if taken, would adversely affect that exclusion under the provisions of the Code.

Section 5.11. Use of Project Facilities. The Authority agrees that it will not take any action, or cause any action to be taken on its behalf, to interfere with the Company's ownership interest in the Project or to prevent the Company from having possession, custody, use and enjoyment of the Project other than pursuant to Article VII of this Agreement or Article VII of the Indenture.

Section 5.12. Assignment by Company. This Agreement may be assigned in whole or in part by the Company without the necessity of obtaining the consent of either the Authority or the Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 5.8 hereof) shall relieve the Company from primary liability for any of its obligations hereunder, and in the event of any such assignment the Company shall continue to remain primarily liable for the payment of the Loan Payments and Additional Payments and for performance and observance of the agreements on its part herein provided to be performed and observed by it.

(b) Any assignment by the Company must retain for the Company such rights and interests as will permit it to perform its obligations under this Agreement, and any assignee from the Company shall assume the obligations of the Company hereunder to the extent of the interest assigned.

(c) The Company shall, within 30 days after execution thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of each such assignment together with any instrument of assumption.

(d) Any assignment from the Company shall not materially impair fulfillment of the Project Purposes to be accomplished by operation of the Project as herein provided.

Section 5.13. Agreements with Bond Insurer. So long as the Bond Insurance Policy is in full force and effect with respect to the Bonds and the Bond Insurer is not in default thereunder as defined in Section 7.10 of the Indenture, the following provisions shall apply:

(a) Any action requiring the approval or consent of the Holders, the Authority, the Trustee or the Company under the Agreement shall

also require the prior written consent of the Bond Insurer.

(b) The Company shall provide the Bond Insurer annually with copies of the Company's audited financial statements.

(c) Upon the occurrence and continuance of an Event of Default hereunder, the Bond Insurer shall have the same right as the Authority and the Trustee to pursue the remedies provided in Sections 7.2 and 7.3 hereof; and

(d) The Company shall give notice to the Bond Insurer, not less than two days prior to any Loan Payment Date, if the Company does not intend or will be unable to make the Loan Payment on that Loan Payment Date.

(End of Article V)

ARTICLE VI

REDEMPTION

Section 6.1. Optional Redemption. Provided no Event of Default shall have occurred and be subsisting, at any time and from time to time, the Company may deliver moneys to the Trustee in addition to Loan Payments or Additional Payments required to be made and direct the Trustee to use the moneys so delivered for the purpose of calling Bonds for optional redemption in accordance with the applicable provisions of the Indenture providing for optional redemption at the redemption price stated in the Indenture. Pending application for those purposes, any moneys so delivered shall be held by the Trustee in a special account in the Bond Fund and delivery of those moneys shall not, except as set forth in Section 4.1 hereof, operate to abate or postpone Loan Payments or Additional Payments otherwise becoming due or to alter or suspend any other obligations of the Company under this Agreement.

Section 6.2. Extraordinary Optional Redemption. The Company shall have, subject to the conditions hereinafter imposed, the option to direct the redemption of the Bonds in whole in accordance with the applicable provisions of the Indenture upon the occurrence of any of the following events:

(a) The Project or a Station Unit shall have been damaged or destroyed to such an extent that (1) it cannot reasonably be expected to be restored, within a period of six consecutive months, to the condition thereof immediately preceding such damage or destruction or (2) the Company is reasonably expected to be prevented from carrying on its normal operations in connection therewith for a period of six consecutive months.

(b) Title to, or the temporary use of, all or a significant part of the Project or a Station Unit shall have been taken under the

exercise of the power of eminent domain (1) to such extent that it cannot reasonably be expected to be restored within a period of six consecutive months to a condition of usefulness comparable to that existing prior to the taking or (2) to such an extent that the Company is reasonably expected to be prevented from carrying on its normal operations in connection therewith for a period of six consecutive months.

(c) As a result of any changes in the Constitution of the State, the Constitution of the United States of America or any state or federal laws or as a result of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after any contest thereof by the Authority or the Company in good faith, this Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in this Agreement.

(d) Unreasonable burdens or excessive liabilities shall have been imposed upon the Authority or the Company with respect to the Project or a Station Unit or the operation thereof, including, without limitation, the imposition of federal, state or other ad valorem, property, income or other taxes other than ad valorem taxes at the rates presently levied upon privately owned property used for the same general purpose as the Project or a Station Unit.

(e) Changes in the economic availability of raw materials, operating supplies, energy sources or supplies or facilities (including, but not limited to, facilities in connection with the disposal of industrial wastes) necessary for the operation of the Project or a Station Unit for the Project Purposes occur or technological or other changes occur which the Company cannot reasonably overcome or control and which in the Company's reasonable judgment render the Project or a Station Unit uneconomic or obsolete for the Project Purposes.

(f) Any court or administrative body shall enter a judgment, order or decree, or shall take administrative action, requiring the Company to cease all or any substantial part of its operations served by the Project or a Station Unit to such extent that the Company is or will be prevented from carrying on its normal operations at the Project or a Station Unit for a period of six consecutive months.

(g) The termination by the Company of operations at a Station Unit.

The amount payable by the Company in the event of its exercise of the option granted in this Section shall be the sum of the following:

(i) An amount of money which, when added to the moneys and investments held to the credit of the Bond Fund, will be sufficient

pursuant to the provisions of the Indenture to pay, at 100% of the principal amount thereof plus accrued interest to the redemption date, and discharge, all Outstanding Bonds on the earliest applicable redemption date, that amount to be paid to the Trustee, plus

(ii) An amount of money equal to the Additional Payments relating to those Bonds accrued and to accrue until actual final payment and redemption of those Bonds, that amount or applicable portions thereof to be paid to the Trustee or to the Persons to whom those Additional Payments are or will be due.

The requirement of (ii) above with respect to Additional Payments to accrue may be met if provisions satisfactory to the Trustee and the Authority are made for paying those amounts as they accrue.

The rights and options granted to the Company in this Section may be exercised whether or not the Company is in default hereunder; provided, that such default will not relieve the Company from performing those actions which are necessary to exercise any such right or option granted hereunder.

Section 6.3. Mandatory Redemption. The Company shall deliver to the Trustee the moneys needed to redeem the Bonds in accordance with any mandatory redemption provisions relating thereto as may be set forth in Section 4.01(b) of the Indenture.

Section 6.4. Notice of Redemption. In order to exercise an option granted in, or to consummate a redemption required by, this Article VI, the Company shall, within 180 days following the event authorizing the exercise of such option or at any time during the continuation of the condition referred to in paragraphs (c), (d) or (e) of Section 6.2 hereof or promptly upon the occurrence of a Determination of Taxability (as defined in the Indenture), give written notice to the Authority, the Trustee and the Company Mortgage Trustee that it is exercising its option to direct the redemption of Bonds, or that the redemption thereof is required by Section 4.01(b) of the Indenture due to the occurrence of a Determination of Taxability, as the case may be, in accordance with the Agreement and the Indenture, and shall specify therein the date on which such redemption is to be made, which date shall not be more than 180 days from the date such notice is mailed. The Company shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption to the Holders of the Bonds, in which arrangements the Authority shall cooperate. The Company shall make arrangements satisfactory to the Company Mortgage Trustee to effect a concurrent redemption of an equivalent principal amount of corresponding First Mortgage Bonds under the Supplemental Mortgage Indenture.

Section 6.5. Actions by Authority. At the request of the Company or the Trustee, the Authority shall take all steps required of it under the applicable provisions of the Indenture or the Bonds to effect the redemption of all or a portion of the Bonds pursuant to this Article VI.

Section 6.6. Concurrent Discharging of First Mortgage Bonds. In the

event any of the Bonds shall be paid and discharged, or deemed to be paid and discharged, pursuant to any provisions of this Agreement and the Indenture, so that such Bonds are not thereafter outstanding within the meaning of the Indenture, a like principal amount of corresponding First Mortgage Bonds shall be deemed fully paid for purposes of this Agreement and to such extent the obligations of the Company hereunder shall be deemed terminated.

(End of Article VI)

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1. Events of Default. Each of the following shall be an Event of Default:

(a) The occurrence of an event of default as defined in Section 7.01 (a) or (b) of the Indenture;

(b) The Company shall fail to observe and perform any other agreement, term or condition contained in this Agreement, other than such failure as will have resulted in an event of default described in (a) above and the continuation of that failure for a period of 90 days after notice thereof shall have been given to the Company by the Authority or the Trustee, or for such longer period as the Authority and the Trustee may agree to in writing; provided, that failure shall not constitute an Event of Default so long as the Company institutes curative action within the applicable period and diligently pursues that action to completion; and

(c) The occurrence of a "completed default" as defined in the Company Mortgage.

Notwithstanding the foregoing, if, by reason of Force Majeure, the Company is unable to perform or observe any agreement, term or condition hereof which would give rise to an Event of Default under subsection (b) hereof, the Company shall not be deemed in default during the continuance of such inability.

However, the Company shall promptly give notice to the Trustee and the Authority of the existence of an event of Force Majeure and shall use its best efforts to remove the effects thereof; provided that the settlement of strikes or other industrial disturbances shall be entirely within its discretion.

The term Force Majeure shall mean the following:

(i) acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or

officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, nuclear accidents or other malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of a utility serving the Project; shortages of labor, materials, supplies or transportation; or

(ii) any cause, circumstance or event not reasonably within the control of the Company.

The exercise of remedies hereunder shall be subject to any applicable limitations of federal bankruptcy law affecting or precluding that declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

Section 7.2. Remedies on Default. Whenever an Event of Default shall have happened and be subsisting, either or both of the following remedial steps may be taken:

(a) The Authority or the Trustee may have access to, inspect, examine and make copies of the books, records, accounts and financial data of the Company, only, however, insofar as they pertain to the Project; or

(b) The Authority or the Trustee may pursue all remedies now or hereafter existing at law or in equity to recover all amounts, including all Loan Payments and Additional Payments, then due and thereafter to become due under this Agreement, or to enforce the performance and observance of any other obligation or agreement of the Company under those instruments.

Notwithstanding the foregoing, the Authority shall not be obligated to take any step which in its opinion will or might cause it to expend time or money or otherwise incur liability unless and until a satisfactory indemnity bond has been furnished to the Authority at no cost or expense to the Authority. Any amounts collected as Loan Payments or applicable to Loan Payments and any other amounts which would be applicable to payment of Bond Service Charges collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the outstanding Bonds have been paid and discharged in accordance with the provisions of the Indenture, shall be paid as provided in Section 5.08 of the Indenture for transfers of remaining amounts in the Bond Fund.

The provisions of this Section are subject to the further limitation that the rescission and annulment by the Trustee of its declaration that all of the Bonds are immediately due and payable also shall constitute a rescission and annulment of the consequences of that declaration and of the Event of Default with respect to which that declaration has been made, provided that no such rescission and annulment shall extend to or affect any subsequent or other

default or impair any right consequent thereon.

Section 7.3. No Remedy Exclusive. No remedy conferred upon or reserved to the Authority or the Trustee by this Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement, or now or hereafter existing at law, in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair that right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than any notice required by law or for which express provision is made herein.

