

Large Filing Separator Sheet

Case Number: 07-589-GA-AIR
07-590-GA-ALT
07-591-GA-AAM

Date Filed: 7/18/2007

Section: 1 of 3

Number of Pages: 150

Description of Document: Volume 7
Supplemental Information
“(C)(1)” through “(C)(4)”

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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In The Matter of the Application of)	
Duke Energy Ohio, Inc. for an)	Case No. 07-589-GA-AIR
Increase in Gas Rates)	
)	
In the Matter of the Application of)	
Duke Energy Ohio, Inc. for Approval)	Case No. 07-590-GA-ALT
of an Alternative Rate Plan for its)	
Gas Distribution Service)	
)	
In the Matter of the Application of)	
Duke Energy Ohio, Inc. for Approval)	Case No. 07-591-GA-AAM
to Change Accounting Methods)	

VOLUME 7

SUPPLEMENTAL INFORMATION
"(C)(1)" THROUGH "(C)(4)"

DUKE ENERGY OHIO
SUPPLEMENTAL INFORMATION

CASE NO. 07-589-GA-AIR

Supplemental	(C)(1)	Most Recent FERC Audit Report
Supplemental	(C)(2)	Current Annual Statistical Report
Supplemental	(C)(3)	Prospectus-Most Recent Offering Common Stock/Bonds
Supplemental	(C)(4)	FERC Form 2
Supplemental	(C)(5)	Annual Report to Shareholders (5 Years)
Supplemental	(C)(6)	Most Recent SEC Form 10-K, 10-Q, & 8-K and Subsequent
Supplemental	(C)(7)	Work Papers - To be Filed Hard Copy and Computer Disks
Supplemental	(C)(8)	Sch C-2.1 Worksheet with Monthly Test Year and Totals
Supplemental	(C)(9)	CWIP in Prior Case
Supplemental	(C)(10)	Latest Certificate of Valuation from Dept. of Taxation
Supplemental	(C)(11)	Monthly Sales by Rate Sch Consistent with Sch C-2.1
Supplemental	(C)(12)	Written Summary Explain Forecast Method for Test Year
Supplemental	(C)(13)	System Maps for Service Territory
Supplemental	(C)(14)	Explanation of Computation of Material & Supplies
Supplemental	(C)(15)	Depr Expenses Related to Specific Plant Accounts
Supplemental	(C)(16)	Federal Income Tax Information
Supplemental	(C)(17)	Copy of all Advertisements Charged in the Test Year
Supplemental	(C)(18)	Plant-In-Service from the Last Date Certain thru the Date Certain in this Case
Supplemental	(C)(19)	Depr Reserve Study Related to Sch. B-3
Supplemental	(C)(20)	Revised Depr Accrual Rates
Supplemental	(C)(21)	Breakdown of Depr Reserve from Last Date Certain thru the Date Certain in this Case
Supplemental	(C)(22)	Information on Projects that are 75% Complete
Supplemental	(C)(23)	Fuel Stock Information
Supplemental	(C)(24)	Surviving Dollars by Vintage Year
Supplemental	(C)(25)	Test Year & 2 most recent Calendar Years Employee Level by Month

DUKE ENERGY OHIO
Case Nos. 07-589-GA-AIR
Supplemental Information (C)(1)

The most recent federal regulatory agency's (FERC, FCC) audit report.

Response: See Attached.

Sponsoring Witness: L. Gwen Pate

FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, D.C. 20426

In Reply Refer To:
OCA-DE/HO
Docket No. FA97-5-000

DEC 12 1997

Cincinnati Gas & Electric Company
Attention: Mr. Jack P. Steffen
Controller
139 East Fourth Street
Cincinnati, OH 45202

Ladies and Gentlemen:

The Division of Electric and Hydropower Operations, Office of the Chief Accountant, has completed the audit of Cincinnati Gas & Electric Company for the period January 1, 1993, through December 31, 1996. We discussed our audit results with you on August 27, 1997. The enclosed audit report further explains our findings and recommendations.

We recommended that you record accounting entries and establish accounting procedures to properly record accounting transactions related to income taxes and a sale of an operating unit or system. Your December 10, 1997, letter stated that you agreed with our recommendations.

Please notify the Chief Accountant when you have completed the corrective actions. Your response should state the action taken and the completion date. If you subsequently disagree with our conclusions, you may file a request for rehearing by the Commission under 18 C.F.R. § 385.713 within 30 days of the date of this order.

I approve and direct the corrective actions recommended in the report under 18 C.F.R. § 385.713. This letter order constitute final agency action on the corrective actions approved and directed in this report. The letter order is without prejudice to the Commission's right to require any later adjustments arising from additional information that may come to our attention.

Sincerely,

Bryan K. Craig
Bryan K. Craig, Acting
Director, Division of Electric
and Hydropower Operations

FEDERAL ENERGY REGULATORY COMMISSION

Audit Period: January 1, 1993, through December 31, 1996

Audit of Cincinnati Gas & Electric Company



**OFFICE OF THE CHIEF ACCOUNTANT
DIVISION OF ELECTRIC AND HYDROPOWER OPERATIONS**

Table of Contents

Findings, Recommendations, and Corrective Actions

Taxes

1. Accounting for Income Taxes 1

Cincinnati Gas & Electric Company (CG&E) did not have adequate accounting procedures to properly adjust its income tax accounts to reflect the actual tax liability included on the income tax returns.

We recommend CG&E establish procedures to ensure that it adjusts the accruals for current and deferred tax accounts on a timely basis to reflect the actual income tax liability and record a correcting entry to reflect the 1991 through 1995 income taxes on its books.

Utility Plant

2. Accounting for the Sale of Utility Plant 2

CG&E did not have adequate accounting procedures to properly account for the sale of an operating unit or system.

We recommend CG&E revise procedures to ensure it records sales of operating unit and system in Account 102 and submits in the future journal entries to the Commission for approval.

Form 1 Reporting

3. FERC Form 1 Reporting 4

CG&E did not properly report certain information in its 1996 FERC Form 1 in compliance with the reporting instructions.

We recommend CG&E revise procedures to ensure it records the proper information in future FERC Form 1s and file revised pages of the FERC Form 1 within thirty days of receipt of this letter.

Findings, Recommendations, and Corrective Actions

1. Accounting for Income Taxes

Synopsis

Cincinnati Gas & Electric Company (CG&E) did not have adequate accounting procedures to adjust the accruals for current and deferred income tax accounts to reflect the actual tax liability on the filed tax returns for 1991 through 1995.

This occurred because CG&E restructured its corporate operations resulting in high employee turnover and greater workloads in the Tax Department. Moreover, CG&E did not adjust its current and deferred income tax accounts because it could not readily determine how to split the taxes between gas, electric, utility, and nonutility.

As a result, it either understated (bracketed amounts) or overstated the current and deferred income tax accounts recorded during December 31, 1991, through December 31, 1995 by:

1991	\$16,283,059
1992	456,741
1993	2,890,055
1994	(2,199,869)
1995	(4,415,062)

Recommendations

We recommend CG&E:

- (1) Establish procedures to ensure it adjusts the accruals for current and deferred income tax accounts on a timely basis to reflect the actual income tax liability.
- (2) Record a correcting entry to properly reflect the 1991 through 1995 income taxes on its books. CG&E should file a copy of the correcting entry with the Office of the Chief Accountant within 30 days upon receipt of this report.

Pertinent Guidance

18 CFR Part 101 prescribes the Uniform System of Accounts (USofA) for public utilities and licensees subject to the provisions of the Federal Power Act. 18 CFR 101 requires utilities to record adjustments to current and deferred income tax accounts when they file their income tax return in Accounts 236, 281, 282, 283, 409.1, 409.2, 410.1, 410.2, 411.1, and 411.2.

Detailed Discussion

The Company filed its Federal income tax returns for the years 1991 through 1995 in September of the following year. The estimated Federal income tax that it accrued in the current and deferred income tax accounts was more (or less) than the liability as filed in its tax return for each of the tax years 1991 through 1995, respectively.

CG&E did not adjust the current and deferred income tax accounts on its books to reflect the actual taxes paid as reported in its filed tax returns for each year. CG&E informed the audit staff that it did not complete the return-to-accrual adjustments for the years 1991 through 1995 because of corporate restructuring that led to high employee turnover and greater workload in the Tax Department.

2. Accounting for the Sale of an Operating Unit or System

Synopsis

CG&E did not have adequate accounting procedures to account properly for the sale of an operating unit or system.

CG&E misinterpreted the electric plant instructions and the accounting requirements for the sale of an operating unit or system by:

- Failing to use Account 102 to record the sales transaction which resulted in no impact to the balance sheet and income statement.
- Failing to file the journal entries with the FERC.

This occurred because CG&E misinterpreted Electric Plant Instruction No. 5 (EPI No. 5) and the instructions to Account 102, Electric Plant Purchased and Sold. CG&E did not use Account 102 to record the sale of the combustion turbines.

CG&E incorrect accounting did not result in any misclassifications of its balance sheet or income statements.

Recommendations

We recommend CG&E:

- (1) Revise procedures to ensure it records the sale of operating units or systems in Account 102.

- (2) File journal entries for future sales of operating units or systems with the Commission for approval.

Pertinent Guidance

Pertinent guidance is contained in 18 CFR, Part 101, which prescribes the USofA for public utilities and licensees subject to the Federal Power Act. 18 CFR 101 requires utilities to follow the requirements contained in EPI No. 5 and the instructions to Account 102 for recording the sales of operating units or systems. The instructions to Account 102 require a company to submit proposed journal entries to the FERC for approval within six months of the acquisition or sale.

Detailed Discussion

On October 9, 1996, the Company sold two combustion turbines located at the Miami Fort Generating Station to International Trade Management. CG&E sold the two combustion turbines and related property for \$6,350,000. CG&E provided staff with the following information to support the net book value and the gain related to the sale:

	<u>Miami Fort Gas Turbine 1</u>	<u>Miami Fort Gas Turbine 2</u>
Original Cost	\$5,483,361	\$5,305,916
Accumulated Depreciation	<u>4,821,133</u>	<u>4,805,636</u>
Net Plant	\$ 662,228	\$ 500,280
Sales Price	\$2,850,000	\$3,500,000
Cost of Removal	35,000	50,000
Net Salvage	<u>\$2,815,000</u>	<u>\$3,450,000</u>
Gain on Sale	\$2,152,772	\$2,949,720

CG&E classified \$6,265,000 of net sales proceeds to Account 143 (Other Accounts Receivable); \$1,162,508 representing the net book value in Account 101 (Electric Plant in Service) and the gain of \$5,102,492 to Account 421.1 (Gain on Disposition of Property).

We reviewed the accounting for the sales transaction during the audit. Therefore, there was no need for CG&E to file the journal entries with the FERC.

3. Form 1 Reporting

Synopsis

CG&E did not properly report certain information in its 1996 FERC Form 1 in compliance with the reporting instructions.

This occurred because of the improper posting of two transactions by CG&E. This resulted in the misclassification of these transactions to the wrong subaccount. CG&E corrected the error on its books, however, it filed the wrong information in the Form 1.

Recommendations

We recommend CG&E revise procedures to ensure it records the proper information in future FERC Form 1s and file revised pages of the FERC Form 1 within thirty days of receipt of this letter.

Detailed Discussion

CG&E improperly reported the following information:

- o amounts for Cost of Removal and Salvage recorded in Account 108, Accumulated Provision For Depreciation of Electric Utility Plant, on page 219 of the 1996 FERC Form 1. The reporting errors resulted in an overstatement of Cost of Removal and an understatement of salvage in the amount of \$6,350,000. The differences in the Cost of Removal and Salvage can be attributed to the use of improper codes by CG&E when recording entries for the sale of Miami Fort Combustion Turbine #1 and #2. The total amount reported in Account 108 is correct.
- o amounts for Zimmer Plant Phase-In Deferred Return and Depreciation and Post-In-Service Carrying Costs and Deferred Operating Expenses recorded in Account 182.3, Other Regulatory Assets, on page 232 of the 1996 FERC Form 1. The reporting errors resulted in the overstatement of Phase-In Deferred Return and Depreciation expenses and the understatement of Post-In-Service Carrying Costs and Deferred Operating Expenses in the amount of \$7,639,157. The error was in accumulating various subaccounts in Account 182.3 and grouping them incorrectly under the captions referred to above. The total amount reported in Account 182.3 is correct.

DUKE ENERGY OHIO
Case Nos. 07-589-GA-AIR
Supplemental Information (C)(2)

The utility's current annual statistical report.

Response: Duke Energy Ohio no longer prepares a Uniform Statistical Report. See the attached for Cinergy Corp.'s most recently filed report for the year ended December 31, 2000.

Sponsoring Witness: L. Gwen Pate

Please submit the required pages to the American Gas Association for use in compiling statistics published in A.G.A.'s Gas Facts.
Also furnish a copy of the company's Annual Report to Stockholders with the USR or as soon as the Annual Report becomes available.

BECAUSE THIS REPORT IS FREQUENTLY USED IN CONJUNCTION WITH THE COMPANY'S ANNUAL REPORT TO STOCKHOLDERS, THE DATA INCLUDED HEREIN SHOULD AGREE WITH THE COMPARABLE INFORMATION IN SUCH ANNUAL REPORT. To assure accuracy and consistency, numerous cross-ties and footnotes have been appended to the schedules so that statistics for the same item shown on more than one schedule will be identical.

All energy and dollar amounts should be reported in thousands.

Name and Address of Company:

Cinergy Corp.
139 East Fourth Street
Cincinnati, OH 45202

List Affiliated Companies:

Indicate Relationship (Parent, Subsidiary, Associates, etc.)