Section 7.4. Agreement to Pay Attorneys' Fees and Expenses. If an Event of Default should occur and the Authority or the Trustee should incur expenses, including attorneys' fees, in connection with the enforcement of this Agreement or the collection of sums due hereunder, the Company shall be required, to the extent permitted by law, to reimburse the Authority and the Trustee, as applicable, for the expenses so incurred upon demand.

Section 7.5. No Waiver. No failure by the Authority or the Trustee to insist upon the strict performance by the Company of any provision hereof shall constitute a waiver of their right to strict performance and no express waiver shall be deemed to apply to any other existing or subsequent right to remedy the failure by the Company to observe or comply with any provision hereof.

Section 7.6. Notice of Default. The Company shall notify the Trustee immediately if it becomes aware of the occurrence of any Event of Default hereunder or of any fact, condition or event which, with the giving of notice or passage of time or both, would become an Event of Default.

(End of Article VII)

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Term of Agreement. This Agreement shall be and remain in full force and effect from the date of delivery of the Bonds to the Original Purchaser until such time as all of the Bonds shall have been fully paid (or provision made for such payment) pursuant to the Indenture and all other sums payable by the Company under this Agreement shall have been paid.

Section 8.2. Amounts Remaining in Funds. Any amounts in the Bond Fund remaining unclaimed by the Holders of Bonds for four years after the due date thereof (whether at stated maturity, by redemption, upon acceleration or

otherwise), at the option of the Company, shall be deemed to belong to and shall be paid, subject to Section 5.07 of the Indenture, at the written request of the Company, to the Company by the Trustee. With respect to the principal of and any premium and interest on the Bonds to be paid from moneys paid to the Company pursuant to the preceding sentence, the Holders of the Bonds entitled to those moneys shall look solely to the Company for the payment of those moneys. Further, any amounts remaining in the Bond Fund and any other special funds or accounts created under this Agreement or the Indenture, except the Rebate Fund, after all of the Bonds shall be deemed to have been paid and discharged under the provisions of the Indenture and all other amounts required to be paid under this Agreement and the Indenture have been paid, shall be paid to the Company to the extent that those moneys are in excess of the amounts necessary to effect the payment and discharge of the Outstanding Bonds.

Section 8.3. Notices. All notices, certificates, requests or other communications hereunder shall be in writing, except as provided in Section 3.4 hereof, and shall be deemed to be sufficiently given when mailed by registered or certified mail, postage prepaid, and addressed to the appropriate Notice Address. A duplicate copy of each notice, certificate, request or other communication given hereunder to the Authority, the Company or the Trustee shall also be given to the others. The Company, the Authority and the Trustee, by notice given hereunder, may designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

The Bond Insurer shall receive copies of all notices required to be given by the Trustee, the Authority or the Company under this Agreement, including all notices to Holders. All notices required to be given to the Bond Insurer under this Agreement shall be in writing and shall be sent by registered or certified mail addressed to municipal Bond Investors Assurance Corporation, 113 King Street, Armonk, New York 10504, Attention: Surveillance.

Section 8.4. Extent of Covenants of the Authority; No Personal Liability. All covenants, obligations and agreements of the Authority contained in this Agreement or the Indenture shall be effective to the extent authorized and permitted by applicable law. No such covenant, obligation or agreement shall be deemed to be a covenant, obligation or agreement of any present or future member, officer, agent or employee of the Authority in other than his official capacity, and neither the members of the Authority nor any official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or by reason of the covenants, obligations or agreements of the Authority contained in this Agreement or in the Indenture.

Section 8.5. Binding Effect. This Agreement shall inure to the benefit of the Authority, the Company, the Trustee, the Paying Agent, the Registrar and their respective permitted successors an assigns and shall be binding in accordance with its terms upon the Authority, the Company and their respective permitted successors and assigns provided that this Agreement may not be assigned by the Company (except as permitted under Sections 5.8 or 5.12 hereof) and may not be assigned by the Authority except to (i) the Trustee

pursuant to the Indenture or as otherwise may be necessary to enforce or secure payment of Bond Service Charges or (ii) any successor public body to the Authority.

Section 8.6. Amendments and Supplements. Except as otherwise expressly provided in this Agreement or the Indenture, subsequent to the issuance of the Bonds and prior to all conditions provided for in the Indenture for release of the Indenture having been met, this Agreement may not be effectively amended, changed, modified, altered or terminated by the parties hereto except with the consents and notices required by, and in accordance with, the provisions of Article XI of the Indenture, as applicable.

Section 8.7. Execution Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

Section 8.8. Severability. If any provision of this Agreement, or any covenant, obligation or agreement contained herein is determined by a judicial or administrative authority to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained herein. That invalidity or unenforceability shall not affect any valid and enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 8.9. Governing Law. This Agreement shall be deemed to be a contract made under the laws of the State and for all purposes shall be governed by and construed in accordance with the laws of the State.

(End of Article VIII)

IN WITNESS WHEREOF, the Authority and the Company have caused this Agreement to be duly executed in their respective names, all as of the date hereinbefore written.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY

By: /S/ Mark R. Shanahan

Executive Director

Attest: /S/ Judith A. Jones

Secretary-Treasurer

THE CINCINNATI GAS & ELECTRIC COMPANY

By: /S/ William L. Sheafer

Title: Treasurer

Attest: /S/ D. R. Blum

Secretary

EXHIBIT A

AIR QUALITY FACILITIES AT
MIAMI FORT GENERATING STATION

UNIT 5 PROJECT

There was installed at the Miami Fort Electric Generating Station, Hamilton County, Ohio the following Air Quality Facilities for Unit 5.

Qualifying Costs

Electrostatic Precipitators. Each of the two existing coal-fired boilers was equipped with a new electrostatic precipitator with a design collection efficiency of 99.5%, together with necessary controls, stairways, galleries and enclosures. Each precipitator was located over its respective boiler on the roof of the building housing the Unit 5 boilers. Each precipitator is approximately 15' long, 39' wide and 44' high and has an operating weight of approximately 502,500 pounds.

Fly Ash Handling and Disposal System. Unit 5 was equipped with a new fly ash removal system consisting of 12 fly ash collecting hoppers with outlet control valves, manifold pipe conveyor, vacuum producing equipment, discharge piping, control panel and pipeline to the existing ash storage pond.

Electrical Equipment. The new precipitators and fly ash handling and disposal system required new electrical equipment to provide and transmit power to the precipitators and the fly ash disposal system.

Ductwork and Structural Support Costs

Ductwork, Draft Fans and Gas Stack. New ductwork (replacing existing ductwork) with insulation and lagging carry flue gas from the precipitator to the new induced draft fans, which were installed in replacement of existing fans. Flue gases are then exhausted through the existing, but extended, flue gas stack to the atmosphere.

Structural Support. The existing building support structures were reinforced by putting welding plates onto existing columns in order to safely support the added weight of the new precipitators to be located on the building roof.

UNIT 6 PROJECT

There was installed at the Miami Fort Electric Generating Station, Hamilton County, Ohio the following Air Quality Facilities for Unit 6.

Qualifying Costs

Electrostatic Precipitator. The one existing coal-fired boiler was equipped with a new electrostatic precipitator, together with necessary controls, stairways, galleries and enclosures. The precipitator is located over its respective boiler on the roof of the building housing the Unit 7 turbine. The precipitator is approximately 31' long, 58' wide and 45' high and has an operating weight of approximately 707,000 pounds. The Unit 6 boiler was formerly equipped with a combined mechanical and electrostatic precipitator (a designed 96% efficiency). The new precipitator was installed in series with the existing electrostatic precipitator after removal of the mechanical portion of the existing collection system. The design combined collection efficiency of the new and existing precipitators is 99.5%.

Fly Ash Handling and Disposal System. Unit 6 was equipped with a new fly ash removal system consisting of 12 fly ash collecting hoppers with outlet control valves, manifold pipe conveyor, vacuum producing equipment, discharge piping, control panel and pipeline to the existing ash storage pond.

Electrical Equipment. The new precipitator and fly ash

handling and disposal system required new electrical equipment to provide and transmit power to the precipitator and the fly ash disposal system.

Ductwork and Structural Support Costs

Ductwork. Flue gases from Unit 6 continue to be drawn from the boiler through existing and new ductwork, through the new precipitator, through new ductwork and through the existing precipitator by the existing induced draft fans, and then exhausted through the existing flue gas stack.

Structural Support and Removal of Mechanical Collection System. The existing building support structures were reinforced by putting welding plates onto existing columns in order to safely support the added weight of the new precipitators to be located on the building roof. The mechanical portion of the existing collection system scrapped prior to installation of the new precipitator.

EXHIBIT B

AIR QUALITY FACILITIES AT WALTER C. BECKJORD ELECTRIC GENERATING STATION

There is installed at the Walter C. Beckjord Electric Generating Station, Clermont County, Ohio the following Air Quality Facilities for Unit 6.

Electrostatic Precipitator. The one existing coal-fired boiler is equipped with a new electrostatic precipitator, together with necessary controls, stairways, galleries, enclosures, ductwork and ash removal system. The precipitator is located south of the existing Unit 6 boiler and turbine room at grade. The precipitator is approximately 160' wide, 47' long and 36' high and has an operating weight of 2,387,000 pounds. The Unit 6 boiler was equipped with an electrostatic precipitator (designed for 98% efficiency). The new precipitator was installed in series with the existing electrostatic precipitator. The design combined collection efficiency of the new and existing precipitators is 99.6%.

Fly Ash Handling and Disposal System. Unit 6 was equipped with a new fly ash removal system consisting of 16 fly ash collecting hoppers with outlet control valves, manifold pipe conveyor, vacuum producing equipment, discharge piping, control panel and pipeline to the existing ash sluice piping.

Electrical Equipment. The new precipitator and fly ash handling and disposal system required new electrical equipment to provide and transmit power to the precipitator and the fly ash disposal system.

Ductwork and Structural Support Costs

Ductwork. Flue gases from Unit 6 are drawn from the boiler through existing and new ductwork, through the new precipitator, through new ductwork and through the existing precipitator by the existing induced draft fans, and then exhausted through the existing flue gas stack.

EXHIBIT C

AIR QUALITY FACILITIES AT KILLEN ELECTRIC GENERATING STATION

General:

The Killen Electric Generating Station ("Killen") is located in Adams County, Ohio, and its two electrostatic precipitators were installed on the unit to collect particulate matter from the flue gas. The precipitators are designed to achieve a collection efficiency of 99.5%. The precipitators will be hot with an operating temperature between 600` - 700` F. The ownership is shared by the Company and The Dayton Power and Light Company as tenants in common. The Company's undivided interest is 33%.

Scope:

The Project consists of electrostatic precipitators and related facilities constituting a boiler flue gas particulate abatement project. Engineering, material, labor and supervision was provided for the dust collection systems as follows:

Two hot electrostatic precipitators and controls
Connecting ductwork
Supporting structural steel and foundations
Insulation and lagging
Necessary stairways, galleries and enclosure
Electrical work associated with the precipitators
Collection hoppers with outlet controls
Air quality monitoring

EXHIBIT 4-A-26

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LOAN AGREEMENT

between

THE COUNTY OF BOONE, KENTUCKY

and

THE CINCINNATI GAS & ELECTRIC COMPANY

$48,000,000
County of Boone, Kentucky
5-1/2% Collateralized Pollution Control
Revenue Refunding Bonds, 1994 Series A
(The Cincinnati Gas & Electric Company Project)

Dated

as of

January 1, 1994

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- ----------

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(This Index is not a part of the Agreement
but rather is for convenience of reference only.)