Identify Nature of Business

The Cincinnati Gas & Electric Company	- Subsidiary - Electric and Gas Utility
PSI Energy, Inc.	- Subsidiary - Electric Utility
Cinergy Investments, Inc.	- Subsidiary - Non-utility Operations
Cinergy Services, Inc.	- Subsidiary - Administrative, Management, and Support Services
CinTec LLC	- Subsidiary - Investing
Cinergy Technologies, Inc.	- Subsidiary - Holding company for investments
Cinergy Wholesale Energy, Inc.	- Subsidiary - Non-utility Operations
Cinergy Global Resources, Inc.	- Subsidiary - International Operations

Individual Furnishing Information

Name Barry Blackwell
Title Manager of External Reporting
Telephone (317) 838-6993

Authorizer _____
Title _____
Date 5/21/2001 4:33:09 PM

☐ Check this Box if Individual Company Data May Be Released

THIS REPORT HAS BEEN PREPARED FOR THE PURPOSE OF PROVIDING GENERAL AND STATISTICAL INFORMATION CONCERNING THE COMPANY AND NOT IN CONNECTION WITH ANY SALE, OFFER FOR SALE OR SOLICITATION OF AN OFFER TO BUY ANY SECURITIES.

Company Name Cinergy Corp.

Address 1 139 East Fourth Street

Address 2 _____

City Cincinnati State OH Zip 45202

Mailing
Address Line 1 _____

Mailing
Address Line 2 _____

Mailing
Address Line 3 _____

Recipient Barry Blackwell

Recipient
Title Manager of External Reporting

Telephone (317) 838-6993

SCHEDULE I - GENERAL STATISTICS

1. Utility systems acquired, sold or otherwise disposed of: (Indicate the period for which these acquisitions or sales are reflected in this report.)

ACQUIRED DURING		SOLD OR OTHERWISE DISPOSED OF DURING YEAR	
Name of System & Date	# of Customers	Name of System & Date	# of Customers
	0		0
	0		0
	0		0
	0		0

Table II - Statements of Income and Retained Earnings (Thousands of \$)

OME		Total	Electric	Gas	Other
g Revenues	2, 1,	8421964	5480211	2941753	0
g Expenses:					
Operation (a)	2, 2,	6712896	3957111	2755785	0
Maintenance	2, 3,	205129	192743	12386	0
Depreciation	2, 4,	305053	281000	24053	0
Depletion	2, 5,	0	0	0	0
Amort. Charged to Operation (b)	2, 6,	64550	58115	6435	0
Property Losses Charged to Operation	2, 7,	0	0	0	0
Taxes (c)	2, 8,	268346	230101	38245	0
Other: Post in Service Def. Oper. Exp.	2, 9,	4362	4362	0	0
Total Operating Expenses	2, 10,	7560336	4723432	2836904	0
Operating Income	2, 11,	861628	756779	104849	0
Other Operating Income (d)	2, 12,	0	0	0	0
Total Operating Income	2, 13,	861628	756779	104849	0
A.F.U.D.C.(e)	2, 14,	5813			
Other Income Less Deductions - Net (b) (d)	2, 15,	-243090			
Other: Phise in Def. Return	2, 16,	4159			
Minority Interest	2, 17,	-4585			
Income Before Interest Charges	2, 18,	623925			
Interest Charges:					
rest on Long-Term Debt (f)	2, 19,	194750			
rest on Short-Term Debt	2, 20,	26446			
Amort. of Debt Disc. Exp. and Prem. (Net)	2, 21,	10998			
Other Interest Expense	2, 22,	468			
Allow. for Borrowed Funds					
Used During Constr. - Credit (e)	2, 23,	-8203			
Net Interest Charges	2, 24,	224459			
Income Before Ext. Items and Cumulative Effects	2, 25,	399466			
Ext. Items and Cumulative Effects (Net) (d)	2, 26,	0			
Net Income Before Pfd Dividends	2, 27,	399466			
Pfd and Pfc Dividend Requirement (f)	2, 28,	0			
Net Income Available for Common Stock	2, 29,	399466			
Common Dividends	2, 30,	285242			
Net Income After Dividends	2, 31,	114224			

ETAINED EARNINGS

2. Balance, January 1	2, 32,	1054578
3. Net Income (Line 27)	2, 33,	399466
4. Pfd and Pfc Dividends Declared	2, 34,	0
5. Common Dividends Declared - Cash	2, 35,	285242
6. Common Dividends Declared - Other (g)	2, 36,	0
7. Adjustments (h)	2, 37,	-584
8. Balance, YEAR END (C)	2, 38,	1168218

Company: Cinergy Corp. (CIN)

SCHEDULE III – NOTES TO STATEMENTS OF INCOME AND RETAINED EARNINGS (Thousands of \$)

INCOME – SCHEDULE II

(a) Operating Expenses – Operation includes:

Significant amount of rents \$38,689 for Transportation Fleet, EDP Equipment, Coal Train & Cars, etc.

(b) Amortization of Plant Acquisition Adjustments included on lines 6 and 15, Schedule II:

Electric \$32,461 Gas \$6,435 Other \$ -

(c) Line 8 agrees to line 10 of Schedule V, Taxes; see Schedule V for detail.

(d) Detail major items and amounts and all income taxes included in:

Other Operating income (including Income Taxes of \$ -)

None

Other income Less Deductions – Net (including Income Taxes of (\$251,557).
(If net merchandising included, give amount)

Equity in unconsolidated subsidiary	\$5,048
Other Net	\$3,419

Extraordinary Items and Cumulative Effects (including Income Taxes of -)

(e) Give description of method used to determine Allowance for Funds Used During Construction (including rate applied, type of construction or size of job covered, and period of time used to exclude jobs of short duration).

For Cinergy's utility subsidiaries, AFUDC accrual rates averaged 8.0% in 2000. The AFUDC was applied as follows (See Note (h) of the "Notes to Consolidated Financial Statements" in Cinergy Corp.'s 2000 Annual Report to Shareholders). See Notes & Remarks below.

(f) Annual interest and Preferred and Preference Dividend Requirement calculated on amounts (including due within one year) outstanding at Dec. 31.

Long-Term Debt	<u>\$205,748</u>	Preferred and Preference Stock	<u>\$4,585</u>
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Company: Cinergy Corp. (CIN)

SCHEDULE III - NOTES TO STATEMENTS OF INCOME AND RETAINED EARNINGS (Thousands of \$)
(continued)

RETAINED EARNINGS - SCHEDULE II

(g) Details of Common Dividends Declared - Other than Cash:

None.

(h) Details of major items and amounts included in Adjustments to Retained Earnings:

Foreign Currency Translation Adjustments	\$2,074
Minimum Pension Liability	(1,099)
Unrealized Gain (Loss) on Grantor & Rabbi Trusts	(2,129)
Other	570
Total	(\$584)

NOTES AND REMARKS:

- **PSI ENERGY, INC.**

AFUDC is applied only on specific construction work orders and is not applicable to blanket work orders. AFUDC is computed monthly for each appropriate specific work order on the basis of direct charges and company overheads. Effective January 1, 1996, PSI adopted the practice of updating the AFUDC rate monthly as authorized by the Federal Energy Regulatory Commission in a letter dated August 12, 1996. AFUDC starts when construction has commenced on a planned progressive basis and continues until the project is "in service". The gross AFUDC rate applied for 2000 was 7.4% per annum, with semi-annual compounding.

- **THE CINCINNATI GAS & ELECTRIC COMPANY AND SUBSIDIARY COMPANIES**

AFUDC is applied only on specific construction work orders and is not applicable to blanket work orders. AFUDC is computed monthly for each appropriate specific work order on the basis of direct charges and company overheads. AFUDC starts when construction has commenced on a planned progressive basis and continues until the project is "in service". The gross AFUDC rate applied for 2000 was 8.4% per annum, with semi-annual compounding. Effective July 1, 1982, CG&E adopted the practice of updating the AFUDC rate monthly as authorized by the Federal Energy Regulatory Commission in a letter dated May 27, 1982.

- Schedule II, line 1, column 3, Gas Operating Revenues includes Other Revenues associated with Cinergy Corp non-regulated affiliates, therefore does not tie with AGA's Schedule XX, line 21, column 2, Total Gas Operating Revenues which does not include this amount.
- Schedule II, line 8, column 2 agrees with Schedule V, line 10, columns 2 plus 4, however, line 19 does not tie due to allocation differences in schedules.
- Schedule II, line 8, column 3 agrees with Schedule V, line 10, column 3, however, line 19 does not tie due to allocation differences in schedules.

SCHEDULE IV - FUNCTIONAL DETAILS OF OPERATION AND MAINTENANCE EXPENSES (Thousands of \$)

FUNCTION:	ELECTRIC			GAS		
	Total	Operation	Maintenance	Total	Operation	Maintenance
Fuel (a)	772526	772526		0	0	
Purchased Power(Net)	2381688	2381688				
Purchased Gas(Net)				2674449	2674449	
Other Prod. Expenses	267556	148389	119167	3867	3825	42
Total Production	3421770	3302603	119167	2678316	2678274	42
Storage & Liquefied Natural Gas				0	0	0
Transmission	63444	51063	12381	506	506	0
Distribution	73458	20962	52496	22977	11472	11505
Customer Accounts	68370	68370	0	20455	20455	0
Cust. Service & Info.	1377	1377	0	2713	2713	0
Sales	33920	33920	0	1273	1273	0
Administrative & General	487515	478816	8699	41931	41092	839
13. Total	4149854	3957111	192743	2768171	2755785	12386
14. Credit Residuals included in Line			4,14,	0	0	0

(a) Includes FERC System of Accounts 501,518 and 547.

(b) Include only fuel used in production of gas

(c) Includes exploration and development costs of prospective gas producing fields

Company: Cinergy Corp. (CIN)

SCHEDULE IV – NOTES TO FUNCTIONAL DETAILS OF OPERATION AND MAINTENANCE EXPENSES

NOTES AND REMARKS:

- Schedule IV, line 1, column 1 includes Deferred Fuel, Global Resources, and Cinergy Investments, therefore does not tie to EEI's Schedule XIX, line 19, column 2.
- Schedule IV is prepared for Cinergy consolidated, and Schedule XIV represents CG&E consolidated, therefore, Schedule IV, line 5, column 5 plus column 6 does not tie to Schedule XIV, line 23, column 3.

ACCRUALS CHARGED TO:
OPERATING EXPENSES - TAXES

		TOTA	Electric	Gas	Other Depts.	All Other Accounts (a)
Property, Ad Valorem, etc.	5.1	159464	130353	28686	425	0
Franchise	5.2	1848	1499	1	348	0
Gross Receipts	5.3	85443	78200	6848	395	0
	5.4	0	0	0	0	0
Miscellaneous	5.5	-9031	-1109	63	-7985	0
Total State & Local Taxes	5.6	237724	208943	35598	-6817	0
Misc. Federal Taxes						
Payroll	5.7	30622	18072	2647	9903	0
	5.8	0	0	0	0	0
Total Misc. Federal Taxes	5.9	30622	18072	2647	9903	0
0. Total Taxes - Income	5.10	268346	227015	38245	3086	0
Income Taxes - Current						
1. Federal Income Taxes	5.11	187217	223789	7530	-44102	0
2. State Income Taxes	5.12	16936	13265	-35	3706	0
3. Total Income Taxes	5.13	204153	237054	7495	-40396	0
Deferred Income Tax - Charges						
14. Federal	5.14	281247	135292	65755	80200	0
15. State	5.15	11296	7999	270	3027	0
Deferred Income Tax - Credits						
16. Federal	5.16	-225975	-107411	-51271	-67293	0
17. State	5.17	-9579	-7911	-66	-1602	0
18. Investment Tax Credit	5.18	-9585	-8486	-346	-753	0
19. Total Taxes (b)	5.19	519903	483552	60082	-23731	0

(a), such as Utility Plant, Other Income Deductions, Extraordinary items, Clearing Accounts, Retained Earnings, etc.

(b) Should equal Total of Lines 10, 13, 14, 15, 16, 17 and 18 and agree with line 8, Schedule II.

Company: Cinergy Corp. (CIN)

SCHEDULE V – TAXES

NOTES AND REMARKS:

- Total of lines 10, 13, 14, 15, 16, 17 and 18 do not agree with line 8, Schedule II. However, line 10 does agree to line 8, Schedule II, and lines 11 – 18 are included in line 15 of Schedule II.

SCHEDULE VI - BALANCE SHEET (Thousands of \$) FOR NOTES - SEE SCHEDULE VII - PAGE 8

ASSETS

CAPITALIZATION AND LIABILITIES

PLANT:			Capitalization:		
Plant in Service:			37. Common Stock	6,37	1590
Electric	6,1	9698128	38. Other: Capital Stock Expense	6,38	-28929
Gas	6,2	865303	39. Premium on Common Stock (if not in Line 40)	6,39	0
Common	6,3	211424	40. Other Paid-In Capital	6,40	1648082
	6,4	0	41. Retained Earnings	6,41	1168218
Total Plant in Service	6,5	10774855	42. Total Common Stock Equity	6,42	2788961
Accum. Prov. for Depr. & Amort	6,6	4555614	43.	6,43	0
Construction Work in Progress	6,7	411183	44. Preferred and Preference Stock not subject to Mandatory Redemption	6,44	62834
Nuclear Fuel	6,8	0	45. Preferred and Preference Stock subject to Mandatory Redemption	6,45	0
Accum. Prov. for Amort. of Nuclear Fuel	6,9	0	Long Term Debt: (Ex. amt. due within 1 yr)		
	6,10	0	46. Mortgage Bonds	6,46	865920
	6,11	0	47. Debentures	6,47	1490050
Net Utility Plant	6,12	6630424	48. Other	6,48	531549
Gas Stored Underground	6,13	0	49. Other: Unamortized Disc, Net of Premium	6,49	-11152
	6,14	0	50. Total Long-Term Debt	6,50	2876367
Other Property and Investments (Net)	6,15	928216	51. Total Capitalization (Excl. amt. due within one year)	6,51	5726...
Decommissioning Funds	6,16	0	Other Non-Current Liabilities:		
Current and Accrued Assets:			52. Accum. Prov. for Rate Refunds	6,52	0
7. Cash, Spec. Dep., Wkg. Funds & Temp. Cash Investments	6,17	97249	53.	6,53	0
8. Gas Stored Underground (Current)	6,18	30476	54. Total Other Non Current Liabilities	6,54	0
9. LNG Held and Stored for Processing	6,19	0	Current and Accrued Liabilities:		
0. Notes Receivable	6,20	35945	55. Amounts Due within one year	6,55	40545
1. Customer Accounts Receivable (Net)	6,21	72684	56. Short-Term Debt	6,56	1128657
2. Receivables from Investor Owned Elec. Cos.	6,22	663282	57. Accts. Payable (Excl. amt. in Line 58)	6,57	870739
3. Other Receivables	6,23	659011	58. Payables to Investor Owned Elec. Cos.	6,58	625755
4. Accrued Unbilled Revenues	6,24	228425	59. Taxes Accrued	6,59	247006
5. Materials and Supplies	6,25	89593	60. Other Current and Accrued Liabilities	6,60	1610405
6. Prepayments	6,26	46538	61. Total Other Non-Current Liabilities	6,61	4523107
7. Other Current and Accrued Assets	6,27	1496409	Deferred Credits:		
8. Other: Fossil Fuel at Average Cost	6,28	39271	62. Accumulated Deferred Income Taxes	6,62	1185968
9. Total Current and Accrued Assets	6,29	3458883	63. Accum. Deferred Investment Tax Credits	6,63	137965
Deferred Debits:			64. Regulatory Liabilities	6,64	0
30. Regulatory Assets	6,30	976614	65. Customer Advances for Construction	6,65	14902
31. Unamortized Debt Expense	6,31	34490	66. Other Deferred Costs	6,66	739624
32. Extraordinary Property Losses	6,32	0	67. Total Deferred Credits	6,67	201
33. Other Deferred Debits	6,33	301101	68.	6,68	
34.	6,34	0	69. Total Capitalization and Liabilities	6,69	12329728
35. Total Deferred Debits	6,35	1312205			
36. Total Assets	6,36	12329728			

Company: Cinergy Corp. (CIN)**SCHEDULE VII – NOTES TO BALANCE SHEET (Thousands of \$)**

- (a) Detail major items and amounts including Excess Cost of Investments in Subsidiaries consolidated over Book Value at Acquisition Date.

See Additional Notes, Page 13

- (b) Detail major Regulatory Assets and Other Regulatory Liabilities.**

See Additional Notes, Page 13

- | | | | | | |
|--|-------------------------|-------|--------|--------|-------|
| (c) Number of Stockholders as of 12/31/00: | Preferred
Preference | 1,494 | Common | 61,328 | Other |
|--|-------------------------|-------|--------|--------|-------|

- (d) Amount restricted from payment of cash dividends on common stock \$ See Note.

- (e) Includes convertible securities (specify)

None

- (f) Long-Term Debt \$40,545; Preferred Stock Subject to Mandatory Redemption \$

Other (Describe)

- (g) Includes Commercial Paper \$216,200; Bank Loans \$576,791; Gas storage loans \$ [1]

Average short-term debt during year, based on number of days outstanding \$745,046 [2]

NOTES & REMARKS:

- Putable Bonds - \$266,600
- Other Short Term Debt - \$69,066
- Does not include foreign debt.
- Schedule VI, line 7 agrees with Schedule VIII, sum of lines 14, 30, and CWIP Account 107, \$46,240 included in line 37.

Company: Cinergy Corp. (CIN)

SCHEDULE VII – ADDITIONAL NOTES TO BALANCE SHEET (Thousands of \$)

- (a) Detail major items and amounts including Excess Cost of Investments in Subsidiaries consolidated over Book Value at Acquisition Date.

Nonutility Property (Net)	\$242,908
Investments in Unconsolidated Subsidiaries	538,322
Other Investments	<u>146,986</u>
	\$928,216

- (b) Regulatory assets (in millions)

Post-in-service carrying costs and deferred operating expenses	\$41
Amounts due from customers – income taxes	73
Deferred merger costs	67
Unamortized costs of reacquiring debt	42
Coal contract buyout cost	53
Dynegy gas services agreement buyout costs	251
RTC recoverable assets	432
Other	<u>18</u>
	\$977

- (d) See Note 2 (b) of the “Notes to Consolidated Financial Statements” in Cinergy Corp.’s 2000 Annual Report to Shareholders.

UTILITY PLANT BY FUNCTIONAL ACCOUNTS

CONSTRUCTION EXPENDITURES (c)

	Utility Plant	Accum. Prov. for Deprec. Amort. and Depl.	For Reported Year	For Next Year	For 2nd Yr. Foll.	For 3rd Yr. Foll.
			2000			
ELECTRIC						
Intangible	8.1 47242	19828	3669	0	0	0
Production Plant						
Steam	8.2 4839074	2427410	182432	424628	0	0
Nuclear	8.3 0	0	0	0	0	0
Hydro	8.4 24644	14517	445	0	0	0
Pumped Storage	8.5 0	0	0	0	0	0
Gas Turbine	8.6 299032	135631	0	0	0	0
Other	8.7 201428	55715	25118	0	0	0
Total Prod. Plant	8.8 5364178	2633273	207995	424628	0	0
Transmission Plant	8.9 1102535	436390	38320	47209	0	0
Distribution Plant	8.10 2956047	1002985	160343	178929	0	0
General Plant	8.11 225916	93663	45357	17562	0	0
Subtotal	8.12 9695918	4186139	455684			
Miscell. Plant	8.13 0	0	0			
Construction Work in Progress	8.14 346870	XXXXXXXXXX	XXXXXXXXXX			
Plant Held for Future Use	8.15 2210	0	0			
Plant Acq Adj & Other Adj	8.16 0	0	XXXXXXXXXX			
Plant Excl Nucl	8.17 10044998	4186139	455684			
Nuclear Fuel	8.18 0	0	0			
Total Electric Plant	8.19 10044998	4186139	455684			
GAS						
Intangible Plant	8.20 1256	847	0			
Production	8.21 11631	10394	450			
Underground Storage	8.22 119	0	0			
Other Storage	8.23 6	-3	0			
LNG Stor., Term. & Proc	8.24 0	0	0			
Transmission	8.25 14129	13450	63			
Distribution	8.26 820200	269569	44130			
General	8.27 17938	10067	1557			
Subtotal	8.28 865279	304324	46200			
Misc. Plant	8.29 0	0	0			
Const. Work In Progress	8.30 18073	XXXXXXXXXX	XXXXXXXXXX			
Plant held for future use	8.31 24	0	0			
Plant Acq Adj & Other Adj	8.32 0	0	XXXXXXXXXX			
Total Gas Plant	8.33 883376	304324	46200			
OTHER UTILITY PLANT						
	8.34 0	0	0	0	0	
	8.35 0	0	0	0	0	
Other Utility Plant	8.36 0	0	0			
Common Plant	8.37 257664	65151	20063			
Total Utility Plant	8.38 11186038	4555614	521947			

Company: Cinergy Corp. (CIN)

SCHEDULE VIII – NOTES TO UTILITY PLANT BY FUNCTIONAL ACCOUNTS (Thousands of \$)

(a) Depreciable Property as of December 31:

ELECTRIC:

Total Electric.....9,1 9,613,012

OTHER:

Total Other.....9,3 0

GAS:

Total Gas.....9,2 861,361

COMMON:

Total Common.....9,4 233,586

(b) Effective book depreciation rate for Depreciable Property as of December 31:

Electric [1] %, Gas [1] %, Other N/A %, Common [1] %, Overall Rate [1] %

(c) Estimated Construction Expenditures include allowance for Funds Used During Construction – Yes x or No
Indicate in total the AFUDC amounts included (excluded) in estimates: Next Year \$33,169.

(d) Excludes Purchased Property. Report expenditures, rather than transfers to utility plant.

(e) Includes Experimental Plan Unclassified; Leased to Others; Completed Construction Not Classified, and Other
(Specify):

(f) Includes Allowance for Funds Used During Construction; 9,5, Electric excluding Nuclear Fuel \$12,318;

Nuclear-Fuel \$ N/A ; Gas \$579; Other \$371; Total \$13,268

(g) Includes non-current gas \$119

(h) Includes intangibles \$; Line No. 37

(i) Estimated amount applicable to Utility Plant: 9,6

Electric \$197,056 Gas \$60,608 Other \$0

Estimated amount applicable to Accum.

Prov. For Depreciation: 9,7 Electric \$46,437 Gas \$18,714 Other \$0

Note: Line 37, Common Plant represents Utility Plant Account 101, \$211,424 and CWIP Account 107, \$46,240.

Company: Cinergy Corp. (CIN)

(1) Electric - PSI Energy	3.0%
Electric - CG&E and its utility subsidiaries	2.9%
Gas - CG&E and its utility subsidiaries	2.9%
Common - CG&E and its utility subsidiaries	3.3%

(2) Electric, excluding nuclear fuel:	N/A,	Gas N/A,	Other N/A,	Total N/A
---------------------------------------	------	----------	------------	-----------

chedule XII- Statement of Cash Flows

OPERATING ACTIVITIES

Net Income	399466
Depreciation, Depletion and Amortization	373965
Income taxes (Net)	56989
Deferred Investment Tax Credits	-9585
Allowance for Funds Used During Construction (Equity)	-5813
Other: Regulatory Assets - Net	-6805
Other:	-2629
Materials and Supplied, Fuel Inventories, Gas in Storage	46409
Accounts Receivable (Net)	-963309
Other: Restricted Deposits	-3567
Other Current Assets	-51965
Accounts Payable	761557
Accrued Taxes	27740
Other: Accrued Interest	-2003
Other: Litigation Settlement	0
Other Current Liabilities	29905
Other: (Net)	-29751
Net Cash Provided by (Used For) Operational Activities	620604

INVESTING ACTIVITIES

Construction Expenditures (excl. AFDC-Equity)	-519574
Acquisition of other Investments	0
Disposal of other Investments	0
Other: Sale of Investment in unconsolidated subsidiary	0
Other: Investment in unconsolidated subsidiaries	-171298
Other: Miscellaneous Investments	-76368
Net Cash Provided by (Used For) Investing Activities	-767240

FINANCING ACTIVITIES

Common Stock Dividends	-285242
Preferred/Preference Stock Dividends	0
Issuance of Long-Term Debt (Net Proceeds)	126420
Issuance of Preferred/Preference Stock (Net Proceeds)	0
Issuance of Common Stock (Net Proceeds)	1770
Increase (Decrease) in Short-Term Debt (Net)	578463
Redemption of Long-Term Debt (Net Payments)	-234247
Redemption of Preferred/Preference Stock (Net Payments)	-29393
	0
	0
Net Cash Provided By (Used For) Financial Activities	157771
Increase (Decrease) in Cash and Cash Equivalents	11135
Cash and Cash Equivalents at Beginning of Year	81919
Cash and Cash Equivalents at End of Year	93054

Company: Cinergy Corp. (CIN)

SCHEDULE XII - STATEMENT OF CASH FLOWS

NOTES: REMARKS AND SUPPLEMENTAL INFORMATION:

- Line 7 consists of unrealized loss from Energy Risk Management activities of \$2,419; Equity in earnings of unconsolidated subsidiaries of (\$5,048).

SCHEDULE XIII- EMPLOYEE DATA

icate to Electric, Gas and Other common employees who devote part of their time to Electric and part to Gas, and/or Other Departments.
plits on basis of payroll dollars or any other reasonable basis.

NUMBER OF EMPLOYEES

	ELECTRIC	GAS	OTHER	TOTAL
Average for the Year	6893	682	0	7575
At Year End	6780	671	0	7451

SALARIES AND WAGES (Thousands of \$) (a)

Operation and Maintenance	260058	36594	9140	305792
Construction	93785	16706	1307	111798
Other (describe)	4995	681	43241	48917
Total	358838	53981	53688	466507

PENSIONS AND BENEFITS (Thousands of \$)

Operation and Maintenance	64186	9061	2265	75512
Construction	23214	4123	332	27669
Other (describe)	1235	169	10701	12105
Total	88635	13353	13298	115286

) Do not include pensions and benefits

SCHEDULE XIV SOURCE AND DISPOSITION OF GAS

Report all costs associated with all gases actually produced and purchased during year on appropriate lines (except that line 1 delay rentals, nonproductive drilling and similar indirect costs usually classified as "exploration and development"). Companies producing or using natural gas for enriching, should report all manufactured gas quantities at the average Btu value as produced prior to mixing or enrichment.

JRCE

Gas Produced and Manufactured for Company Supply

		BTU/c.f.	UNITS(C)	COST (thousands of \$)
1. Natural Gas	14.1	0	0	0
2. Manufactured Gas (a)	14.2	0	0	0
3. Liquefied Petroleum Gas (for air mixtures)	14.3	1029	141586	3246
4. Substitute Natural Gas (SNG)(b)	14.4	0	0	0
5. _____ Gas	14.5	0	0	0

Gas Purchased

6. Natural Gas (d)	14.6	1029	62728953	266339
7. Manufactured Gas (a)	14.7	0	0	0
8. Liquefied Petroleum Gas (for air mixtures)	14.8	0	0	0
9. Substitute Natural Gas (SNG)(b)	14.9	0	0	0
10. Liquefied Natural Gas (d)	14.10	0	0	0
11. _____ Gas	14.11	0	0	0
12. TOTAL GAS PRODUCED AND PURCHASED	14.12	0	62870539	269585

OTHER

13. Transportation Gas	14.13	1029	46776127	0
14. Exchange Gas Received (Delivered)(Net)	14.14	0	0	0
Company Owned Gas From Underground Storage (Net)	14.15	1025	3974	2
Change in Other Storage (Net)	14.16	0	0	0
17. Gas Used in Further Production	14.17	0	0	0
18. Compressor Station Fuel	14.18	0	0	0
19. Company Use and Interdepartmental Transfers (e)	14.19	1029	296181	788
20. TOTAL SUPPLY AVAILABLE FOR DISTRIBUTION	14.20	0	109354459	268799
21. Other Production and Purchase Expenses	14.21	XXXXXXXX	XXXXXXXX	0
22. Other Adjustments (d)	14.22	XXXXXXXX	XXXXXXXX	-45450
23. TOTAL PRODUCTION AND PURCHASE EXPENSES (f)	14.23	XXXXXXXX	XXXXXXXX	223349

DISPOSITION

24. Sales to Ultimate Consumers (g)	14.24	1029	60678138	XXXXXXXX
25. Sales for Resale (h)	14.25	1025	318205	XXXXXXXX
26. Transportation Gas Delivered (i)	14.26	1029	48073609	XXXXXXXX
27. Other Deliveries (Specify)	14.27	0	0	XXXXXXXX
28. TOTAL SALES AND DELIVERIES (Lines 24 to 27)	14.28	0	109069952	XXXXXXXX
29. Other Disposition of Gas (Lines 20 minus 28) (c)	14.29	0	284507	XXXXXXXX
30. TOTAL DISPOSITION (Line 28 and 29)	14.30	0	109354459	XXXXXXXX

a) Less than 900 Btu/c.f.

b) 900 Btu/c.f. and above

c) Includes Unaccounted for Gas

d) Includes: Refunds for Gas Purchases in Prior Years on Line _____

g) or (credits) for deferred gas costs on Line _____

e) Include all gas used in operations.

f) Should agree with Line 5, Schedule IV

g) Should agree with Line 15, Column 1, Schedule XX.

h) Should agree with Line 16, Column 1, Schedule XX.

i) Should agree with Line 18, Schedule XVIII.