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LOAN AGREEMENT

THIS LOAN AGREEMENT is made and entered into as of January 1, 1994 between the COUNTY OF BOONE, KENTUCKY (the "Issuer"), a de jure county and a political subdivision of the Commonwealth of Kentucky, and THE CINCINNATI GAS & ELECTRIC COMPANY (the "Company"), a public utility and corporation duly organized and validly existing under the laws of the State of Ohio and duly qualified to do business in Kentucky. Capitalized terms used in the following recitals are used as defined in Article I of this Agreement.

Pursuant to the Act, the Issuer has determined to issue, sell and deliver the Bonds and to lend the proceeds derived from the sale thereof to the Company to assist in the refunding of the

Refunded Bonds. The Refunded Bonds were originally issued to provide funds to make a loan to the Company to assist in the financing of its portion of the costs of the Project.

The Company and the Issuer each have full right and lawful authority to enter into this Agreement and to perform and observe the provisions hereof on their respective parts to be performed and observed.

NOW THEREFORE, in consideration of the premises and the mutual representations and agreements hereinafter contained, the Issuer and the Company agree as follows (provided that any obligation of the Issuer created by or arising out of this Agreement shall never constitute a general debt of the Issuer or give rise to any pecuniary liability of the Issuer or a charge upon its general credit or taxing powers but shall be payable solely and only from and out of the Revenues, including Loan Payments made pursuant to the First Mortgage Bonds):

ARTICLE I

DEFINITIONS

Section 1.1. Use of Defined Terms. In addition to the words and terms defined elsewhere in this Agreement or by reference to another document, the words and terms set forth in Section 1.2 hereof shall have the meanings set forth therein unless the context or use clearly indicates another meaning or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms defined therein.

Section 1.2. Definitions. As used herein:

"Act" means Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes.

"Additional Payments" means the amounts required to be paid by the Company pursuant to the provisions of Section 4.2 hereof.

"Administration Expenses" means the compensation (which compensation shall not be greater than that typically charged in similar circumstances) and reimbursement of reasonable expenses and advances payable to the Trustee, the Registrar, any Paying Agent and any Authenticating Agent.

"Agreement" means this Loan Agreement, as amended or supplemented from time to time.

"Authenticating Agent" means the Authenticating Agent as defined in the Indenture.

"Bond Insurance Policy" means the municipal bond insurance policy issued by the Bond Insurer that guarantees payment when due of principal and interest on the Bonds.

"Bond Insurer" means Municipal Bond Investors Assurance Corporation, a stock insurance company incorporated under the laws of the State of New York, or its successor.

"Bond Fund" means the Bond Fund created in the Indenture.

"Bond Ordinance" means the ordinance of the Issuer providing for the issuance of the Bonds and approving this Agreement, the Indenture and related matters, as amended or supplemented from time to time.

"Bond Service Charges" means, for any period or time, the principal of, premium, if any, and interest due on the Bonds for that period or payable at that time whether due at maturity or upon acceleration or redemption or otherwise.

"Bonds" means the $48,000,000 Collateralized Pollution Control Revenue Refunding Bonds, 1994 Series A (The Cincinnati Gas & Electric Company Project), issued by the Issuer pursuant to the Bond Ordinance and the Indenture.

"Bonds Outstanding" or "Outstanding Bonds" means Outstanding Bonds as defined in the Indenture.

"1994 Bonds" means collectively, the Bonds and the Ohio Bonds.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. References to the Code and Sections of the Code include re1evant applicable regulations and proposed regulations thereunder and under the Interna1 Revenue Code of 1954, as amended,

and any successor provisions to those Sections, regulations or proposed regulations and, in addition, all applicable official rulings and judicial determinations under the foregoing applicable to the Bonds.

"Company Mortgage" means the First Mortgage, dated as of August 1, 1936, between the Company and the Company Mortgage

Trustee, as amended, modified or supplemented from time to time.

"Company Mortgage Trustee" means The Bank of New York (formerly Irving Trust Company), as trustee under the Company Mortgage, and its successors and assigns.

"Eligible Investments" means Eligible Investments as defined in the Indenture.

"Engineer" means an engineer (who may be an employee of the Company) or engineering firm qualified to practice the profession of engineering under the laws of the State and who or which is acceptable to the Trustee.

"Event of Default" means any of the events described as an Event of Default in Section 7.1 hereof.

"First Mortgage Bonds" means the $48,000,000 aggregate principal amount of First Mortgage Bonds, 5-1/2% Series C Due 2024, issued under the Company Mortgage pursuant to the Supplemental Mortgage Indenture.

"Force Majeure" means any of the causes, circumstances or events described as constituting Force Majeure in Section 7.1 hereof.

"Government Ob1igations" means Government Obligations as defined in the Indenture.

"Holder" or "Holder of a Bond" means the Person in whose name a Bond is registered on the Register.

"Indenture" means the Trust Indenture, dated as of the same date as this Agreement, between the Issuer and the Trustee, as amended or supplemented from time to time.

"Interest Rate for Advances" means the interest rate per year payable on the Bonds.

"Loan" means the loan by the Issuer to the Company of the proceeds received from the sale of the Bonds.

"Loan Payment Date" means any date on which any Bond Service Charges are due and payable.

"Loan Payments" means the amounts required to be paid by the Company on the First Mortgage Bonds in repayment of the Loan pursuant to Section 4.1 hereof.

"1954 Code" means the Internal Revenue Code of 1954, as amended from time to time through the date of enactment of the Code. References to the 1954 Code and Sections of the 1954 Code include relevant applicable regulations (including temporary regulations) and proposed regulations thereunder and any successor provisions to those Sections, regulations or proposed regulations.

"Notice Address" means:

(a) As to the Issuer: County of Boone, Kentucky
Boone County Courthouse
Burlington, Kentucky 41005
Attention: County Judge/Executive

(b) As to the Company: The Cincinnati Gas & ELectric Company
139 East Fourth Street
Cincinnati, Ohio 45202
Attention: Treasurer

(c) As to the Trustee: The Bank of New York
101 Barclay Street, 21st Floor
New York, New York 10286
Attention: Corporate Trust Administration

or such additional or different address, notice of which is given under Section 8.3 hereof.

"Ohio Bonds" means, collectively: (i) $21,400,000 principal amount of State of Ohio 5.45% Collateralized Water Development Revenue Refunding Bonds, 1994 Series A (The Cincinnati Gas & Electric Company Project), dated January 1, 1994 and (ii) $25,300,000 principal amount of State of Ohio 5.45% Collateralized Air Quality Development Revenue Refunding Bonds, 1994 Series B (The Cincinnati Gas & Electric Company Project), dated January 1, 1994.

"Opinion of Bond Counsel" means a written opinion of nationally recognized bond counse1 selected by the Company and acceptable to the Trustee who is experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions. Bond Counsel may be counsel to the Trustee or the Company.

"Original Purchasers" means the Original Purchasers as defined in the Indenture.

"Paying Agent" means the Paying Agent as defined in the Indenture.

"Person" or words importing persons mean firms, associations, partnerships (including without limitation, general

and limited partnerships), joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

"Pollution Control Facilities" means pollution control facilities as that term is defined in KRS 103.246.

"Project" or "Project Facilities" means the real, personal or real and personal property, including undivided or other interests therein, identified in the Project Description.

"Project Description" means the description of the Project Facilities attached hereto as Part 1 of Exhibit A.

"Project Purposes" means the purposes of Pollution Control Facilities as described in the Act and as particularly described in Part 1 of Exhibit A hereto.

"Project Site" means the East Bend Generating Station, owned as tenants in common by the Company and The Dayton Power and Light Company, located within the corporate boundaries of the Issuer, within the State.

"Rebate Fund" means the Rebate Fund created in the Indenture.

"Refunded Bonds" means the $48,000,000 principal amount of "County of Boone, Kentucky, Pollution Control Revenue Bonds (The Cincinnati Gas & Electric Company Project), 1979 Series A," dated October 1, 1979.

"Refunded Bonds Indenture" means the Indenture of Trust dated as of October 1, 1979, by and between the Issuer and The Fifth Third Bank, in respect of the Refunded Bonds.

"Refunded Bonds Loan Agreement" means the Loan Agreement in connection with Pollution Control Facilities dated as of October 1, 1979, by and between the Issuer and the Company, in respect of the Refunded Bonds.

"Refunded Bonds Trustee" means The Fifth Third Bank, as Trustee under the Refunded Bonds Indenture.

"Refunding Fund" means the Refunding Fund created in the

Indenture.

"Register" means the books kept and maintained for the registration and transfer of Bonds pursuant to Section 3.05 of the Indenture.

"Registrar" means the Registrar as defined in the Indenture.

"Revenues" means (a) the Loan Payments, (b) all other moneys received or to be received by the Issuer or the Trustee in respect of repayment of the Loan, including without limitation, all moneys and investments in the Bond Fund, (c) any moneys and investments in the Refunding Fund (until applied to the redemption of the Refunded Bonds), and (d) all income and profit from the investment of the foregoing moneys. The term "Revenues" does not include any moneys or investments in the Rebate Fund.

"State" means the Commonwealth of Kentucky.

"Station Unit" means the East Bend Generating Station Unit 2.

"Supplemental Mortgage Indenture" means the Thirty-fifth Supplemental Indenture, dated as of January 1, 1994, between the Company and the Company Mortgage Trustee, as amended or supplemented from time to time.

"Trustee" means The Bank of New York, New York, New York, a corporation duly organized and validly existing under the laws of the State of New York, until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter "Trustee" shall mean the successor Trustee. "Principal Office" of the Trustee shall mean the principal corporate trust office of the Trustee, which office at the date of issuance of the Bonds is 1ocated at its Notice Address.

"Unassigned Issuer's Rights" means all of the rights of the Issuer to receive Additional Payments under Section 4.2 hereof, to be held harmless and indemnified under Section 5.9 hereof, to be reimbursed for attorney's fees and expenses under Section 7.4 hereof and to give or withhold consent to amendments, changes, modifications, alterations and termination of this Agreement under Section 8.6 hereof and its right to enforce such rights.

Section 1.3. Interpretation. Any reference herein to the State, to the Issuer or to any member or officer of either includes entities or officials succeeding to their respective

functions, duties or responsibilities pursuant to or by operation of law or lawfully performing their functions.

Any reference to a section or provision of the Constitution of the State or the Act, or to a section, provision or chapter of the Kentucky Revised Statutes, or to any statute of the United States of America, includes that section, provision or chapter as amended, modified, revised, supplemented or superseded from time to time; provided, that no amendment, modification, revision, supplement or superseding section, provision or chapter shall be

applicable solely by reason of this provision, if it constitutes in any way an impairment of the rights or obligations of the Issuer, the Holders, the Trustee, the Registrar, an Authenticating Agent, a Paying Agent or the Company under this Agreement, the Indenture, the Bonds, the Company Mortgage, the Supplemental Mortgage Indenture or the First Mortgage Bonds.

Unless the context indicates otherwise, words importing the singular number include the plural number, and vice versa; the terms "hereof", "hereby", "herein", "hereto", "hereunder" and similar terms refer to this Agreement; and the term "hereafter" means after, and the term "heretofore" means before, the date of delivery of the Bonds. Words of any gender include the correlative words of the other genders, unless the sense indicates otherwise.