14.31 -1597

14.32 -43853

Schedule XVIII - Gas Transported For Others (Excluding Exchange Gas)

DELIVERED TO ULTIMATE CONSUMERS (END USERS) (b)

		Amount of Gas Transported	Transportation Revenues (a) (Thousands of \$)	Average Customers
Delivered to Residential Customers	18, 1,	4368097	14680	39233
Delivered to Commercial Customers-Firm	18, 2,	6083156	12101	5162
Delivered to Commercial Customers-Interruptible	18, 3,	2330337	1593	35
Delivered to Industrial Customers-Firm	18, 4,	3856178	7129	501
Delivered to Industrial Customers-Interruptible	18, 5,	22258001	15998	163
Delivered to Electric Generation Consumers-Firm	18, 6,	0	0	0
Delivered to Electric Generation Consumers-	18, 7,	4652006	279	0
Delivered to Nonutility Generators-Firm	18, 8,	0	0	0
Delivered to Nonutility Generators-Interruptible	18, 9,	0	0	0
1. Delivered to Refueling Stations for Vehicular Fuel-Firm	18, 10,	0	0	0
1. Delivered to Refueling Stations for Vehicular Fuel-Interr.	18, 11,	0	0	0
2. Delivered to Other Consumers-Firm	18, 12,	1572794	2991	454
1. Delivered to Other Consumers-Interruptible	18, 13,	1912250	1181	13
4. Total Delivered to Ultimate Consumers	18, 14,	47032819	55952	45563
DELIVERED TO OTHERS				
5. Delivered by Ultimate Consumers (c)	18, 15,	0	0	
6. For Resale by Local Distribution Companies	18, 16,	1040790	0	0
7. For Resale by Others	18, 17,	0.00	352.00	1.00
8. TOTAL TRANSPORTATION FOR OTHERS (d)	18, 18,	48073609	56304	45564

- a) Transportation revenues are based on receipts ☐ or ☐ deliveries
- b) Transportation of gas delivered to the ultimate consumer (end user) is gas owned by the ultimate consumer and delivered to the ultimate consumers meter by the transporter.
- c) Transportation of gas delivered to others and owned by the ultimate consumer (end user) is gas owned by the ultimate consumer that is not delivered to the ultimate consumer's meter, instead it is delivered to another transporter for further transportation.
- d) Should agree with Line 26

Note: Companies filing FERC form 2 should submit a copy of their comparable schedule in addition to completing the above schedule.

ule XVIII - Gas Transported For Others (Excluding Exchange Gas)

V TO ULTIMATE CONSUMERS (END USERS) (b)

		Amount of Gas Transported M-Therms	Transportation Revenues (a) (Thousands of \$)	Average Customers
Delivered to Residential Customers	18, 1,	4368097	14680	39235
Delivered to Commercial Customers-Firm	18, 2,	5934325	11758	5149
Delivered to Commercial Customers-Interruptible	18, 3,	1990189	1331	28
Delivered to Industrial Customers-Firm	18, 4,	2919827	5086	470
Delivered to Industrial Customers-Interruptible	18, 5,	19243105	14210	145
Delivered to Electric Generation Consumers-Firm	18, 6,	0	0	0
Delivered to Electric Generation Consumers-	18, 7,	4652006	279	0
Delivered to Nonutility Generators-Firm	18, 8,	0	0	0
Delivered to Nonutility Generators-Interruptible	18, 9,	0	0	0
Delivered to Refueling Stations for Vehicular Fuel-Firm	18, 10,	0	0	0
Delivered to Refueling Stations for Vehicular Fuel-Interr.	18, 11,	0	0	0
Delivered to Other Consumers-Firm	18, 12,	1444679	2685	448
Delivered to Other Consumers-Interruptible	18, 13,	1817753	1109	12
Total Delivered to Ultimate Consumers	18, 14,	42369981	51138	45487
DELIVERED TO OTHERS				
Delivered by Ultimate Consumers (c)	18, 15,	0	0	0
For Resale by Local Distribution Companies	18, 16,	1040790	0	0
For Resale by Others	18, 17,	0.00	352.00	1.00
TOTAL TRANSPORTATION FOR OTHERS (d)	18, 18,	43410771	51490	45488

Transportation revenues are based on receipts or ☒ deliveries

Transportation of gas delivered to the ultimate consumer (end user) is gas owned by the ultimate consumer and delivered to the ultimate consumers meter by the transporter.

Transportation of gas delivered to others and owned by the ultimate consumer (end user) is gas owned by the ultimate consumer that is not delivered to the ultimate consumer's meter, instead it is delivered to another transporter for further transportation.

Should agree with Line 26

Companies filing FERC form 2 should submit a copy of their comparable schedule in addition to completing the above schedule.

Schedule XVIII - Gas Transported For Others (Excluding Exchange Gas)

DELIVERED TO ULTIMATE CONSUMERS (END USERS) (b)

		Amount of Gas Transported D-Therms	Transportation Revenues (a) (Thousands of \$)	Average Customers
Delivered to Residential Customers	18, 1,	0	0	0
Delivered to Commercial Customers-Firm	18, 2,	0	0	0
Delivered to Commercial Customers-Interruptible	18, 3,	20003	11	1
Delivered to Industrial Customers-Firm	18, 4,	0	0	0
Delivered to Industrial Customers-Interruptible	18, 5,	781902	301	5
Delivered to Electric Generation Consumers-Firm	18, 6,	0	0	0
Delivered to Electric Generation Consumers-	18, 7,	0	0	0
Delivered to Nonutility Generators-Firm	18, 8,	0	0	0
Delivered to Nonutility Generators-Interruptible	18, 9,	0	0	0
Delivered to Refueling Stations for Vehicular Fuel-Firm	18, 10,	0	0	0
Delivered to Refueling Stations for Vehicular Fuel-Interr.	18, 11,	0	0	0
Delivered to Other Consumers-Firm	18, 12,	0	0	0
Delivered to Other Consumers-Interruptible	18, 13,	0	0	0
1. Total Delivered to Ultimate Consumers	18, 14,	801905	312	6
DELIVERED TO OTHERS				
Delivered by Ultimate Consumers (c)	18, 15,	0	0	0
2. For Resale by Local Distribution Companies	18, 16,	0	0	0
3. For Resale by Others	18, 17,	0.00	0.00	0.00
4. TOTAL TRANSPORTATION FOR OTHERS (d)	18, 18,	801905	312	6

i) Transportation revenues are based on receipts or ☒ deliveries

j) Transportation of gas delivered to the ultimate consumer (end user) is gas owned by the ultimate consumer and delivered to the ultimate consumers meter by the transporter.

k) Transportation of gas delivered to others and owned by the ultimate consumer (end user) is gas owned by the ultimate consumer that is not delivered to the ultimate consumer's meter, instead it is delivered to another transporter for further transportation.

d) Should agree with Line 26

Note: Companies filing FERC form 2 should submit a copy of their comparable schedule in addition to completing the above schedule.

Module XVIII - Gas Transported For Others (Excluding Exchange Gas)

DELIVERED TO ULTIMATE CONSUMERS (END USERS) (b)

		Amount of Gas Transported M-Therms	Transportation Revenues (a) (Thousands of \$)	Average Customers
Delivered to Residential Customers	18, 1,	0	0	0
Delivered to Commercial Customers-Firm	18, 2,	148831	343	13
Delivered to Commercial Customers-Interruptible	18, 3,	320145	251	6
Delivered to Industrial Customers-Firm	18, 4,	936351	2043	31
Delivered to Industrial Customers-Interruptible	18, 5,	2232994	1487	13
Delivered to Electric Generation Consumers-Firm	18, 6,	0	0	0
Delivered to Electric Generation Consumers-	18, 7,	0	0	0
Delivered to Nonutility Generators-Firm	18, 8,	0	0	0
Delivered to Nonutility Generators-Interruptible	18, 9,	0	0	0
Delivered to Refueling Stations for Vehicular Fuel-Firm	18, 10,	0	0	0
Delivered to Refueling Stations for Vehicular Fuel-Interr.	18, 11,	0	0	0
Delivered to Other Consumers-Firm	18, 12,	128115	306	6
Delivered to Other Consumers-Interruptible	18, 13,	94497	72	1
8. Total Delivered to Ultimate Consumers	18, 14,	3860933	4502	70
DELIVERED TO OTHERS				
5. Delivered by Ultimate Consumers (c)	18, 15,	0	0	0
6. For Resale by Local Distribution Companies	18, 16,	0	0	0
7. For Resale by Others	18, 17,	0.00	0.00	0.00
8. TOTAL TRANSPORTATION FOR OTHERS (d)	18, 18,	3860933	4502	70

- a) Transportation revenues are based on receipts or ☒ deliveries
- b) Transportation of gas delivered to the ultimate consumer (end user) is gas owned by the ultimate consumer and delivered to the ultimate consumers meter by the transporter.
- c) Transportation of gas delivered to others and owned by the ultimate consumer (end user) is gas owned by the ultimate consumer that is not delivered to the ultimate consumer's meter, instead it is delivered to another transporter for further transportation.
- d) Should agree with Line 26

Notes: Companies filing FERC form 2 should submit a copy of their comparable schedule in addition to completing the above schedule.

SCHEDULE XIX - GAS USED FOR ELECTRIC GENERATION

This schedule is intended to collect data for all gas used for the generation of electricity for sale including that used by combination where such gas does not flow through the gas department and is therefore not considered a sale. Where revenues are not derived from the gas in transfers), please report the cost of the gas. Gas included in Lines 1 and 2 of the schedule should also be reported in Schedule XX, Lines 7 and 8. Companies operating in more than one state should complete this schedule for each state in which they operate. Enter count of industrial customers who fall into more than one category only in category of greater usage.

INCLUDED IN SALES IN SCHEDULE XX:

		Volumes	Revenue (000 of \$)	Customers (Average)
Electric Generation - Firm(a)	19.1	0	0	0
Electric Generation - Interruptible (a)	19.2	0	0	0
Nonutility Generation - Firm (a)	19.3	0	0	0
Nonutility Generation - Interruptible (a)	19.4	0	0	0
Total Sales for Electric Generation	19.5	0	0	0

INTERDEPARTMENTAL TRANSFERS (Not reported in Schedule XX)

Gas used in Elec. Gen. by reporting company if not shown in line 1 or 2 (including gas used by electric department of Combination Companies and the Corresponding Costs)

TOTAL GAS USED FOR ELECTRIC GENERATION

19.6	0	0	0
19.7	0	0	0

Government Services included in above:

Interruptible	0	0	0
Total Government Service	0	0	0

Company: Cinergy Corp. (CIN)

SCHEDULE XIX -- GAS USED FOR ELECTRIC GENERATION

NOTES: REMARKS AND SUPPLEMENTAL INFORMATION:

- Volumes of gas to Cinergy's electric generation units is accounted by the gas department and therefore is listed in Schedule XVIII.

XX - CLASSIFICATIONS OF GAS VOLUMES, REVENUES AND CUSTOMERS

Companies operating in more than one state should complete this schedule for each state in which they operate.

Provide Data for All Types of Gases EXCEPT BOTTLED GAS.

Average number of bills rendered should be based on twelve monthly figures. Utilities not reading all meters each month

for unread meters of active customers. Enter count of customers who fall into more than one category only in category of

Residential Heating Data: Furnish estimates, if figures are not available directly from company records, of all residential heating

include amounts associated with other appliance usage of these customers.

Interruptible: Include those customers whose service may be interrupted only during emergencies, are to be considered firm. If any

interruptible, "other", or resale categories are interruptible, please list the appropriate terms and dollars on a separate sheet. (F8 for More

Resale Sales (Columns 1 and 2, Lines 11, 12, 13, and 14): Include Data Pertaining to sales and revenues in FERC Accounts 482 and 484.

Other Operating Revenues (Line 19): Include total FERC Accounts 485 through 496.

	Volumes Units(c) (a) Column 1	Revenues (\$000) (b) Column 2	Average Column 3	Customers Year End Column 4
Residential Sales				
1. With Heating	20,1, 39331616	287753	395799	407633
2. Without Heating	20,2, 0	0	0	0
Commercial Sales				
3. Firm	20,3, 16285374	110328	39058	40439
4. Interruptible	20,4, 0	0	0	0
Industrial Sales				
5. Firm-Excluding Electric Generation	20,5, 2850879	17785	1447	1557
6. Interruptible-Excluding Electric Generation	20,6, 0	0	0	0
Electric Generation				
7. Electric Utilities-Firm	20,7, 0	0	0	0
8. Electric Utilities-Interruptible	20,8, 0	0	0	0
9. Nonutility Generation-Firm	20,9, 0	0	0	0
10. Nonutility Generation-Interruptible	20,10, 0	0	0	0
Other Sales				
11. Refueling Stations for Vehicular Fuel	20,11, 0	0	0	0
12. Municipal and Other Public Authorities	20,12, 1967868	12564	1327	1354
13. Interdepartmental	20,13, 233206	788	0	0
14. Other	20,14, 0	0	0	0
15. TOTAL SALES, LINES 1 THRU 14	20,15, 60668943	429218	437631	450983
16. Gas Utilities(for Resale)	20,16, 318143	2545	1	1
17. TOTAL GAS SALES, REVENUES, CUSTOMERS	20,17, 60987086	431763	437632	450984
18. Transportation Volumes to End Users	20,18, 42350438	55886	45506	38472
19. Other Operating Revenues	20,19, 5212			
20. Less Provision for Rate Refund	20,20, 0			
21. TOTAL GAS OPERATING REVENUES (c)	20,21, 492861			
22. Average BTU as Distributed	20,22, 0			

(b) If billed at different Btu value from that shown on Line 22, indicate Btu value for billing: 0 per cubic foot.

(c) Includes unbilled revenues of m\$ 32886 for 2803407 on line(s)

(c) Should agree with Schedule II, Gas Column, Line 1.

Note: Figures for each class of service, other than gas for resale, should agree with Schedule XXIII.

Schedule XX - CLASSIFICATIONS OF GAS VOLUMES, REVENUES AND CUSTOMERS

Companies operating in more than one state should complete this schedule for each state in which they operate.

1 Data for All Types of Gases EXCEPT BOTTLED GAS.

Average number of bills rendered should be based on twelve monthly figures. Utilities not reading all meters each month or unread meters of active customers. Enter count of customers who fall into more than one category only in category of residential Heating Data: Furnish estimates, if figures are not available directly from company records, of all residential heating

amounts associated with other appliance usage of these customers.

Interruptible: Include those customers whose service may be interrupted only during emergencies, are to be considered firm. If any residential, "other", or resale categories are interruptible, please list the appropriate terms and dollars on a separate sheet. (F8 for More or Sales (Columns 1 and 2, Lines 11, 12, 13, and 14): Include Data Pertaining to sales and revenues in FERC Accounts 482 and 484. or Operating Revenues (Line 19): Include total FERC Accounts 485 through 496.

	Volumes Units(c) (a) Column 1	Revenues (\$000) (b) Column 2	Average Column 3	Customers Year End Column 4
Residential Sales				
1. With Heating	20,1, 31475869	226868	314144	324671
2. Without Heating	20,2, 0	0	0	0
Commercial Sales				
3. Firm	20,3, 12927760	87928	31943	33219
4. Interruptible	20,4, 0	0	0	0
Industrial Sales				
5. Firm-Excluding Electric Generation	20,5, 2071020	13016	1182	1292
6. Interruptible-Excluding Electric Generation	20,6, 0	0	0	0
Electric Generation				
7. Electric Utilities-Firm	20,7, 0	0	0	0
8. Electric Utilities-Interruptible	20,8, 0	0	0	0
9. Nonutility Generation-Firm	20,9, 0	0	0	0
10. Nonutility Generation-Interruptible	20,10, 0	0	0	0
Other Sales				
11. Refueling Stations for Vehicular Fuel	20,11, 0	0	0	0
12. Municipal and Other Public Authorities	20,12, 1412297	8974	914	939
13. Interdepartmental	20,13, 228506	757	0	0
14. Other	20,14, 0	0	0	0
15. TOTAL SALES, LINES 1 THRU 14	20,15, 48115452	337543	348183	360121
16. Gas Utilities (for Resale)	20,16, 0	0	0	0
17. TOTAL GAS SALES, REVENUES, CUSTOMERS	20,17, 48115452	337543	348183	360121
18. Transportation Volumes to End Users	20,18, 37673989	51072	45430	38398
19. Other Operating Revenues	20,19, 0	4311		
20. Less Provision for Rate Refund	20,20, 0	0		
21. TOTAL GAS OPERATING REVENUES (c)	20,21, 0	392926		
22. Average BTU as Distributed	20,22, 1.029			

1. If billed at different Btu value from that shown on Line 22, indicate Btu value for billing: 0 per cubic foot.

2. Includes unbilled revenues of m\$ 26299 for 2275549 on line(s) 2

3. Should agree with Schedule II, Gas Column, Line 1.

Note: Figures for each class of service, other than gas for resale, should agree with Schedule XXIII.

Schedule XX - CLASSIFICATIONS OF GAS VOLUMES, REVENUES AND CUSTOMERS

Companies operating in more than one state should complete this schedule for each state in which they operate.

Report Data for All Types of Gases EXCEPT BOTTLED GAS.

Average number of bills rendered should be based on twelve monthly figures. Utilities not reading all meters each month for unread meters of active customers. Enter count of customers who fall into more than one category only in category of residential heating data. Furnish estimates, if figures are not available directly from company records, of all residential heating

include amounts associated with other appliance usage of these customers.

Interruptible: Include those customers whose service may be interrupted only during emergencies, are to be considered firm. If any residential, "other", or resale categories are interruptible, please list the appropriate terms and dollars on a separate sheet. (F8 for More per Sales (Columns 1 and 2, Lines 11, 12, 13, and 14): Include Data Pertaining to sales and revenues in FERC Accounts 482 and 484. per Operating Revenues (Line 19): Include total FERC Accounts 485 through 496.

		Volumes Units(c) (a) Column 1	Revenues (\$000) (b) Column 2	Average Column 3	Customers Year End Column 4
Residential Sales					
1. With Heating	20,1,	489843	3877	5311	5384
2. Without Heating	20,2,	0	0	0	0
Commercial Sales					
3. Firm	20,3,	251662	1538	642	659
4. Interruptible	20,4,	0	0	0	0
Industrial Sales					
5. Firm-Excluding Electric Generation	20,5,	107239	535	20	18
6. Interruptible-Excluding Electric Generation	20,6,	0	0	0	0
Electric Generation					
7. Electric Utilities-Firm	20,7,	0	0	0	0
8. Electric Utilities-Interruptible	20,8,	0	0	0	0
9. Nonutility Generation-Firm	20,9,	0	0	0	0
10. Nonutility Generation-Interruptible	20,10,	0	0	0	0
Other Sales					
11. Refueling Stations for Vehicular Fuel	20,11,	0	0	0	0
12. Municipal and Other Public Authorities	20,12,	59659	347	61	60
13. Interdepartmental	20,13,	0	0	0	0
14. Other	20,14,	0	0	0	0
15. TOTAL SALES, LINES 1 THRU 14	20,15,	908403	6297	6034	6121
16. Gas Utilities (for Resale)	20,16,	318143	1334	1	1
17. TOTAL GAS SALES, REVENUES, CUSTOMERS	20,17,	1226546	7631	6035	6122
18. Transportation Volumes to End Users	20,18,	798632	312	6	6
19. Other Operating Revenues	20,19,		42		
20. Less Provision for Rate Refund	20,20,		0		
21. TOTAL GAS OPERATING REVENUES (c)	20,21,		7985		
22. Average BTU as Distributed	20,22,	1,025			

(a) Billed at different Btu value from that shown on Line 22, indicate Btu value for billing: 0 per cubic foot.

(b) Includes unbilled revenues of m\$ 394 for 30744 on line(s) 2

(c) Should agree with Schedule II, Gas Column, Line 1.

Note: Figures for each class of service, other than gas for resale, should agree with Schedule XXIII.

Schedule XX - CLASSIFICATIONS OF GAS VOLUMES, REVENUES AND CUSTOMERS

Companies operating in more than one state should complete this schedule for each state in which they operate.

Part Data for All Types of Gases EXCEPT BOTTLED GAS.

Average number of bills rendered should be based on twelve monthly figures. Utilities not reading all meters each month should report for unread meters of active customers. Enter count of customers who fall into more than one category only in category of Residential Heating Data: Furnish estimates, if figures are not available directly from company records, of all residential heating

include amounts associated with other appliance usage of these customers.

Interruptible: Include those customers whose service may be interrupted only during emergencies, are to be considered firm. If any residential, "other", or resale categories are interruptible, please list the appropriate terms and dollars on a separate sheet. (F8 for More

for Sales (Columns 1 and 2, Lines 11, 12, 13, and 14): Include Data Pertaining to sales and revenues in FERC Accounts 482 and 484.

for Operating Revenues (Line 19): Include total FERC Accounts 485 through 496.

	Volumes Units(c) (a) Column 1	Revenues (\$000) (b) Column 2	Average Column 3	Customers Year End Column 4
Residential Sales				
1. With Heating	20,1, 7365904	57008	76344	77578
2. Without Heating	20,2, 0	0	0	0
Commercial Sales				
3. Firm	20,3, 3105952	20862	6473	6561
4. Interruptible	20,4, 0	0	0	0
Industrial Sales				
5. Firm-Excluding Electric Generation	20,5, 672620	4234	245	247
6. Interruptible-Excluding Electric Generation	20,6, 0	0	0	0
Electric Generation				
7. Electric Utilities-Firm	20,7, 0	0	0	0
8. Electric Utilities-Interruptible	20,8, 0	0	0	0
9. Nonutility Generation-Firm	20,9, 0	0	0	0
10. Nonutility Generation-Interruptible	20,10, 0	0	0	0
Other Sales				
11. Refueling Stations for Vehicular Fuel	20,11, 0	0	0	0
12. Municipal and Other Public Authorities	20,12, 495912	3243	352	355
13. Interdepartmental	20,13, 4700	31	0	0
14. Other	20,14, 0	0	0	0
15. TOTAL SALES, LINES 1 THRU 14	20,15, 11645088	85378	83414	84741
16. Gas Utilities (for Resale)	20,16, 0	1211	0	0
17. TOTAL GAS SALES, REVENUES, CUSTOMERS	20,17, 11645088	86589	83414	84741
18. Transportation Volumes to End Users	20,18, 3877817	4502	70	68
19. Other Operating Revenues	20,19, 0	859		
20. Less Provision for Rate Refund	20,20, 0	0		
21. TOTAL GAS OPERATING REVENUES (c)	20,21, 0	91950		
22. Average BTU as Distributed	20,22, 1.034			

a) If billed at different Btu value from that shown on Line 22, indicate Btu value for billing: 0 per cubic foot.

b) Includes unbilled revenues of m\$ 5193 for 497114 on line(s) 2

c) Should agree with Schedule II, Gas Column, Line 1.

Note: Figures for each class of service, other than gas for resale, should agree with Schedule XXIII.

Company: Cinergy Corp. (CIN)

SCHEDULE XX – CLASSIFICATION OF GAS VOLUMES, REVENUES, REVENUES AND CUSTOMERS

NOTES: REMARKS AND SUPPLEMENTAL INFORMATION:

- (d) Scheduled XX Classification of Gas Volumes, Revenues, Revenues and Customers will not tie to line 14 of Schedule XVIII Gas Transported for Others, due to Schedule XX requested sales information, whereas Schedule XVIII is gas transportation information.
- (e) The total system page automatically totals Cinergy's utility subsidiaries, consolidates the average Btu statistics, and does not include non-utility and inter-company information. Therefore, Schedule XX, line 21, column 2 will not tie to Schedule II, line 1, column 3; and Schedule XX, line 15 will not tie to Schedule XIV, line 24, column 2.

EDULE XXII - MAXIMUM AND MINIMUM DAY SENDOUT (M-DEKATHERMS)

Report smallest/greatest actual total gas sendout occurring in a specified 24-hour period. If contract with pipeline supplier(s)
ify that all firm requirements of your company will be supplied, please check here.

		Minimum Day Sendout (a)		Maximum Day Sendout
Regular Production(b)	22.1	0		0
Peak Shaving Facilities	22.2	30621		31497
Purchases	22.3	810595		833778
Company Owned Underground Storage	22.4	308		316
Withdrawn from Other Storage(d)	22.5	0		0
Other Supply () (e)	22.6	0		0
TOTAL	22.7	841524		865591
Date maximum or Minimum occurred.	MIN:	07/01/2000	MAX	01/27/2000
Sendout to Interruptible Customers	22.8	0		0
Curtailment of Interruptible Customers	22.9	XXXXXXXX		0
Average Temperature on Day of Maximum	22.10	XXXXXXXX		0

-) Excluding injections into underground
-) Including natural gas and/or manufactured
-) Include company owned gas which is stored
-) Includes supplies withdrawn from buried
-) Show transportation volumes here.

EDULE XXVI - MILES OF PIPELINE AND COMPRESSOR STATION DATA

INSTRUCTIONS: Companies operating in more than one state should complete this schedule for each state in which they operate.

FIELD GATHERING: Include pipe transporting natural gas from individual wells to compressor station, processing point, or main trunk pipe line, whichever is located closest to wells on the line system.

TRANSMISSION: Include main trunk pipe lines and branch lines transporting gas to city gates or between retail service areas, as well as subsidiary lines not included in field and gathering.

TRIBUTION: Include mains and pipe transporting gas within retail service areas.

ALL TYPES OF GAS

		Gross New Mileage Installed During Year (a)			Total Mileage as of _____		
		Steel	Plastic	Other	Steel	Plastic	Other
Field & Gathering	26.1	0	0	0	0	0	0
Underground Storage	26.2	0	0	0	0	0	0
Transmission	26.3	0	0	0	350	0	0
Distribution Mains (Total)	26.4	-1	102	-3	3358	1474	1191
New	26.5	-1	102	-3	XXXXXXXX	XXXXXXXX	XXXXXXXX
Replacement	26.6	0	0	0	XXXXXXXX	XXXXXXXX	XXXXXXXX
Distribution Services (Total)	26.7	-25	201	31	835.00	3147.00	1496.00
New	26.8	-25	201	31	XXXXXXXX	XXXXXXXX	XXXXXXXX
Replacement	26.9	0.00	0.00	0.00	XXXXXXXX	XXXXXXXX	XXXXXXXX
0 TOTAL MILES	26.10	-26	303	28	4543	4621	2687

COMPRESSOR STATION DATA (b)

		Field	Storage	Transmission
1. Number of Active Compressor Stations	26.13	0	0	0
2. Installed Compressor Horsepower	26.14	0	0	0

a) Include replacement and new pipe, even though not yet placed in service

b) Do not include Booster or pumping stations used within a local distribution system.