Section 1.4. Captions and Headings. The captions and headings in this Agreement are used solely for convenience of reference and in no way define, limit or describe the scope or intent of any Articles, Sections, subsections, paragraphs or subparagraphs or clauses hereof.

(End of Article I)

ARTICLE II

REPRESENTATIONS

Section 2.1. Representations of the Issuer. The Issuer represents that: (a) it is a de jure county and a political subdivision of the State duly organized and validly existing under the laws of the State; (b) it has duly accomplished all conditions necessary to be accomplished by it prior to the issuance and delivery of the Bonds and the execution and delivery

of this Agreement and the Indenture; (c) it is not in violation of or in conflict with any provisions of the laws of the State which would impair its ability to carry out its obligations contained in this Agreement or the Indenture; (d) it is empowered to enter into the transactions contemplated by this Agreement and the Indenture; (e) it has duly authorized the execution, delivery and performance of this Agreement and the Indenture; and (f) it will do all things in its power in order to maintain its existence or assure the assumption of its obligations under this Agreement and the Indenture by any successor public body.

Section 2.2. No Warranty by Issuer of Condition or Suitability of the Project. The Issuer makes no warranty, either express or implied, as to the suitability or utilization of the Project for the Project Purposes, or as to the condition of the Project Facilities or that the Project Facilities are or will be suitable for the Company's purposes or needs.

Section 2.3. Representations, Warranties and Covenants of the Company. The Company represents, warrants and covenants that:

(a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Ohio, and is duly qualified to do business in the State, with power and authority (corporate and other) to own its properties and conduct its business, to execute and deliver this Agreement, the Supplemental Mortgage Indenture and the First Mortgage Bonds, and to perform its obligations under this Agreement, the Company Mortgage, the Supplemental Mortgage Indenture and the First Mortgage Bonds.

(b) This Agreement, the Supplemental Mortgage Indenture and the Company Mortgage have been duly authorized, executed and delivered by the Company; the First Mortgage Bonds have been duly authorized, executed, issued and delivered; and this Agreement, the Supplemental Mortgage Indenture, the Company Mortgage and the First Mortgage Bonds constitute valid and 1egally binding obligations of the Company, enforceable in accordance with their respective terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other

laws of general applicability relating to or affecting creditors' rights, to laws relating to or affecting the enforcement of the security provided by the Company Mortgage and to general equity principles.

(c) The execution, delivery and performance by the Company of this Agreement and the Supplemental Mortgage Indenture and the consummation of the transactions contemplated hereby and thereby will not violate any provision of law or regulation

applicable to the Company, or any writ or decree of any court or governmental instrumentality, or of the Articles of Incorporation, as amended, or Code of Regulations, as amended, of the Company, or any mortgage, indenture, contract, agreement or other undertaking to which the Company is a party or which purports to be binding upon the Company or upon any of its assets.

(d) Substantially all (at least 90%) of the proceeds of the Refunded Bonds were used to provide air and water pollution control facilities and solid waste disposal facilities as provided in and within the meaning of Sections 103(b)(4)(E) and (F) of the 1954 Code, the original use of which facilities commenced with the Company and all of the proceeds of the Refunded Bonds have been spent for the Project or to pay costs of issuance of the Refunded Bonds. All of such air and water pollution control facilities and solid waste disposal facilities consist either of land or of property of a character subject to the allowance for depreciation provided in Section l67 of the Code. The proceeds of the Bonds (other than any accrued interest thereon) will be used exclusively to refund the principal of the Refunded Bonds and none of the proceeds of the Bonds wil1 be used to pay for any costs of issuance of the Bonds. The Refunded Bonds were issued prior to August 16, 1986. The principal amount of the Bonds does not exceed the outstanding principal amount of the Refunded Bonds. The proceeds of the Bonds will be used to retire, pay and discharge the Refunded Bonds not later than 90 days after the date of issuance of the Bonds.

(e) The acquisition and construction of the Project financed by application of the proceeds of the Refunded Bonds was not commenced (within the meaning of Treasury Regulations Section 1.103-8(a)(5)) as applicable to the Refunded Bonds prior to the adoption of the resolution of the Issuer evidencing the intent of the Issuer to issue the Refunded Bonds (being February 17, 1976).

(f) It has caused the Project to be substantially completed. The Project constitutes Pollution Control Facilities under the Act and is consistent with the purposes of the Act. The Project is being, and the Company will operate or cause the Project to be, operated and maintained in such manner to conform

with applicable zoning, planning, building, environmental and other applicable governmental regulations and all permits, variances and orders issued or granted pursuant thereto, which permits, variances and orders have not been withdrawn or otherwise suspended, and to be consistent with the Act.

(g) It has used or operated, and presently intends to use and operate the Project Facilities in a manner consistent

with the Project Purposes until the date on which the Bonds have been fully paid and knows of no reason why the Project Facilities will not be so operated. The Company has not sold and does not intend to sell or otherwise dispose of the Project or any portion thereof.

(h) None of the proceeds of the Refunded Bonds were used and none of the proceeds of the Bonds will be used to provide any private or commercial golf course, country club, massage parlor, tennis club, skating facility (including roller skating, skateboard and ice skating), racquet sports facility (including handball or racquetball court), hot tub facility, suntan facility, racetrack, airplane, skybox or other private luxury box, or health club facility; any facility primarily used for gambling; any store the principal business of which is the sale of alcoholic beverages for consumption off premises; or any facilities for retail food and beverage services, automobile sales or service, or the provision of recreation or entertainment.

(i) Less than 25% of the proceeds of the Refunded Bonds have been used and 1ess than 25% of the proceeds of the Bonds will be used directly or indirectly to acquire land or any interest therein, and none of such proceeds has been or will be used to provide land which is to be used for farming purposes.

(j) No portion of the proceeds of the Refunded Bonds has been used and no portion of the proceeds of the Bonds will be used to acquire existing property or any interest therein unless the first use of such property was by the Company and was pursuant to and followed such acquisition.

(k) After the expiration of any applicable temporary period under Section 148(d)(3) of the Code, at no time during any bond year will the aggregate amount of gross proceeds of the 1994 Bonds invested in higher yielding investments (within the meaning of Section 148(b) of the Code) exceed 150 percent of the debt service on the 1994 Bonds for such bond year and the aggregate amount of gross proceeds of the 1994 Bonds invested in higher yielding investments, if any, will be promptly and appropriately reduced as the outstanding amount of the 1994

Bonds is reduced, provided however that the foregoing shall not require the sale or disposition of any investments in higher yielding investments if such sale or disposition would result in a loss which exceeds the amount which would be paid to the United States (but for such sale or disposition) at the time of such sale or disposition if a payment were due at such time. At no time will any funds constituting gross proceeds of the 1994 Bonds be used in a manner as would constitute failure of compliance with Section 148 of the Code.

The terms "bond year", "gross proceeds", "higher yielding investments", "yield", and "debt service" have the meanings assigned to them for purposes of Section 148 of the Code.

(l) The Refunded Bonds were not, and the Bonds will not be, "federally guaranteed" within the meaning of Section 149(b) of the Code.

(m) It is not anticipated that as of the date hereof, there will be created any replacement proceeds, within the meaning of Section 1.148-1(c) of the Treasury Regulations, with respect to the 1994 Bonds; however, in the event that any such replacement proceeds are deemed to have been created, such amounts will be invested in compliance with Section 148 of the Code.

(n) On the date of issuance and delivery of the Refunded Bonds, the Company reasonably expected that all of the proceeds of such Refunded Bonds would be used to carry out the governmental purposes of such issue within the 3-year period beginning on the date such issue was issued and none of the proceeds of such issue, if any, were invested in nonpurpose investments having a substantially guaranteed yield for 3 years or more.

(o) The average maturity of the 1994 Bonds does not exceed 120% of the average reasonably expected economic life of the facilities refinanced by the 1994 Bonds (determined under Section 147(b) of the Code).

(p) The information furnished by the Company and used by the Issuer in preparing the certifications and statements pursuant to Sections 148 and 149(e) of the Code or their statutory predecessors with respect to the Refunded Bonds was accurate and complete as of the date of issuance of the Refunded Bonds, and the information furnished by the Company and used by the Issuer in preparing the certification pursuant to Section 148 of the Code and in preparing the information statement pursuant to Section 149(e) of the Code, both referred to in the Bond Ordinance, will be accurate and complete as of the date of issuance of the Bonds.

(q) The Project Facilities do not include any office except for offices (i) located on the Project Site and (ii) not more than a de minimis amount of the functions to be performed at which is not directly related to the day-to-day operations of the Project Facilities.

(r) The Department of Natural Resources and Environmental Protection of Kentucky (now the Natural Resources and Environmental Protection Cabinet of Kentucky), having jurisdiction in the premises, has previously certified that the Project, as designed, is in furtherance of the purposes of abating and controlling atmospheric pollutants and contaminants and water pollution.

(s) The Company will, but only to the extent required by law, cause the Indenture and/or any related instruments or documents relating to the assignments made by the Issuer under the Indenture to secure the Bonds, to be recorded and/or filed in the manner and in the places required by law in order to preserve and protect fully the security of the Holders and the rights of the Trustee under the Indenture.

(End of Article II)

ARTICLE III

COMPLETION OF THE PROJECT; ISSUANCE OF THE BONDS

Section 3.1. Acquisition, Construction and Installation. The Company represents that it and the other public utility company which owns an undivided interest in the Project Facilities with the Company as tenants-in-common have caused the Project Facilities to be acquired, constructed and installed on the Project Site, substantially in accordance with the Project Description and in conformance with the Plans and Specifications, as defined in the Refunded Bonds Loan Agreement and in conformance with all applicable zoning, planning, building and other similar regulations of all governmental authorities having jurisdiction over the Project and all permits, variances and orders issued in respect of the Project by EPA, and that the proceeds derived from the Refunded Bonds, including any investment thereof, were expended in accordance with the Refunded Bonds Indenture and the Refunded Bonds Loan Agreement.

Section 3.2. Issuance of the Bonds; Application of Proceeds. To provide funds to make the Loan to the Company to assist the Company in the refunding of the Refunded Bonds, concurrently with the delivery to the Trustee of the First Mortgage Bonds as provided in Section 4.1 hereof, the Issuer will issue, sell and deliver the Bonds to the Original Purchaser. The Bonds will be issued pursuant to the Indenture in the aggregate

principal amount, will bear interest, will mature and will be subject to redemption as set forth therein. The Company hereby approves the terms and conditions of the Indenture and the Bonds, and the terms and conditions under which the Bonds will be issued, sold and delivered.

The proceeds from the sale of the Bonds (other than any accrued interest) shall be loaned to the Company to assist the Company in refunding the Refunded Bonds in order to reduce the interest cost payable by the Company and shall be deposited in whole in the Refunding Fund. On or before February 15, 1994, all moneys on deposit in the Refunding Fund shall be transferred to and deposited in the bond fund created by the Refunded Bonds Indenture and applied by the Refunded Bonds Trustee, with other adequate moneys to be furnished by the Company, to the payment of principal

of, redemption premium and interest on the Refunded Bonds on February 15, 1994.

Pending disbursement pursuant to this Section and Section 5.02 of the Indenture, the proceeds of the Bonds so deposited in the Refunding Fund, together with any investment earnings thereon, shall constitute a part of the Revenues assigned by the Issuer to the Trustee for the payment of Bond Service Charges. Any accrued interest received from the sale of the Bonds shall be deposited in the Bond Fund.

The Company hereby requests that the Issuer notify the Refunded Bonds Trustee that the entire outstanding principal amount of the Refunded Bonds is to be redeemed on February 15, 1994 at a redemption price of 101% of the principal amount hereof plus accrued interest to the redemption date.

Section 3.3. Investment of Fund Moneys. At the oral (confirmed promptly in writing) or written request of the Company, any moneys held as part of the Bond Fund, the Refunding Fund or the Rebate Fund shall be invested or reinvested by the Trustee in Eligible Investments; provided, that such moneys shall be invested or reinvested by the Trustee only in Eligible Investments which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the date upon which the moneys so invested are needed to make payments from those Funds. The Issuer (to the extent it retained or retains direction or control) and the Company each hereby represents that the investment and reinvestment and the use of the proceeds of the Refunded Bonds were restricted in such manner and to such extent, if any, as may be necessary so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code and each hereby covenants that it will restrict that investment and reinvestment and the

use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code.

The Company shall provide the Issuer with, and the Issuer may base its certificate and statement, each as authorized by the Bond Ordinance, on a certificate of an appropriate officer, employee or agent of or consultant to the Company for inclusion in the transcript of proceedings for the Bonds, setting forth the reasonable expectations of the Company on the date of delivery of and payment for the Bonds regarding the amount and use of the proceeds of the Bonds and the facts, estimates and circumstances on which those expectations are based.

Section 3.4. Rebate Fund. To the extent required by Section 5.09 of the Indenture, within five days after the end of the fifth Bond Year (as defined in the Indenture) and every fifth Bond Year thereafter, and within five days after payment in full of all outstanding Bonds, the Company shall calculate or cause to be

calculated the amount of Excess Earnings (as defined in the Indenture) as of the end of that Bond Year or the date of such payment and shall notify the Trustee of that amount. If the amount then on deposit in the Rebate Fund created under the Indenture is less than the amount of Excess Earnings (computed by taking into account the amount or amounts, if any, previously paid to the United States pursuant to Section 5.09 of the Indenture and this Section), the Company shall, within five days after the date of the aforesaid calculation, pay to the Trustee for deposit in the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to the Excess Earnings. The obligation of the Company to make such payments shall remain in effect and be binding upon the Company notwithstanding the release and discharge of the Indenture. The Company shall obtain and keep such records of the computations made pursuant to this Section as are required under Section 148(f) of the Code.

(End of Article III)

ARTICLE IV

LOAN BY ISSUER; LOAN PAYMENTS; ADDITIONAL PAYMENTS; AND FIRST MORTGAGE BONDS

Section 4.1. Loan Repayment; Delivery of First Mortgage Bonds. Upon the terms and conditions of this Agreement,

the Issuer agrees to make the Loan to the Company. The proceeds of the Loan shall be deposited with the Trustee pursuant to Section 3.2 hereof. As evidence of its obligation hereunder to repay the Loan, the Company agrees to execute and deliver the First Mortgage Bonds to the Issuer, in the manner provided in Section 4.6 hereof. In consideration of and in repayment of the Loan, the Company shall make, as Loan Payments, to the Trustee for the account of the Issuer, payments on the First Mortgage Bonds which correspond, as to time, and are equal in amount, to the Bond Service Charges payable on the Bonds. All Loan Payments received by the Trustee shall be held and disbursed in accordance with the provisions of the Indenture and this Agreement for application to the payment of Bond Service Charges.

The Company shall be entitled to a credit against the Loan Payments required to be made on any Loan Payment Date to the extent that the balance of the Bond Fund is then in excess of amounts required (a) for the payment of Bonds theretofore matured or theretofore called for redemption, or to be called for redemption pursuant to Section 6.1 hereof (b) for the payment of interest for which checks or drafts have been drawn and mailed by the Trustee or Paying Agent, and (c) to be deposited in the Bond Fund by the Indenture for use other than for the payment of Bond Service Charges due on that Loan Payment Date.

Except for such interest of the Company as may hereafter arise pursuant to Section 8.2 hereof or Sections 5.07 or 5.08 of the Indenture, the Company and the Issuer each acknowledge that neither the Company nor the Issuer has any interest in the Bond Fund, and any moneys deposited therein shall be in the custody of and held by the Trustee in trust for the benefit of the Holders.

Section 4.2. Additional Payments. The Company shall pay to the Issuer, as Additional Payments hereunder, any and all costs and expenses incurred or to be paid by the Issuer in connection with the issuance and delivery of the Bonds or otherwise related to actions taken by the Issuer under this Agreement or the Indenture.

The Company shall pay the Administration Expenses to the Trustee, the Registrar, and any Paying Agent or Authenticating Agent, as appropriate, as Additional Payments hereunder.

The Company may, without creating a default hereunder, contest in good faith the reasonableness of any such cost or expense incurred or to be paid by the Issuer and any Administration Expenses claimed to be due to the Trustee, the Registrar, any Paying Agent or any Authenticating Agent.

In the event the Company should fail to pay any Loan Payments, Additional Payments (including Administration Expenses) when due, the payment in default shall continue as an obligation of the Company until the amount in default shall have been fully paid together with interest thereon during the default period at the Interest Rate for Advances.

Section 4.3. Place of Payments. The Company shall make all Loan Payments directly to the Trustee at its Principal Office. Additional Payments shall be made directly to the person or entity to whom or to which they are due.

Section 4.4. Obligations Unconditional. The obligations of the Company to make Loan Payments, Additional Payments (including Administration Expenses) and any payments required of the Company under Section 5.09 of the Indenture shall be absolute and unconditional, and the Company shall make such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim which the Company may have or assert against the Issuer, the Trustee, the Registrar or any other Person.

Section 4.5. Assignment of Revenues, Agreement and First Mortgage Bonds. To secure the payment of Bond Service Charges, the Issuer shall absolutely assign to the Trustee, its successors in trust and its and their assigns forever, by the Indenture, all right, title and interest of the Issuer in and to (a) the Revenues, including, without limitation, all Loan Payments and other amounts receivable by or on behalf of the Issuer under the Agreement in respect of repayment of the Loan, (b) the Agreement except for the Unassigned Issuer's Rights, and (c) the First Mortgage Bonds. The Company hereby agrees and consents to those assignments.

Section 4.6. First Mortgage Bonds. To evidence and secure the obligations of the Company to make the Loan Payments and repay the Loan, the Company will, concurrently with the issuance of the Bonds, execute and deliver First Mortgage Bonds to the Issuer in an aggregrate principal amount equal to the aggregate principal amount of the Bonds. The Company agrees that First Mortgage Bonds authorized pursuant to the Company Mortgage will be issued containing the terms and conditions and in substantially the form set forth in the Supplemental Mortgage Indenture. The First Mortgage Bonds shall:

(a) provide for payments of interest equal to the payments of interest on the Bonds;

(b) provide for payments of principal and any premium equal to the payments of principal (whether at maturity or by call for mandatory or optional redemption or pursuant to acceleration or otherwise) and any premium on the Bonds;

(c) require all such payments on such First Mortgage Bonds to be made on or prior to the due date for the corresponding payments to be made on the Bonds; and

(d) contain redemption provisions corresponding with such provisions of the Bonds.

Unless the Company is entitled to a credit under this Agreement or the Indenture, all payments on the First Mortgage Bonds shall be in the full amount required thereunder. The First Mortgage Bonds shall be registered in the name of the Trustee and shall not be transferred by the Trustee, except to effect transfers to any successor trustee under the Indenture.

(End of Article IV)

ARTICLE V

ADDITIONAL AGREEMENTS AND COVENANTS

Section 5.1. Maintenance. The Company shall use its best efforts to cause the Project Facilities to be kept and maintained in good repair and good operating condition so that the Project Facilities will continue to constitute Pollution Control Facilities, for the purposes of the operation thereof as required by Section 5.3 hereof.

So long as such shall not be in violation of the Act or impair the character of the Project Facilities as Pollution Control Facilities, and provided there is continued compliance with applicable laws and regulations of governmental entities having jurisdiction thereof, the Company shall have the right to remodel the Project Facilities or make additions, modifications and improvements thereto, from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, the cost of which remodeling, additions, modifications and improvements shall be paid by the Company and the same shall, when made, become a part of the Project Facilities.

Section 5.2. Removal of Portions of the Project Facilities. The Company shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary portions of the Project Facilities, except that, subject to Section 5.3 hereof, it will use its best efforts to cause to be continued the character of the Project Facilities as Pollution Control Facilities. The Company shall have the right from time to time to substitute personal or other property or fixtures for any portions of the Project Facilities, provided that the personal or other property or fixtures so substituted shall not impair the character of the Project Facilities as Pollution Control Facilities. Any such substituted property or fixtures shall, when so substituted, become a part of the Project Facilities. The Company shall also have the right to remove any portion of the Project Facilities, without substitution therefor; provided, that the Company shall deliver to the Trustee a certificate signed by an Engineer describing such portion of the Project Facilities and stating that the removal of such property or fixtures will not impair the character of the Project Facilities as Pollution Control Facilities.

Section 5.3. Operation of Project Facilities. The Company will use its best efforts to continue operation of the Project Facilities so long as and to the extent that operation thereof is required to comply with laws or regulations of governmental entities having jurisdiction thereof or unless the Issuer shall have approved the discontinuance of such operation (which approval shall not be unreasonably withheld). The Company agrees that it will, within the design capacities thereof, use its best efforts to operate and maintain the Project Facilities in accordance with all applicable, valid and enforceable rules and regulations of governmental entities having jurisdiction thereof; provided, that the Company reserves the right to contest in good faith any such laws or regulations.

Nothing in this Agreement shall prevent or restrict the Company, in its sole discretion, at any time, from discontinuing or suspending either permanently or temporarily its use of any facility of the Company served by the Project Facilities and in the event such discontinuance or suspension shall render unnecessary the continued operation of the Project Facilities, the Company shall have the right to discontinue the operation of the Project Facilities during the period of any such discontinuance or suspension.

Section 5.4. Insurance. The Company agrees to insure its interest in the Project Facilities in the amount and with the coverage required by the Company Mortgage.

Section 5.5. Damage; Destruction and Eminent Domain. If, prior to full payment of all 1994 Bonds outstanding (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project Facilities or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project Facilities or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Company or the Company Mortgage Trustee receive net proceeds from insurance or any condemnation award in connection therewith, the Company (unless it shall have exercised its option to prepay the Loan pursuant to provisions of Section 6.2 hereof) shall either (i) cause such Net Proceeds to be used to repair, reconstruct, restore or improve the Project, or (ii) take any other action, including the redemption of Bonds, in whole or in part, on any date, which, in the Opinion of Bond Counsel reasonably acceptable to the Company and the Trustee, will not adversely affect the exclusion of interest on any of the 1994 Bonds from gross income for federal income tax purposes under Section 103(a) of the Code and will not conflict with any provision of this Agreement or the Indenture.