SCHEDULE XXVI - MILES OF PIPELINE AND COMPRESSOR STATION DATA

INSTRUCTIONS: Companies operating in more than one state should complete this schedule for each state in which they operate.

FIELD GATHERING: Include pipe transporting natural gas from individual wells to compressor station, processing point, or main trunk pipe line, whichever is located closest to wells on the line system.

TRANSMISSION: Include main trunk pipe lines and branch lines transporting gas to city gates or between retail service areas, as well as subsidiary lines not included in field and gathering.

DISTRIBUTION: Include mains and pipe transporting gas within retail service areas.

ALL TYPES OF GAS

		Gross New Mileage Installed During Year (a)			Total Mileage as of 12/31		
		Steel	Plastic	Other	Steel	Plastic	Other
Field & Gathering	26.1	0	0	0	0	0	0
Underground Storage	26.2	0	0	0	0	0	0
Transmission	26.3	0	0	0	217	0	0
Distribution Mains (Total)	26.4	-5	77	-5	2616	1122	1018
New	26.5	-5	77	-5	XXXXXXXX	XXXXXXXX	XXXXXXXX
Replacement	26.6	0	0	0	XXXXXXXX	XXXXXXXX	XXXXXXXX
Distribution Services (Total)	26.7	-19	144	30	698.00	2462.00	1249.00
New	26.8	-19	144	30	XXXXXXXX	XXXXXXXX	XXXXXXXX
Replacement	26.9	0.00	0.00	0.00	XXXXXXXX	XXXXXXXX	XXXXXXXX
TOTAL MILES	26.10	-24	221	25	3531	3584	2267

COMPRESSOR STATION DATA (b)

		Field	Storage	Transmission
1. Number of Active Compressor Stations	26.13	0	0	0
2. Installed Compressor Horsepower	26.14	0	0	0

i) Include replacement and new pipe, even though not yet placed in service

ii) Do not include Booster or pumping stations used within a local distribution system.

SCHEDULE XXVI - MILES OF PIPELINE AND COMPRESSOR STATION DATA

INSTRUCTIONS: Companies operating in more than one state should complete this schedule for each state in which they operate.

FIELD GATHERING: Include pipe transporting natural gas from individual wells to compressor station, processing point, or main trunk pipe line, whichever is located closest to wells on the line system.

TRANSMISSION: Include main trunk pipe lines and branch lines transporting gas to city gates or between retail service areas, as well as subsidiary distribution lines not included in field and gathering.

DISTRIBUTION: Include mains and pipe transporting gas within retail service areas.

ALL TYPES OF GAS

		Gross New Mileage Installed During Year (a)			Total Mileage as of 12/31		
		Steel	Plastic	Other	Steel	Plastic	Other
Field & Gathering	26.1	0	0	0	0	0	0
Underground Storage	26.2	0	0	0	0	0	0
Transmission	26.3	0	0	0	4	0	0
Distribution Mains (Total)	26.4	0	0	3	121	33	1
New	26.5	0	0	3	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
Replacement	26.6	0	0	0	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
Distribution Services (Total)	26.7	-2	4	1	23.00	50.00	4.00
New	26.8	-2	4	1	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
Replacement	26.9	0.00	0.00	0.00	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
TOTAL MILES	26.10	-2	4	4	148	83	5

COMPRESSOR STATION DATA (b)

		Field	Storage	Transmission
11. Number of Active Compressor Stations	26.13	0	0	0
12. Installed Compressor Horsepower	26.14	0	0	0

(a) Include replacement and new pipe, even though not yet placed in service

(b) Do not include Booster or pumping stations used within a local distribution system.

SCHEDULE XXVI - MILES OF PIPELINE AND COMPRESSOR STATION DATA

INSTRUCTIONS: Companies operating in more than one state should complete this schedule for each state in which they operate.
FIELD & GATHERING: Include pipe transporting natural gas from individual wells to compressor station, processing point, or main trunk pipe line, whichever is located closest to wells on the line system.
TRANSMISSION: Include main trunk pipe lines and branch lines transporting gas to city gates or between retail service areas, as well as subsidiary distribution lines not included in field and gathering.
DISTRIBUTION: Include mains and pipe transporting gas within retail service areas.

ALL TYPES OF GAS

		Gross New Mileage Installed During Year (a)			Total Mileage as of 12/31		
		Steel	Plastic	Other	Steel	Plastic	Other
Field & Gathering	26.1	0	0	0	0	0	0
Underground Storage	26.2	0	0	0	0	0	0
Transmission	26.3	0	0	0	129	0	0
Distribution Mains (Total)	26.4	4	25	-1	621	319	172
New	26.5	4	25	-1	XXXXXXXX	XXXXXXXX	XXXXXXXX
Replacement	26.6	0	0	0	XXXXXXXX	XXXXXXXX	XXXXXXXX
Distribution Services (Total)	26.7	-4	53	0	114.00	635.00	243.00
New	26.8	-4	53	0	XXXXXXXX	XXXXXXXX	XXXXXXXX
Replacement	26.9	0.00	0.00	0.00	XXXXXXXX	XXXXXXXX	XXXXXXXX
TOTAL MILES	26.10	0	78	-1	864	954	415

COMPRESSOR STATION DATA (b)

		Field	Storage	Transmission
1. Number of Active Compressor Stations	26.13	0	0	0
2. Installed Compressor Horsepower	26.14	0	0	0

- a) Include replacement and new pipe, even though not yet placed in service
b) Do not include Booster or pumping stations used within a local distribution system.

CONFIDENTIAL
INFORMATION

ALL TYPES OF GAS		Construction Expenditures (Thousands of \$)				
		Actual	Estimated			
		2000	2001	2002	2003	2004
Intangible Plant	27.1	0	0	0	0	0
General and Miscellaneous Plant	27.2	1557	1445	1488	1531	1579
Production						
SNG Plant	27.3	0	0	0	0	0
LNG Plant	27.4	0	0	0	0	0
LNG Ships	27.5	0	0	0	0	0
Propane Plant	27.6	450	962	989	1017	1047
Exploration & Drilling	27.7	0	0	0	0	0
Other (specify)	27.8	0	0	0	0	0
TOTAL PRODUCTION	27.9	450	962	989	1017	1047
Transmission						
0. New & Replacement Pipelines	27.10	0	0	0	0	0
1. Compressor Stations	27.11	63	0	0	0	0
2. Other (specify)	27.12	0	0	0	0	0
3. TOTAL TRANSMISSION	27.13	63	0	0	0	0
Storage						
14. Underground Storage	27.14	0	0	0	0	0
15. LNG Storage, Terminating, & Processing	27.15	0	0	0	0	0
16. Other (specify)	27.16	0	0	0	0	0
17. TOTAL STORAGE	27.17	0	0	0	0	0
Distribution						
18. New & Replacement Main and Service Lines	27.18	23238	61609	109961	103720	104915
19. Compressor Stations	27.19	0	0	0	0	0
20. Other (specify) Measuring & Regulating	27.20	20892	23667	22949	23615	24299
21. TOTAL DISTRIBUTION	27.21	44130	85276	132910	127335	129214
22. TOTAL CONSTRUCTION EXPENDITURES	27.22	46200	87683	135387	129883	131840
23. Additional Funds Necessary in excess of Construction Expenditures	27.23	0	0	0	0	0
24. Total Funds Required (line 22 + 23)	27.24	46200	87683	135387	129883	131840
Method of Financing Funds (Percent)						
25. Internal Sources (a)	27.25	0.00	0.00	0.00	0.00	0.00
26. Equity Issues (a)	27.26	0.00	0.00	0.00	0.00	0.00
27. Debt Issues (a)	27.27	100.00	100.00	100.00	100.00	100.00
28. Bonds (if available)(b)	27.28	0.00	0.00	0.00	0.00	0.00
29. Debentures (if available)(b)	27.29	0.00	0.00	0.00	0.00	0.00
30. Long Term Notes (if available)(b)	27.30	0.00	0.00	0.00	0.00	0.00
31. Short Term Notes (Net, if available)(b)	27.31	0.00	100.00	100.00	100.00	100.00
			27.32	0		

* If figures are in Constant Dollars, please give adjustment factor used

(a) Sum of Lines 25, 26, and 27 should equal 100%

(b) Sum of Lines 28, 29, 30, and 31 should equal 100% and represent percentage breakdown of "Debt Issues Total" on Line 27.

chedule XXI Residential Gas Househeating Survey

OPERATING STATE

OH

POTENTIAL CUSTOMER DATA

Percentage of homes in service area with gas service

Percentage of your customers that use gas for space heat

2000 RESIDENTIAL GAS APPLIANCE INFORMATION

Annual Consumption per unit furnace/boiler (Mcf)

0

Annual Consumption per unit Water Heater (Mcf)

0

Annual Consumption per unit Gas Range (Mcf)

0

Annual Consumption per unit Gas Clothes Dryer (Mcf)

0

Annual Consumption per unit Gas Fireplace/ Hearth products (Mcf)

0

BILL PAYMENT ASSISTANCE PROGRAMS

Total dollar amount of bill payment assistance provided by Ratepayers

0

Total dollar amount of bill payment assistance provided by Shareholders

0

Total dollar amount of bill payment assistance provided by Others

0

2000 GAS SPACE HEATING UNIT INVENTORY

ADDITIONS from New Construction

0

Total Conversions TO Natural Gas

0

Conversions TO Natural Gas from Existing electric heated units

0

Conversions TO Natural Gas from existing oil heated units

0

Conversions TO Natural Gas from other/unknown

0

Total Losses from Demolition and Conversions

0

Estimated % of new residential customers from conversions

COMPETITIVE FUEL PRICES

Propane residential price (cents/gallon)

0.0000

Distillate Oil (#2) residential price (cents/gallon)

0.0000

GLOSSARY

BILL PAYMENT ASSISTANCE- Amount of funds the utility helped to provide energy customers for defraying energy bills. Excludes government assistance from LIHEAP

CONVERSIONS- Existing housing units, which formerly consumed an energy other than natural gas (oil, propane, electricity, coal, wood, or renewables) to meet space heating requirements, that converted to operate on natural gas in 1999. Do not include conversion from one type of natural gas equipment to another.

NEW CONSTRUCTION- new single-family residential gas homes that were COMPLETED in 2000

SERVICE AREA- Defined as the territory in which a utility system is required or has the right to supply gas service to all potential customers

GAS HEARTH/FIREPLACE PRODUCTS- Refers to products that burn natural gas and includes stoves, ventless, and gas logs. Not wood burning products.

DUKE ENERGY OHIO
Case Nos. 07-589-GA-AIR
Supplemental Information (C)(3)

Prospectuses of current stock and/or bond offering of the applicant, and/or of parent company if applicant is a wholly owned subsidiary. In the event there are no current offerings, then provide the most recent offerings.

Response: See Attached.

Sponsoring Witness: Lynn J. Good

PROSPECTUS SUPPLEMENT

(To Prospectus dated June 12, 2003)

\$400,000,000**The Cincinnati Gas & Electric Company****\$200,000,000 2003 Series A 5.40% Debentures Due 2033****\$200,000,000 2003 Series B 5 $\frac{3}{8}$ % Debentures Due 2033**

The Series A Debentures will bear interest at 5.40% per year and will mature on June 15, 2033. The Series B Debentures will bear interest at 5 $\frac{3}{8}$ % per year and will mature on June 15, 2033. We will pay interest on the Series A and Series B Debentures on June 15 and December 15 of each year, beginning on December 15, 2003.

We may redeem some or all of the Series A and Series B Debentures at any time before maturity at prices described in this prospectus supplement. The Series A and Series B Debentures will not be subject to any sinking fund. The Series A and Series B Debentures will be senior unsecured indebtedness of the Company and will rank equally with all of our other senior unsecured indebtedness.

We will not make application to list the Series A or Series B Debentures on any securities exchange or to include them in any automated quotation system.

	<i>Price to Public(1)</i>	<i>Underwriting Discounts and Commissions</i>	<i>Proceeds to Company</i>
Per Series A Debenture	99.764%	0.875%	98.889%
Series A Debentures Total	\$199,528,000	\$1,750,000	\$197,778,000
Per Series B Debenture	99.396%	0.875%	98.521%
Series B Debentures Total	\$198,792,000	\$1,750,000	\$197,042,000
Total	\$398,320,000	\$3,500,000	\$394,820,000

(1) Plus accrued interest, if any, from June 16, 2003.

The Debentures will be ready for delivery in book-entry form only through The Depository Trust Company on or about June 16, 2003.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Series A Debentures*Sole Manager***Barclays Capital****Series B Debentures***Lead Manager***Barclays Capital***Co-managers***Banc One Capital Markets, Inc.***Citigroup***Credit Lyonnais Securities (USA)****ABN AMRO Incorporated****UBS Investment Bank**

The date of this prospectus supplement is June 12, 2003

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The accompanying prospectus is part of a registration statement we filed with the Securities and Exchange Commission. You should rely only on the information we have provided or incorporated by reference in this prospectus supplement and the accompanying prospectus. We and the underwriters have not authorized anyone to provide you with additional or different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not and the underwriters are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus supplement and the accompanying prospectus is accurate only as of the date on the front of the document and that any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since these dates.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first is this prospectus supplement, which describes the specific terms of the securities we are offering and certain other matters relating to us. The second part, the accompanying prospectus, gives more general information about securities we may offer from time to time, some of which may not apply to the securities we are offering pursuant to this prospectus supplement. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

To understand the terms of the Debentures offered by this prospectus supplement and the accompanying prospectus, you should carefully read this prospectus supplement and the accompanying prospectus. You should also read the documents referred to in "Where You Can Find More Information" on pages 3-4 of the accompanying prospectus for information about us and our financial statements.

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to "CG&E," "the Company," "we," "us" and "our" or similar terms are to The Cincinnati Gas & Electric Company.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Securities and Exchange Commission (the "Commission") allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus supplement and the accompanying prospectus. In addition to the information incorporated by reference as described in "Where You Can Find More Information" on pages 3-4 of the accompanying prospectus, we incorporate by reference the documents listed below and any future filings made with the Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all of the Debentures:

- Quarterly Report on Form 10-Q for the quarter ended March 31, 2003; and
- Current Report on Form 8-K filed with the Commission on June 10, 2003.