It is hereby acknowledged and agreed that any net proceeds from insurance or any condemnation award relating to the Project Facilities are subject to the lien of the Company Mortgage and shall be disposed of in accordance with the terms and provisions of the Company Mortgage and that any obligations of the Company under this Section 5.5 not satisfied by application of such net proceeds shall

be limited to the general credit of the Company and does not require disposition of such net proceeds contrary to the requirements of the Company Mortgage.

Section 5.6. Company to Maintain its Corporate Existence; Conditions Under Which Exceptions Permitted. The Company agrees that during the term of this Agreement it will maintain its corporate existence and, will not sell its electric properties as an entirety or substantially as an entirety or consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it, except to the extent permitted under the provisions of the Company Mortgage, provided that any successor corporation resulting from any such sale, consolidation or merger shall assume all obligations of the Company arising under or contemplated by the provisions of this Agreement.

If consolidation, merger or sale or other transfer is made as provided in this Section, the provisions of this Section shall continue in full force and effect and no further consolidation, merger or sale or other transfer shall be made

except in compliance with the provisions of this Section.

Section 5.7. Indemnification. The Company releases the Issuer from, agrees that the Issuer shall not be liable for, and indemnifies the Issuer against, all liabilities, claims, costs and expenses imposed upon or asserted against the Issuer on account of: (a) any loss or damage to property or injury to or death of or loss by any person that may be occasioned by any cause whatsoever pertaining to the construction, maintenance, operation and use of the Project Facilities; (b) any breach or default on the part of the Company in the performance of any covenant or agreement of the Company under this Agreement or any related document, or arising from any act or failure to act by the Company, or any of its agents, contractors, servants, employees or licensees; (c) the authorization, issuance and sale of the Bonds, and the provision of any information furnished in connection therewith concerning the Project Facilities or the Company (including, without limitation, any information furnished by the Company for inclusion in any certifications made by the Issuer under Section 3.4 hereof or for inclusion in, or as a basis for preparation of, the information statements filed by the Issuer pursuant to the Bond Ordinance); and (d) any claim or action or proceeding with respect to the matters set forth in (a), (b) and (c) above brought thereon.

The Company agrees to indemnify the Trustee, the Paying Agent and the Registrar (each hereinafter referred to in this section as an "indemnified party") for and to hold each of them harmless against all liabilities, claims, costs and expenses incurred without negligence or willful misconduct on the part of the indemnified party, on account of any action taken or omitted to be taken by the indemnified party in accordance with the terms of this Agreement, the Bonds or the Indenture or any action taken at the

request of or with the consent of the Company, including the costs and expenses of the indemnified party in defending itself against any such claim, action or proceeding brought in connection with the exercise or performance of any of its powers or duties under this Agreement, the Bonds or the Indenture or any action taken at the request of or with the consent of the Company.

In case any action or proceeding is brought against the Issuer or an indemnified party in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give notice of that action or proceeding to the Company, and the Company upon receipt of that notice shall have the obligation and the right to assume the defense of the action or proceeding; provided, that failure of a party to give that notice shall not relieve the Company from any of its obligations under this

Section unless that failure prejudices the defense of the action or proceeding by the Company. At its own expense, an idemnified party may employ separate counsel and participate in the defense; provided, however, where it is ethically inappropriate for one firm to represent the interests of the Issuer and any other indemnified party or parties, the Company shall pay the Issuer's legal expenses in connection with the Issuer's retention of separate counsel. The Company shall not be liable for any settlement made without its consent.

The indemnification set forth above is intended to and shall include the indemnification of all affected officials, directors, officers and employees of the Issuer, the Trustee, the Paying Agent and the Registrar, respectively. That indemnification is intended to and shall be enforceable by the Issuer, the Trustee, the Paying Agent and the Registrar, respectively, to the full extent permitted by law.

Section 5.8. Company Not to Adversely Affect Exclusion of Interest on 1994 Bonds from Gross Income for Federal Income Tax Purposes. The Company hereby covenants and represents that it has taken and caused to be taken and shall take and cause to be taken all actions that may be required of it for the interest on the 1994 Bonds to be and remain excluded from the gross income of the Holders for federal income tax purposes, and that it has not taken or permitted to be taken on its behalf, and covenants that it will not take, or permit to be taken on its behalf, any action which, if taken, would adversely affect that exclusion under the provisions of the Code.

The Company covenants and agrees with Issuer that it will cause the outstanding principal amount of the Refunded Bonds to be paid and discharged in accordance with the Refunded Bonds Indenture on or prior to the 90th day after the date of issuance of the Bonds.

Section 5.9. Use of Project Facilities. The Issuer agrees that it will not take any action, or cause any action to be taken on its behalf, to interfere with the Company's ownership interest in the Project or to prevent the Company from having possession, custody, use and enjoyment of the Project other than pursuant to Article VII of this Agreement or Article VII of the Indenture.

Section 5.10. Assignment by Company. This Agreement may be assigned in whole or in part by the Company without the necessity of obtaining the consent of either the Issuer or the Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 5.6

hereof) shall relieve the Company from primary liability for any of its obligations hereunder, and in the event of any such assignment the Company shall continue to remain primarily liable for the payment of the Loan Payments and Additional Payments and for performance and observance of the agreements on its part herein provided to be performed and observed by it.

(b) Any assignment by the Company must retain for the Company such rights and interests as will permit it to perform its obligations under this Agreement, and any assignee from the Company shall assume the obligations of the Company hereunder to the extent of the interest assigned.

(c) The Company shall, within 30 days after execution thereof, furnish or cause to be furnished to the Issuer and the Trustee a true and complete copy of each such assignment together with any instrument of assumption.

(d) Any assignment from the Company shall not materially impair fulfillment of the Project Purposes to be accomplished by operation of the Project as herein provided.

Section 5.11. Agreements with Bond Insurer. So long as the Bond Insurance Policy is in full force and effect with respect to the Bonds and the Bond Insurer is not in default thereunder as defined in Section 7.10 of the Indenture, the following provisions shall apply:

(a) Any action requiring the approval or consent of the Holders, the Issuer, the Trustee or the Company under the Agreement shall also require the prior written consent of the Bond Insurer.

(b) The Company shall provide the Bond Insurer annually with copies of the Company's audited financial statements.

(c) Upon the occurrence and continuance of an Event of Default hereunder, the Bond Insurer shall have the same right as the Authority and the Trustee to pursue the remedies provided in Sections 7.2 and 7.3 hereof; and

(d) The Company shall give notice to the Bond Insurer, not less than two days prior to any Loan Payment Date, if the Company does not intend or will be unable to make the Loan Payment on that Loan Payment Date.

(End of Article V)

ARTICLE VI

REDEMPTION

Section 6.1. Optional Redemption. Provided no Event of Default shall have occurred and be subsisting, at any time and from time to time, the Company may deliver moneys to the Trustee in addition to Loan Payments or Additional Payments required to be made and direct the Trustee to use the moneys so delivered for the purpose of calling Bonds for optional redemption in accordance with the applicable provisions of the Indenture providing for optional redemption at the redemption price stated in the Indenture. Pending application for those purposes, any moneys so delivered shall be held by the Trustee in a special account in the Bond Fund and delivery of those moneys shall not, except as set forth in Section 4.1 hereof, operate to abate or postpone Loan Payments or Additional Payments otherwise becoming due or to alter or suspend any other obligations of the Company under this Agreement.

Section 6.2. Extraordinary Optional Redemption. The Company shall have, subject to the conditions hereinafter imposed, the option to direct the redemption of the Bonds in whole in accordance with the applicable provisions of the Indenture upon the occurrence of any of the following events:

(a) The Project or the Station Unit shall have been damaged or destroyed to such an extent that (1) it cannot reasonably be expected to be restored, within a period of six consecutive months, to the condition thereof immediately preceding such damage or destruction or (2) the Company is reasonably expected to be prevented from carrying on its normal operations in connection therewith for a period of six consecutive months.

(b) Title to, or the temporary use of, all or a significant part of the Project or the Station Unit shall have been taken under the exercise of the power of eminent domain (1) to such extent that it cannot reasonably be expected to be restored within a period of six consecutive months to a condition of usefulness comparable to that existing prior to the taking or (2) to such an extent that the Company is reasonably expected to be prevented from carrying on its normal operations in connection therewith for a period of six consecutive months.

(c) As a result of any changes in the Constitution of the State, the Constitution of the United States of America or any state or federal laws or as a result of legislative or administrative action (whether state or federal) or by final

decree, judgment or order of any court or administrative body (whether state or federal) entered after any contest thereof by the Issuer or the Company in good faith, this Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in this Agreement.

(d) Unreasonable burdens or excessive liabilities shall have been imposed upon the Issuer or the Company with respect to the Project or the Station Unit or the operation thereof, including, without limitation, the imposition of federal, state or other ad valorem, property, income or other taxes other than ad valorem taxes at the rates presently levied upon privately owned property used for the same general purpose as the Project or the Station Unit.

(e) Changes in the economic availability of raw materials, operating supplies, energy sources or supplies or facilities (including, but not limited to, facilities in connection with the disposal of industrial wastes) necessary for the operation of the Project or the Station Unit for the Project Purposes occur or technological or other changes occur which the Company cannot reasonably overcome or control and which in the Company's reasonable judgment render the Project or the Station Unit uneconomic or obsolete for the Project Purposes.

(f) Any court or administrative body shall enter a judgment, order or decree, or shall take administrative action, requiring the Company to cease all or any substantial part of its operations served by the Project or the Station Unit to such extent that the Company is or will be prevented from carrying on its normal operations at the Project or a Station Unit for a period of six consecutive months.

(g) The termination by the Company of operations at the Station Unit.

The amount payable by the Company in the event of its exercise of the option granted in this Section shall be the sum of the following:

(i) An amount of money which, when added to the moneys and investments held to the credit of the Bond Fund, will be sufficient pursuant to the provisions of the Indenture to pay, at 100% of the principal amount thereof plus accrued interest to the redemption date, and discharge, all Outstanding Bonds on the earliest applicable redemption date, that amount to be paid to the Trustee, plus

(ii) An amount of money equal to the Additional

Payments relating to those Bonds accrued and to accrue until actual final payment and redemption of those Bonds, that amount or applicable portions thereof to be paid to the Trustee or to the Persons to whom those Additional Payments are or will be due.

The requirement of (ii) above with respect to Additional Payments to accrue may be met if provisions satisfactory to the Trustee and the Issuer are made for paying those amounts as they accrue.

The rights and options granted to the Company in this Section may be exercised whether or not the Company is in default hereunder; provided, that such default will not relieve the Company from performing those actions which are necessary to exercise any such right or option granted hereunder.

Section 6.3. Mandatory Redemption. The Company shall deliver to the Trustee the moneys needed to redeem the Bonds in accordance with any mandatory redemption provisions relating thereto as may be set forth in Section 4.01(b) of the Indenture.

Section 6.4. Notice of Redemption. In order to exercise an option granted in, or to consummate a redemption required by, this Article VI, the Company shall, (i) within 180 days following the event authorizing the exercise of such option or at any time during the continuation of the condition referred to in paragraphs (c), (d) or (e) of Section 6.2 hereof or (ii) promptly upon the occurrence of a Determination of Taxability (as defined in the Indenture), give written notice to the Issuer, the Trustee and the Company Mortgage Trustee that it is exercising its option to direct the redemption of Bonds, or that the redemption thereof is required by Section 4.01(b) of the Indenture due to the occurrence of a Determination of Taxability, as the case may be, in accordance with the Agreement and the Indenture, and shall specify therein the date on which such redemption is to be made, which date shall not be more than 180 days from the date such notice is mailed. The Company shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption to the Holders of the Bonds, in which arrangements the Issuer shall cooperate. The Company shall make arrangements satisfactory to the Company Mortgage Trustee to effect a concurrent redemption of an equivalent principal amount of corresponding First Mortgage Bonds under the Supplemental Mortgage Indenture.

Section 6.5. Actions by Issuer. At the request of the Company or the Trustee, the Issuer shall take all steps required of it under the applicable provisions of the Indenture or the Bonds to effect the redemption of all or a portion of the Bonds pursuant to this Article VI.

Section 6.6. Concurrent Discharging of First Mortgage Bonds. In the event any of the Bonds shall be paid and discharged, or deemed to be paid and discharged, pursuant to any provisions of this Agreement and the Indenture, so that such Bonds are not thereafter outstanding within the meaning of the Indenture, a like principal amount of corresponding First Mortgage Bonds shall be deemed fully paid for purposes of this Agreement and to such extent the obligations of the Company hereunder shall be deemed terminated.

(End of Article VI)

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1. Events of Default. Each of the following shall be an Event of Default:

(a) The occurrence of an event of default as defined in Section 7.01 (a) or (b) of the Indenture;

(b) The Company shall fail to observe and perform any other agreement, term or condition contained in this Agreement, other than such failure as will have resulted in an event of default described in (a) above and the continuation of that failure for a period of 90 days after notice thereof shall have been given to the Company by the Issuer or the Trustee, or for such longer period as the Issuer and the Trustee may agree to in writing; provided, that failure shall not constitute an Event of Default so long as the Company institutes curative action within the applicable period and diligently pursues that action to completion; and

(c) The occurrence of a "completed default" as defined in Section 1 of Article Twelve of the Company Mortgage.

Notwithstanding the foregoing, if, by reason of Force Majeure, the Company is unable to perform or observe any agreement, term or condition hereof which would give rise to an Event of Default under subsection (b) hereof, the Company shall not be deemed in default during the continuance of such inability. However, the Company shall promptly give notice to the Trustee and the Issuer of the existence of an event of Force Majeure and shall use its best efforts to remove the effects

thereof; provided that the settlement of strikes or other industrial disturbances shall be entirely within its discretion.

The term Force Majeure shall mean the following:

(i) acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, nuclear accidents or other malfunction or accident to facilities, machinery, transmission pipes or canals;

partial or entire failure of a utility serving the Project; shortages of labor, materials, supplies or transportation; or

(ii) any cause, circumstance or event not reasonably within the control of the Company.

The exercise of remedies hereunder shall be subject to any applicable limitations of federal bankruptcy law affecting or precluding that declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

Section 7.2. Remedies on Default. Whenever an Event of Default shall have happened and be subsisting, either or both of the following remedial steps may be taken:

(a) The Issuer or the Trustee may have access to, inspect, examine and make copies of the books, records, accounts and financial data of the Company, only, however, insofar as they pertain to the Project; and

(b) The Issuer or the Trustee may pursue all remedies now or hereafter existing at law or in equity to recover all amounts, including a11 Loan Payments and Additional Payments, then due and thereafter to become due under this Agreement, or to enforce the performance and observance of any other obligation or agreement of the Company under those instruments.

Notwithstanding the foregoing, the Issuer shall not be obligated to take any step which in its opinion will or might cause it to expend time or money or otherwise incur liability unless and until a satisfactory indemnity bond has been furnished to the

Issuer at no cost or expense to the Issuer. Any amounts collected as Loan Payments or applicable to Loan Payments and any other amounts which would be applicable to payment of Bond Service Charges collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the outstanding Bonds have been paid and discharged in accordance with the provisions of the Indenture, shall be paid as provided in Section 5.08 of the Indenture for transfers of remaining amounts in the Bond Fund.

The provisions of this Section are subject to the further limitation that the rescission and annulment by the Trustee of its declaration that all of the Bonds are immediately due and payable also shall constitute a rescission and annulment of the consequences

of that declaration and of the Event of Default with respect to which that declaration has been made, provided that no such rescission and annulment shall extend to or affect any subsequent or other default or impair any right consequent thereon.

Section 7.3. No Remedy Exclusive. No remedy conferred upon or reserved to the Issuer or the Trustee by this Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement, or now or hereafter existing at law, in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair that right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than any notice required by law or for which express provision is made herein.

Section 7.4. Agreement to Pay Attorneys' Fees and Expenses. If an Event of Default should occur and the Issuer or the Trustee should incur expenses, including attorneys' fees, in connection with the enforcement of this Agreement or the collection of sums due hereunder, the Company shall be required, to the extent permitted by law, to reimburse the Issuer and the Trustee, as applicable, for the expenses so incurred upon demand.

Section 7.5. No Waiver. No failure by the Issuer or the Trustee to insist upon the strict performance by the Company of any provision hereof shall constitute a waiver of their right to strict performance and no express waiver shall be deemed to apply to any other existing or subsequent right to remedy the failure by the Company to observe or comply with any provision

hereof.

Section 7.6. Notice of Default. The Company shall notify the Trustee immediately if it becomes aware of the occurrence of any Event of Default hereunder or of any fact, condition or event which, with the giving of notice or passage of time or both, would become an Event of Default.

(End of Article VII)

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Term of Agreement. This Agreement shall be and remain in full force and effect from the date of delivery of the Bonds to the Original Purchaser until such time as all of the Bonds shall have been fully paid (or provision made for such payment) pursuant to the Indenture and all other sums payable by the Company under this Agreement shall have been paid.

Section 8.2. Amounts Remaining in Funds. Any amounts in the Bond Fund remaining unclaimed by the Holders of Bonds for four years after the due date thereof (whether at stated maturity, by redemption, upon acceleration or otherwise), at the option of the Company, shall be deemed to belong to and shall be paid, subject to Section 5.07 of the Indenture, at the written request of the Company, to the Company by the Trustee. With respect to the principal of and any premium and interest on the Bonds to be paid from moneys paid to the Company pursuant to the preceding sentence, the Holders of the Bonds entitled to those moneys shall look solely to the Company for the payment of those moneys. Further, any amounts remaining in the Bond Fund and any other special funds or accounts created under this Agreement or the Indenture, except the Rebate Fund, after all of the Bonds shall be deemed to have been paid and discharged under the provisions of the Indenture and all other amounts required to be paid under this Agreement and the Indenture have been paid, shall be paid to the Company to the extent that those moneys are in excess of the amounts necessary to effect the payment and discharge of the Outstanding Bonds.

Section 8.3. Notices. All notices, certificates, requests or other communications hereunder shall be in writing, except as provided in Section 3.3 hereof, and shall be deemed to be sufficiently given when mailed by registered or certified

mail, postage prepaid, and addressed to the appropriate Notice Address. A duplicate copy of each notice, certificate, request or other communication given hereunder to the Issuer, the Company or the Trustee shall also be given to the others. The Company, the Issuer and the Trustee, by notice given hereunder, may designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

The Bond Insurer shall receive copies of all notices required to be given by the Trustee, the Issuer or the Company under the Agreement, including all notices to Holders. All notices required to be given to the Bond Insurer under this Agreement shall be in writing and shall be sent by registered or certified mail addressed to Municipal Bond Investors Assurance Corporation, 113 King Street, Armonk, New York 10504, Attention:

Surveillance.

Section 8.4. Extent of Covenants of the Issuer; No Personal Liability. All covenants, obligations and agreements of the Issuer contained in this Agreement or the Indenture shall be effective to the extent authorized and permitted by applicable law.

No such covenant, obligation or agreement shall be deemed to be a covenant, obligation or agreement of any present or future officer, agent or employee of the Issuer in other than his official capacity, and neither the elected or appointed officers, agents and employees of the Issuer nor any official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or by reason of the covenants, obligations or agreements of the Issuer contained in this Agreement or in the Indenture.

Section 8.5. Binding Effect. This Agreement shall inure to the benefit of the Issuer, the Company, the Trustee, any Paying Agent and any Registrar, and their respective permitted successors and assigns and shall be binding in accordance with its terms upon the Issuer, the Company and their respective permitted successors and assigns provided that this Agreement may not be assigned by the Company (except as permitted under Sections 5.8 or 5.12 hereof) and may not be assigned by the Issuer except to (i) the Trustee pursuant to the Indenture or as otherwise may be necessary to enforce or secure payment of Bond Service Charges or (ii) any successor public body to the Issuer.

Section 8.6. Amendments and Supplements. Except as otherwise expressly provided in this Agreement or the Indenture, subsequent to the issuance of the Bonds and prior to all

conditions provided for in the Indenture for release of the Indenture having been met, this Agreement may not be effectively amended, changed, modified, altered or terminated by the parties hereto except with the consents and notices required by, and in accordance with, the provisions of Article XI of the Indenture, as applicable.

Section 8.7. Execution Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

Section 8.8. Severability. If any provision of this Agreement, or any covenant, obligation or agreement contained herein is determined by a judicial or administrative authority to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained herein. That invalidity or unenforceability shall not affect any valid and enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 8.9. Governing Law. This Agreement shall be deemed to be a contract made under the laws of the State and for all purposes shall be governed by and construed in accordance with the laws of the State.

(End of Article VIII)

IN WITNESS WHEREOF, the Issuer and the Company have caused this Agreement to be duly executed in their respective names, all as of the date hereinbefore written.

COUNTY OF BOONE, KENTUCKY

(Seal)

By: /S/ KENNETH R. LUCAS

KENNETH R. LUCAS
County Judge/Executive

Attest: /S/ CAROL RUDICILL

CAROL RUDICILL

Fiscal Court Clerk

THE CINCINNATI GAS & ELECTRIC COMPANY

By: /S/ WILLIAM L. SHEAFER

WILLIAM L. SHEAFER
Treasurer

EXHIBIT A

TO

LOAN AGREEMENT

DATED AS OF OCTOBER 1, 1979

BETWEEN

THE COUNTY OF BOONE, KENTUCKY, AND
THE CINCINNATI GAS & ELECTRIC COMPANY

PART I

THE PROJECT

Facilities to be Acquired, Constructed and Installed at the East Bend Generating Station, Unit 2, and financed in part (51%) by Application of the Proceeds of the 1979 Series A Bonds in Accordance with this Agreement and the Indenture

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EAST BEND GENERATING STATION
UNIT 2

ELECTROSTATIC PRECIPITATORS

Electrostatic precipitators will be installed to serve Unit 2 of the East Bend Generating Station. Unit 2 of the East Bend Generating Station is a new coal-fired steam electric generating unit, and the precipitators are and will be installed simultaneously with construction and installation of the generating unit itself. The electrostatic precipitators, together with functionally related and associated structural supports and ductwork are solely designed and intended to reduce particulate loading of flue gases by removal of flyash and particulates from flue gases exiting the Unit 2 steam boiler. The precipitators are designed to remove 99.6% of particulate emissions and flyash when the steam boiler is being operated. The precipitators operate upon the principle of creation of an electromagnetic field which attracts and captures particulate

matter (flyash) from the flue gases. The flyash is then removed and conveyed to silos. Thereafter, the flyash is conveyed by pneumatic systems to a sludge and flyash processing facility or to an ash pond for ultimate disposal.