The financial information in the Annual Report on Form 10-K for the year ended December 31, 2002 incorporated by reference in this prospectus has been superseded by the information contained in the Current Report on Form 8-K referred to above. You may request a copy of these filings at no cost, by writing or telephoning the office of Wendy L. Aumiller, Treasurer, The Cincinnati Gas & Electric Company, 139 East Fourth Street, Cincinnati, Ohio 45202, telephone number (513) 421-9500.

DISCLOSURE ABOUT FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain or incorporate by reference statements that do not directly or exclusively relate to historical facts. These types of statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. They represent our intentions, plans, expectations, assumptions and beliefs about future events. Forward-looking statements involve risks and uncertainties that may cause actual results to be materially different from the results predicted. Factors that could cause actual results to differ are often presented with forward-looking statements. In addition, other factors could cause actual results to differ materially from those indicated in any forward-looking statement. These include:

- Factors affecting operations, such as:
 - unusual weather conditions;
 - unscheduled generation outages;
 - unusual maintenance or repairs;
 - unanticipated changes in costs;
 - environmental incidents, including costs of compliance with existing and future environmental requirements; and
 - electric transmission or gas pipeline system constraints.
- Legislative and regulatory initiatives.
- Additional competition in electric or gas markets and continued industry consolidation.
- Financial or regulatory accounting principles.
- Political, legal and economic conditions and developments in the countries in which we have a presence.
- Changing market conditions and other factors related to physical energy and financial trading activities.
- The performance of projects undertaken by our non-regulated businesses and the success of efforts to invest in and develop new opportunities.
- Availability of, or cost of, capital.
- Employee workforce factors.
- Delays and other obstacles associated with mergers, acquisitions and investments in joint ventures.
- Costs and effects of legal and administrative proceedings, settlements, investigations and claims.

These and other factors are discussed in our reports filed with the Commission. We are not required to revise or update forward-looking statements (whether as a result of changes in actual results, changes in assumptions or other factors affecting the statements). Our forward-looking statements reflect our best beliefs as of the time they are made and may not be updated for subsequent developments.

SUMMARY

This prospectus supplement contains the terms of this offering of Debentures. The prospectus supplement may add, update or change information in the accompanying prospectus. To the extent they are inconsistent, the information in this prospectus supplement will supersede the information in the accompanying prospectus.

The Company

The Cincinnati Gas & Electric Company, an Ohio corporation, is a wholly-owned subsidiary of Cinergy Corp., a registered holding company under the Public Utility Holding Company Act of 1935. The Company is a combination electric and gas public utility company and is engaged in the production, transmission, distribution, and sale of electricity and the sale and transportation of natural gas. See "The Company" on page S-6 of this prospectus supplement.

The Offering

Securities Offered	\$200,000,000 aggregate principal amount of 2003 Series A 5.40% Debentures Due 2033 (the "Series A Debentures") and \$200,000,000 aggregate principal amount of 2003 Series B 5¾% Debentures Due 2033 (the "Series B Debentures")
Interest Payment Dates	June 15 and December 15 of each year, beginning December 15, 2003
Maturity Date	The Series A Debentures and the Series B Debentures will each mature on June 15, 2033.
Optional Redemption	We will have the right to redeem the Debentures, in whole or from time to time in part, at our option on not less than 30 nor more than 60 days' notice, at a redemption price equal to the sum of (i) the principal amount of the Debentures being redeemed plus accrued and unpaid interest thereon to the redemption date, and (ii) a make-whole amount, if any, as more fully described in "Certain Terms of the Debentures—Optional Redemption by CG&E" on page S-10 of this prospectus supplement.
Use of Proceeds	We anticipate the net proceeds from the sale of the Debentures will be approximately \$394.2 million after deducting underwriting discounts and commissions and estimated expenses totaling approximately \$4.1 million. In June 2003, Barclays Capital Inc. agreed to purchase \$100,000,000 aggregate principal amount of our outstanding 6.35% Reset Put Securities (REPS) sm Due 2038 and certain agreements related to the REPS, from the holder thereof, on June 16, 2003. We have agreed to exchange the REPS and the agreements related thereto for approximately \$138.6 million principal amount of the Series A Debentures and to receive cash for the remaining Series A Debentures. We expect to use the remaining proceeds from the Series A Debentures and the proceeds from the Series B Debentures for general corporate purposes, including the funding of capital expenditures related to construction projects and environmental compliance initiatives, and the repayment of outstanding indebtedness.
Ranking	The Debentures will be senior unsecured indebtedness of the Company and will rank equally with all of our other senior unsecured indebtedness.
Further Issues	We may from time to time, without notice to or the consent of the registered holders of the Debentures, create and issue additional debt securities having the same terms as, and ranking equally and ratably with, the Series A Debentures or the Series B Debentures, as applicable, in all respects.

THE COMPANY

Organization

The Cincinnati Gas & Electric Company, an Ohio corporation, is a wholly-owned subsidiary of Cinergy Corp., a registered holding company under the Public Utility Holding Company Act of 1935. CG&E is a combination electric and gas public utility company and is engaged in the production, transmission, distribution, and sale of electricity and the sale and transportation of natural gas. CG&E provides service in the southwestern portion of Ohio and through its subsidiaries in nearby areas of Kentucky and Indiana. CG&E's principal utility subsidiary, The Union Light, Heat and Power Company ("ULH&P"), is a Kentucky corporation that provides electric and gas service in northern Kentucky. CG&E's other subsidiaries are insignificant to its results of operations.

The service territory of CG&E and its utility subsidiaries, including ULH&P, is heavily populated and is characterized by a stable residential customer base and a diverse mix of industrial customers.

In 2001, CG&E began a transition to electric deregulation and customer choice. Currently, the competitive retail electric market in Ohio is in the development stage. CG&E is recovering its Public Utilities Commission of Ohio ("PUCO") approved costs, and its retail electric rates are frozen during this market development period. See "The Company—Ohio Retail Market Developments" below for a discussion of key elements regarding Ohio deregulation.

Ohio Retail Market Developments

In July 1999, Ohio Governor Robert Taft signed Amended Substitute Senate Bill No. 3 (the "Electric Restructuring Bill"), beginning the transition to electric deregulation and customer choice for the State of Ohio. The Electric Restructuring Bill created a competitive electric retail service market effective January 1, 2001. The legislation provides for a market development period that began January 1, 2001 and ends no later than December 31, 2005.

In August 2000, the PUCO approved CG&E's plan and agreement for implementing electric customer choice in Ohio. Under such plan, retail customers continue to receive transportation services from CG&E but may purchase electricity from another supplier. Retail customers that purchase electricity from another supplier receive shopping credits from CG&E. The shopping credits generally reflect the costs of electric generation included in CG&E's frozen rates. However, shopping credits for the first 20 percent of electricity usage in each customer class to switch suppliers, are higher than CG&E's electric generation costs in order to stimulate the development of the competitive retail electric service market.

CG&E recovers its regulatory assets and other transition costs through a Regulatory Transition Charge ("RTC") paid by all retail customers. As the RTC is collected from customers, CG&E amortizes the deferred balance of regulatory assets and other transition costs. A portion of the RTC collected from customers is recognized currently as a return on the deferred balance of regulatory assets and other transition costs and as reimbursement for the difference in the shopping credits provided to customers and the wholesale revenues from switched generation. The ability of CG&E to recover its regulatory assets and other transition costs is dependent on several factors, including, but not limited to, the level of CG&E's electric sales, prices in the wholesale power markets, and the amount of customer switching to other electric suppliers.

On January 10, 2003, CG&E filed an application with the PUCO for approval of a methodology to establish how market-based rates for non-residential customers will be determined when the market development period ends. In the filing, CG&E seeks to establish a market-based standard service offer rate for non-residential customers that do not switch suppliers, and a process for establishing the competitively-bid generation service option required by the Electric Restructuring Bill. As of March 31, 2003, more than 20 percent of the load in each of CG&E's non-residential customer classes

has switched to other electric suppliers. Under its transition plan, CG&E may end the market development period for those classes of customers once 20 percent switching has been achieved; however, PUCO approval of the standard service offer rate and competitive bidding process is required before the market development period can be ended. CG&E is not requesting to end the market development period for non-residential customers at this time. CG&E is unable to predict the outcome of this proceeding.

A Federal Energy Regulatory Commission order, that was effective April 2002, allows Cinergy to jointly dispatch the deregulated generating assets of CG&E in conjunction with the regulated generating assets of PSI Energy, Inc., a wholly-owned subsidiary of Cinergy and an affiliate of CG&E. The order also authorizes the transfer of the CG&E generating assets to a non-regulated affiliate. However, Cinergy and CG&E have determined that they can realize the benefits of the new joint dispatch agreement without transferring CG&E's generation and, therefore CG&E does not plan to transfer its generating assets to a non-regulated affiliate in the foreseeable future.

Securities Ratings

As of the date of this prospectus supplement, the major credit ratings agencies rated our senior unsecured debt securities as follows:

<u>Fitch(1)</u>	<u>Moody's(2)</u>	<u>S&P(3)</u>
BBB+	Baa1	BBB

(1) Fitch IBCA ("Fitch")

(2) Moody's Investors Service ("Moody's")

(3) Standard & Poor's Ratings Services ("S&P")

In April 2002, Moody's affirmed the credit ratings of CG&E and assigned a stable outlook to our debt and preferred stock ratings.

In June 2002, S&P affirmed the secured debt rating of CG&E, while lowering the credit ratings on other debt securities, including senior unsecured debt securities. S&P removed all of CG&E's ratings from CreditWatch with negative implications and assigned a stable outlook.

Also in June 2002, Fitch affirmed the credit ratings of CG&E.

These securities ratings may be revised or withdrawn at any time, and each rating should be evaluated independently of any other rating.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth selected financial information of CG&E and its consolidated subsidiaries. This information is derived from our historical results. See "Incorporation of Certain Documents by Reference" on page S-3 of this prospectus supplement. All dollar amounts are in thousands.

Consolidated Income Information

	Three Months Ended March 31, 2003	Year Ended December 31,		
		2002	2001	2000
Operating Revenues	\$703,840	\$2,137,410	\$2,247,470	\$2,100,796
Depreciation	49,264	196,539	186,986	180,978
Operating Income	156,979	504,918	611,571	527,541
Interest	25,841	95,623	103,047	99,204
Income Taxes	51,424	155,341	186,527	159,398
Income Before Cumulative Effect of a Change in Accounting Principles	86,298	263,696	326,654	266,820
Cumulative Effect of a Change in Accounting Principles, net of tax(1)	30,938	—	—	—
Net Income	117,236	263,696	326,654	266,820
Preferred Dividend Requirement	211	846	846	847
Net Income Applicable to Common Stock	117,025	262,850	325,808	265,973

Consolidated Capitalization

	Outstanding March 31, 2003		Outstanding December 31, 2002	
	Amount	% of Capitalization	Amount	% of Capitalization
Total Debt(2)	\$1,826,191	49%	\$1,826,674	50%
Cumulative Preferred Stock Not Subject to Mandatory Redemption	20,485	1%	20,485	1%
Common Stock Equity	1,879,971	50%	1,810,334	49%
Total Capitalization	<u>\$3,726,647</u>	<u>100%</u>	<u>\$3,657,493</u>	<u>100%</u>

- (1) Reflects the adoption of Emerging Issues Task Force (EITF) Issue 02-3, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities*, and Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*.
- (2) Total Debt includes capital leases of \$24,331 and \$24,861 at March 31, 2003 and December 31, 2002, respectively.

RATIO OF EARNINGS TO FIXED CHARGES

Listed below is the ratio of earnings to fixed charges for the three month period ended March 31, 2003 and for each year of the five year period ended December 31, 2002.

	Three Months Ended March 31, 2003	Year Ended December 31,				
		2002	2001	2000	1999	1998
Ratio of Earnings to Fixed Charges	5.61	4.78	5.39	4.83	4.41	4.03

For the purpose of computing the ratio of earnings to fixed charges, earnings consist of pre-tax income from continuing operations plus fixed charges. Fixed charges consist of:

- interest expense;
- amortized premiums, discounts and capitalized expenses related to indebtedness; and
- an estimate of the interest within rental expense.

USE OF PROCEEDS

We anticipate the net proceeds from the sale of the Debentures will be approximately \$394.2 million after deducting underwriting discounts and commissions and estimated expenses totaling approximately \$4.1 million. In June 2003, Barclays Capital Inc. agreed to purchase \$100,000,000 aggregate principal amount of our outstanding 6.35% Reset Put Securities (REPS)sm Due 2038 and certain agreements related to the REPS, from the holder thereof, on June 16, 2003. We have agreed to exchange the REPS and the agreements related thereto for approximately \$138.6 million principal amount of the Series A Debentures and to receive cash for the remaining Series A Debentures. Following this offering, the REPS will be retired. We expect to use the remaining proceeds from the Series A Debentures and the proceeds from the Series B Debentures for general corporate purposes, including the funding of capital expenditures related to construction projects and environmental compliance initiatives, and the repayment of outstanding indebtedness.

CERTAIN TERMS OF THE DEBENTURES

The following description of the particular terms of the Debentures supplements the description of the general terms and provisions of the Debentures set forth in the accompanying prospectus under the caption "Description of the Unsecured Debt Securities." The term Debentures includes both the Series A Debentures and the Series B Debentures. The following is only a summary of certain provisions of the Debenture Indenture and, therefore, is not complete. You should read the Debenture Indenture in its entirety for provisions that may be important to you.

General

We are issuing \$200,000,000 aggregate principal amount of Series A Debentures and \$200,000,000 aggregate principal amount of Series B Debentures. The Series A Debentures and the Series B Debentures will each mature on June 15, 2033. The Debentures will be issued under the Debenture Indenture dated May 15, 1995, between CG&E and Fifth Third Bank, as Trustee, as supplemented by a Seventh Supplemental Indenture, dated as of June 15, 2003. The Debentures will be designated as specified on the cover of this prospectus supplement.

The Debentures will be issued only in fully registered form in denominations of \$1,000 and integral multiples of \$1,000.