SULPHUR DIOXIDE REMOVAL SYSTEM

A complete sulphur dioxide removal system (scrubbers) will be provided for the East Bend Generating Station, Unit 2. Following electrostatic precipitation, flue gases will be transmitted from the precipitators to the scrubber, where they will be reacted with a liquefied calcium hydroxide solution utilized in the scrubbing process as a reactive agent. Sulphur dioxide contained in flue gases undergoes chemical reaction upon contact with calcium hydroxide, with resultant formation of non-commercial calcium sulfite and calcium sulfate sludges. The sulphur dioxide scrubber is designed to remove 87% of airborne sulphur dioxide and will also remove a portion of any particulate matter remaining after electrostatic precipitation, before emission of the cleansed gases to the atmosphere. The sulphur dioxide scrubber system will be composed of the scrubber itself, associated ductwork, structural supports and piping, electric elements, reactive tanks for holding the reactive agents and recycling and thickening tanks from which the resulting calcium sulfite and calcium sulfate is withdrawn for final disposal. There will also be acquired and installed certain functionally related facilities to prepare reactant materials for use in scrubbers, together with pumps, mixers and holding tanks and conveyors and other transport mechanisms situated at or near reactant reception facilities in close proximity to the generating station for the receipt of reactants and transmission thereof to storage facilities or directly to the sulphur dioxide removal system.

SOLID WASTE DISPOSAL FACILITIES

Sludge produced by the sulphur dioxide removal system will be conveyed, together with flyash collected by the electrostatic precipitators, to the sludge and flyash processing facility, where sludge and flyash will be mixed with lime, dewatered and prepared for ultimate disposal. The system consists of receptacles for the storage and handling of flyash, lime and sludge, mixers, sludge pits, pumps, dewatering and solids-formation pads for receipt of the final waste product together with functionally related and subordinate facilities.

COOLING TOWER

A mechanical draft cooling tower with a closed-loop water system will be provided for the East Bend Generating Station, Unit 2. The purpose of the cooling tower is to transfer to the atmosphere the heat absorbed by waters circulated through the

condenser, which condenses low pressure steam discharged from the steam driven electric turbine. The closed-loop system with cooling tower is designed to minimize the release of heated water (thermal pollution) to the Ohio River and is required in order to conform to applicable water pollution control regulations. The described water pollution control and abatement facility consists of a mechanical draft cooling tower, pumps, circulating water pipes, structural supports and associated and related equipment. Because a portion of the cost of the closed-loop cooling tower is allocable to cost savings resulting because an alternate facility need not be constructed which would, without any pollution control restrictions, be an adequate facility to cycle water to and from the generating unit, only an incremental portion of the closed-loop cooling tower is deemed to be a Project facility.

WASTEWATER DISPOSAL FACILITIES

Sumps, piping, a sewage treatment plant, a neutralization basin and an ash pond will be acquired and constructed to provide for the disposal of various liquid wastes, including oil, chemicals, contaminated water and flow-off from coal piles.

ENGINEERING FEES, RESIDENT INSPECTION, CAPITALIZED INTEREST AND TEST COSTS

Sargent & Lundy, Consulting Engineers of Chicago, Illinois, and other firms have acted as Engineers to the Company in designing the Project facilities and have performed and will perform resident inspection services with respect thereto. Such costs, together with Company costs directly attributable to design and construction of the Protect, capitalized interest and the testing of Project facilities are a part of the Project.

PART II

ADDITIONAL POLLUTION CONTROL FACILITIES

The pollution control facilities constituting the Project as described in Part I of this Exhibit A represent a portion of all of the pollution control facilities intended to be acquired, constructed and installed at the East Bend Generating Station, Units 1 and 2, which complete pollution control facilities are described in that certain Memorandum of Agreement dated as of February 17, 1976, by and between the County of Boone, Kentucky, The Cincinnati Gas & Electric Company and The Dayton Power and Light Company, as follows:

DESCRIPTION OF POLLUTION CONTROL FACILITIES
TO BE CONSTRUCTED IN CONNECTION WITH UNIT 1 AND
UNIT 2 OF THE EAST BEND GENERATING STATION
(BOONE COUNTY, KENTUCKY

THE CINCINNATI GAS & ELECTRIC COMPANY
AND
TEE DAYTON POWER AND LIGHT COMPANY

The Project will consist of air, solid waste and water pollution control and abatement facilities and systems. The Project will be installed in conjunction with the construction of Unit 1 and Unit 2 of an electric generation facility now known as the East Bend Generating Station, being constructed by The Cincinnati Gas & Electric Company and The Dayton Power and Light Company, to be situated near the community of Rabbit Rash, in Boone County, Kentucky, on the Ohio River.

The Project facilities and systems hereafter described are designed and are to be installed and utilized solely and only for the collection, removal, abatement, alteration, control, containment and disposition of atmospheric, solid waste and water pollutants so that gaseous and liquid emissions and sanitary effluent from Unit 1 and Unit 2 of the East Bend Generating Station meet applicable governmental air and water quality standards or limitations.

The following, together with necessary appurtenant and incidental facilities, constitute the major components of the Project:

ELECTROSTATIC PRECIPITATORS

Electrostatic precipitators or other comparable particulate control devices will be constructed in connection with Unit 1 and Unit 2, together with associated structural supports, power modules and electrical substations, and necessary and incidental ductwork. The electrostatic precipitators or

other particulate control devices will be designed and intended solely and only to remove flyash and particulate matter from flue gases exiting the coal-fired steam boilers. Such air pollution control devices will be designed to at least meet or exceed applicable governmental air quality standards or limitations.

FLUE GAS DUCT SYSTEMS

Proposed flue gas duct systems will be designed to convey untreated boiler flue gases emitted from the steam boilers to the electrostatic precipitators or comparable particulate control devices where particulate emissions and flyash will be removed.

Induced draft fans and booster fans, as appropriate, will form an integral part of the flue gas duct systems. The system will convey partiallY cleansed flue gases to the sulphur dioxide removal systems following particulate removal.

FLYASH STORAGE SILOS AND ASSOCIATES FACILITIES

Flyash and particulate loadings removed from boiler flue gases by electrostatic precipitators or other particulate removal devices and collected from economizer hoppers and air heater hoppers will be conveyed either to storage silos for removal from the site in dry form or to proposed waste retention basin or basins, or central storage and removal facilities. Incorporated into all flyash storage silos will be bag-house filter systems for the control of dust.

ASH HANDLING AND TRANSPORT SYSTEMS

Proposed ash handling and transport systems will be either air or water pressure motivated. If water pressure motivated, the systems will utilize blowdown from proposed water cooling towers. If air pressure motivated, the systems will utilize compressors, fans or hydraulic facilities. In either case, the ash handling and transport systems will be designed to convey ash from collection hoppers at various generating station facilities to either (i) storage silos, (ii) ash retention basins, or (iii) other ash disposal facilities. Certain roadways solely for transportation of wastes will be constructed.

WASTE RETENTION BASINS

Proposed waste retention basins, involving substantial land, will be situated at the generating station and will serve no other purpose but to receive, contain and neutralize (i) flyash and particulate matter captured by operation of the electrostatic precipitators or by the dust control systems, (ii) bottom ash produced by operation of the coal-fired steam generators, (iii) liquid wastes produced by coal pile runoffs, chemical spills, oil spills and other causes (with exception of sanitary wastes which are treated by a separate sanitary sewer facility), and (iv) acid and

caustic liquid wastes produced by boiler operations. The waste retention basins will allow neutralization of wastes collected therein, will function on the gravity-settling principle and will incorporate barriers and skimmers as appropriate to prevent floating flyash and floating liquid wastes, including waste oils, from being transmitted to the water source (Ohio Rivers).

OIL ELIMINATION SYSTEM

An oil elimination and control system will be incorporated in each generating unit, which will collect oil runoffs, exudations

and spills and convey them to a central oil waste receptacle for skimming and separation of oils from watery effluent.

COAL DUST CONTROL SYSTEM

The proposed coal dust control system will provide facilities to prevent atmospheric pollution while coal is being conveyed from the coal storage and/or coal unloading facilities to the boilers. Coal is proposed to be transported from river barges by means of a mechanical unloader and conveyed to transfer houses where it will be crushed and thence delivered to coal storage bunkers by belt conveyors. The coal conveyor systems will be covered as required, and additional coal dust control devices will be employed at each transfer point and at the coal storage bunkers.

WATER COOLING TOWERS AND ASSOCIATED EQUIPMENT

Water cooling towers, complete with all necessary associated equipment, will be provided to remove heat (thermal pollution) from the steam turbine exhausts. The heat will be dissipated to the atmosphere and cooling tower blowdown streams will be utilized as required, to provide motive power for transporting bottom ash, flyash and other wastes to the waste retention basins or other waste disposal facilities.

SANITARY SEWAGE TREATMENT PLANT

A sanitary sewage treatment plant and necessary appurtenances will be constructed upon the generating station site to nest appropriate federal, state and local requirements. Such treatment plant will be adequate to serve all personnel permanently assigned to the generating station as well as all members of construction crews on the premises during construction of the East Bend Generating Station.

SULPHUR DIOXIDE REMOVAL SYSTEMS

Sulphur dioxide removal systems will be installed as appropriate, dependent upon the sulphur content of coal utilized in the generating process and regulatory requirements. Such facilities will be designed to reduce sulphur dioxide emissions to such level as will meet or exceed

applicable governmental air quality standards or limitations. The sulphur dioxide removal facilities may utilize either the "wet scrubber" system, or such other system as at the time of design represents the most appropriate technology for the site and will meet or exceed applicable governmental air quality standards or limitations.

SLUDGE RETENTION BASINS

Sulphur dioxide removal systems may produce substantial solid or liquid waste byproducts. Dependent upon the sulphur dioxide removal process used, sludge retention basins will be provided to receive and hold such liquid and/or solid waste products for ultimate disposition.

AUXILIARY FACILITIES ASSOCIATED WITH SULPHUR DIOXIDE REMOVAL EQUIPMENT

Dependent upon the technology to be utilized, the sulphur dioxide removal systems will require facilities for reception of reactant material, together with holding vats or ponds, transmission lines, reactant tanks, pumps, sprays, transmission facilities and other associated structures and facilities.

ELEVATED FLUE GAS DIFFUSER

Proposed elevated flue gas diffusers (chimneys) will be constructed to maximize diffusion of stack gases produced by operation of the generating station.

MONITORING EQUIPMENT

Monitoring equipment, as required by appropriate laws and regulations, will be installed to monitor liquid discharges, solid waste discharges, stack gas discharges and ambient air quality.

ENGINEERING COSTS, RESIDENT INSPECTIONS, TEST COSTS AND ISSUANCE COSTS

Amounts representing engineering costs, resident inspection and testing of Project facilities, together with actual costs of Project facilities and bond issuance costs, will form a part of the Project.

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report, dated January 24, 1994, included in the Annual Report on Form 10-K for the year ended December 31, 1993, of The Cincinnati Gas & Electric Company, into its previously filed Registration Statement Nos. 33-38396, 33-45116, 33-45133, 33-45134, 33-50443 and 33-52335.

ARTHUR ANDERSEN & CO.

Cincinnati, Ohio,
March 15, 1994.