Ranking

The Debentures will be unsecured and will rank equally with all of our other unsecured and unsubordinated debt and other obligations from time to time outstanding.

Further Issues

We may from time to time, without notice to or the consent of the registered holders of the Debentures, create and issue additional debt securities having the same terms as, and ranking equally and ratably with, the Series A Debentures or the Series B Debentures, as applicable, in all respects (or in all respects except for the payment of interest accruing prior to the issue date of such additional debt securities or except for the first payment of interest following the issue date of such additional debt securities). Any additional debt securities having such similar terms, together with the Series A Debentures or the Series B Debentures, as applicable, will constitute a single series of debt securities under the Debenture Indenture.

Interest

We will pay interest on the Series A Debentures initially at a rate of 5.40% and on the Series B Debentures initially at a rate of 5 $\frac{3}{8}$ %. Interest on the Debentures will accrue from June 16, 2003. Payments will occur on June 15 and December 15 of each year beginning December 15, 2003.

The amount of interest payable for any period will be computed based on a 360-day year of twelve 30-day months. Interest will be paid to holders of record on the business day immediately preceding the interest payment date.

If any interest payment date is not a business day, then interest payable on that date will be paid on the next business day. No additional interest or other payment will be paid due to the delay.

Optional Redemption by CG&E

Subject to the terms of the Debenture Indenture, we will have the right to redeem the Debentures, in whole or from time to time in part, until maturity (such redemption, a "Make-Whole Redemption," and the date thereof, the "Redemption Date"), at a redemption price equal to the sum of (i) the principal amount of the Debentures being redeemed plus accrued and unpaid interest thereon to the Redemption Date, and (ii) the Make-Whole Amount (as defined below), if any, with respect to the Debentures being redeemed.

"Make-Whole Amount" means the excess, if any, of (i) the sum, as determined by a Quotation Agent, of the present value of the principal amount of the Debentures to be redeemed, together with scheduled payments of interest thereon from the Redemption Date to the maturity date of the Debentures to be redeemed (not including any portion of such payments of interest accrued as of the Redemption Date), in each case discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate over (ii) 100% of the principal amount on the Redemption Date of the Debentures to be redeemed.

"Adjusted Treasury Rate" means the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Redemption Date, calculated on the third business day preceding the Redemption Date, plus in each case .20% (20 basis points).

"Comparable Treasury Issue" means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term from the Redemption Date to the stated maturity of the Debentures that would be utilized, at the time of selection and in accordance with

customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Debentures.

"Quotation Agent" means the Reference Treasury Dealer selected by the Trustee after consultation with the Company. "Reference Treasury Dealer" means a primary U.S. Government securities dealer.

"Comparable Treasury Price" means (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding the Redemption Date, as set forth in the daily statistical release designated "H.15" (or any successor release) published by the Board of Governors of the Federal Reserve System or (ii) if that release (or any successor release) is not published or does not contain those prices on that business day, (A) the average of the Reference Treasury Dealer Quotations for the Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Trustee obtains fewer than three such Reference Treasury Dealer Quotations, the average of those Quotations.

"Reference Treasury Dealer Quotations" means the average, as determined by the Trustee (after consultation with the Company), of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by the Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding the Redemption Date.

Notice of any redemption will be mailed by us at least 30 days but not more than 60 days before any Redemption Date to each holder of Debentures to be redeemed. If less than all the Debentures are to be redeemed at our option, the Trustee will select, in such manner as it deems fair and appropriate, the Debentures to be redeemed.

Unless we default in payment of the Redemption Price, on and after any Redemption Date, interest will cease to accrue on the Debentures or portions thereof called for redemption.

The Debentures will not be redeemable at the option of any holder prior to maturity and will not be subject to any sinking fund.

Global Securities

We will issue the Debentures in book-entry only form, which means that each series will be represented by one permanent global certificate registered in the name of The Depository Trust Company, New York, New York ("DTC"), or its nominee.

DTC will keep a computerized record of its participants (for example, your broker) whose clients purchased the Debentures. The participant will then keep a record of its clients who purchased the Debentures. The global certificate representing each series of Debentures may not be transferred, except that DTC, its nominees and their successors may transfer the entire global certificate to one another.

By using book-entry only form, we will not issue certificates to individual holders of the Debentures or register the ownership interests in the Debentures of individual holders. Beneficial interests in the global certificates will be shown on, and transfers of interests in the global certificates will be made only through, records maintained by DTC and its participants.

DTC has advised us that it is a limited-purpose trust company created to hold securities for its participating organizations ("Direct Participants") and to facilitate the clearance and settlement of transactions in those securities between Direct Participants through electronic book-entry changes in accounts of Direct Participants. Direct Participants include securities brokers and dealers (including the Underwriters), banks, trust companies, clearing corporations and certain other organizations, including Euroclear and Clearstream. Access to DTC's system is also available to other entities that clear

through or maintain a direct or indirect custodial relationship with a Direct Participant ("Indirect Participants" and, together with Direct Participants, "Participants"). DTC may hold securities beneficially owned by other persons only through its Participants and such other persons' ownership interests and transfer of ownership interests will be recorded only on the records of Participants, and not on the records maintained by DTC.

We will wire principal and interest payments to DTC's nominee. We and the Trustee will treat DTC's nominee as the owner of the global certificate for all purposes. Accordingly, we will have no direct responsibility or liability to pay amounts due on the Debentures to owners of beneficial interests in the global certificates.

It is DTC's current practice, upon receipt of any payment of principal and interest, to credit Direct Participants' accounts on the payment date according to their respective holdings of beneficial interests in the global certificate as shown on DTC's records. In addition, it is DTC's current practice to assign any consenting or voting rights to Direct Participants whose accounts are credited with Debentures on a record date by using an omnibus proxy. Payments by Participants to owners of beneficial interests in the global certificate, and voting by Participants, will be governed by the customary practices between the Participants and owners of beneficial interests, as is the case with securities held for the account of customers registered in "street name." However, these payments will be the responsibility of the Participants and not of DTC, the Trustee or CG&E.

A further description of DTC's procedures with respect to the Debentures is set forth under "Description of the Unsecured Debt Securities—Global Securities" in the accompanying prospectus.

Defeasance

The Debentures will be subject to defeasance and covenant defeasance as provided under the caption "Description of the Unsecured Debt Securities—Defeasance and Covenant Defeasance" in the accompanying prospectus.

UNDERWRITING

Under the terms and subject to the conditions contained in the Series A Underwriting Agreement, dated June 12, 2003, Barclays Capital Inc., as underwriter (the "Series A Underwriter"), has agreed to purchase, and we have agreed to sell to them, \$200,000,000 principal amount of the Series A Debentures.

Under the terms and subject to the conditions contained in the Series B Underwriting Agreement, dated June 12, 2003, the underwriters named below (the "Series B Underwriters") have severally agreed to purchase, and we have agreed to sell to them, severally, the respective principal amounts of the Series B Debentures set forth opposite their respective names below:

<u>Name</u>	<u>Principal Amount of Series B Debentures</u>
Barclays Capital Inc.	\$ 25,000,000
Banc One Capital Markets, Inc.	50,000,000
Citigroup Global Markets Inc.	37,500,000
Credit Lyonnais Securities (USA) Inc.	37,500,000
ABN Amro Incorporated	25,000,000
UBS Securities LLC	25,000,000
Total	<u>\$200,000,000</u>

Each of the Underwriting Agreements provides that the obligations of the Underwriter or the Underwriters to pay for and accept delivery of the Debentures is subject to, among other things, the approval of certain legal matters by their counsel and certain other conditions. The Series A Underwriter is obligated to take and pay for all of the Series A Debentures if any are taken. The Series B Underwriters are obligated to take and pay for all of the Series B Debentures if any are taken.

The Underwriters initially propose to offer part of the Debentures directly to the public at the public offering price set forth on the cover page and part to certain dealers at a price that represents a concession not in excess of .500% of the principal amount of the Debentures. Any Underwriter may allow, and any such dealers may reallow, a concession to other dealers not to exceed .250% of the principal amount of the Debentures. After the initial offering of the Debentures, the offering price and other selling terms may from time to time be varied by the Underwriters.

We do not intend to apply for listing of the Debentures on a national securities exchange, but have been advised by the Underwriters that they intend to make a market in the Debentures. The Underwriters are not obligated, however, to do so and may discontinue their market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Debentures.

In order to facilitate the offering of the Debentures, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Debentures. Specifically, the Underwriters may over allot in connection with the offering, creating a short position in the Debentures for their own account. In addition, to cover over allotments or to stabilize the price of the Debentures, the Underwriters may bid for, and purchase, the Debentures in the open market. Finally, the Underwriters may reclaim selling concessions allowed to an Underwriter or a dealer for distributing the Debentures in the offering, if they repurchase previously distributed Debentures in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price for the Debentures above independent market levels. The Underwriters are not required to engage in these activities and may end any of these activities at any time.

We have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

A portion of the Series A Debentures will be issued in exchange for the delivery by Barclays Capital Inc. to us of the REPS and certain agreements related thereto, as described in "Use of Proceeds." Because more than ten percent of the net proceeds of the offering may be paid to members or affiliates of members of the National Association of Securities Dealers, Inc. participating in the offering, the offering is being conducted in accordance with NASD Conduct Rule 2710(c)(8).

The underwriters and their affiliates have acted as lenders, and performed certain investment banking and advisory and general financing, trustee and banking services for CG&E and its affiliates from time to time for which they have received customary fees and expenses. The underwriters and their affiliates may, from time to time, engage in transactions with or perform services for CG&E and its affiliates in the ordinary course of their business.

LEGAL MATTERS

Certain legal matters with respect to this offering will be passed upon for us by Bradley C. Arnett, Esq., Senior Counsel of Cinergy Services, Inc., one of our affiliates, and Skadden, Arps, Slate, Meagher & Flom LLP, Washington, D.C. Davis Polk & Wardwell, New York, New York will pass upon certain legal matters for the Underwriters. Davis Polk & Wardwell has acted as counsel in certain matters for us and some of our affiliates.

PROSPECTUS

The Cincinnati Gas & Electric Company

**By this prospectus, we offer up to
\$500,000,000
of
Unsecured Debt Securities,
First Mortgage Bonds
and Preferred Stock**

We will provide the specific terms of these securities in supplements to this prospectus. You should read this prospectus and the supplements carefully before you invest.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is June 12, 2003

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission using a "shelf" registration process. Under this shelf process, we may, from time to time, sell the securities described in this prospectus or combinations thereof in one or more offerings with a maximum aggregate offering price of up to \$500,000,000. This prospectus provides a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with the additional information described under "Where You Can Find More Information."

In this prospectus, unless the context indicates otherwise, the terms "CG&E," "the Company," "we," "our," "ours" and "us" refer to The Cincinnati Gas & Electric Company.

We may use this prospectus to offer from time to time:

- our unsecured and unsubordinated debt securities, which in this prospectus we refer to as the senior unsecured debt securities;
- our unsecured subordinated debt securities, which in this prospectus we refer to as the junior subordinated unsecured debt securities. In this prospectus, we refer to the senior unsecured debt securities together with the junior subordinated unsecured debt securities as the unsecured debt securities;
- our first mortgage bonds; and
- shares of our cumulative preferred stock, par value \$100 per share, which in this prospectus we refer to as the preferred stock.

We sometimes refer to our unsecured debt securities, first mortgage bonds and preferred stock as the securities. For more detailed information about the securities, you can also read the exhibits to the registration statement. Those exhibits have been either filed with the registration statement or incorporated by reference to earlier SEC filings listed in the registration statement.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Commission. You may read and copy any document that we file at the Public Reference Room of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. You may also read our filings over the Internet at the Commission's home page at <http://www.sec.gov>.

This prospectus is part of a registration statement on Form S-3 filed with the Commission under the Securities Act of 1933. It does not contain all of the information that is important to you. You should read the registration statement for further information with respect to CG&E and the securities. Statements contained in this prospectus concerning the provisions of any document filed as an exhibit to the registration statement or otherwise filed with the Commission highlight selected information, and in each instance reference is made to the copy of the document filed.

The Commission allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the Commission will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made with the Commission

under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all of the securities:

(a) Annual Report on Form 10-K for the year ended December 31, 2002.

You may request a copy of any of the information incorporated by reference at no cost, by writing or telephoning the office of Wendy L. Aumiller, Treasurer, The Cincinnati Gas & Electric Company, 139 East Fourth Street, Cincinnati, Ohio 45202, telephone number (513) 421-9500.

THE COMPANY

The Company, an Ohio corporation, is a wholly-owned subsidiary of Cinergy Corp., a registered holding company under the Public Utility Holding Company Act of 1935. The Company is a combination electric and gas public utility company and is engaged in the production, transmission, distribution, and sale of electricity and the sale and transportation of natural gas. The Company provides service in the southwestern portion of Ohio and through its subsidiaries in nearby areas of Kentucky and Indiana. The Company's principal utility subsidiary, The Union Light, Heat and Power Company, is a Kentucky corporation that provides electric and gas service in northern Kentucky. The Company's other subsidiaries are insignificant to its results of operations.

The Company's principal executive office is located at 139 East Fourth Street, Cincinnati, Ohio 45202 (telephone 513-421-9500).

USE OF PROCEEDS

Unless otherwise set forth in a prospectus supplement, the net proceeds from the sale of the securities will be used for general corporate purposes including repayment of debt and construction costs.

**RATIOS OF EARNINGS TO FIXED CHARGES AND
EARNINGS TO FIXED CHARGES AND
PREFERRED STOCK DIVIDENDS**

Listed below are CG&E's ratio of earnings to fixed charges and ratio of earnings to fixed charges and preferred stock dividends for each year in the five year period ended December 31, 2002.

	Year Ended December 31,				
	2002	2001	2000	1999	1998
Ratio of Earnings to Fixed Charges	4.78	5.39	4.83	4.41	4.03
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends .	4.72	5.33	4.77	4.36	3.98

For the purpose of computing the ratio of earnings to fixed charges, earnings consist of pretax income from continuing operations plus fixed charges. Fixed charges consist of:

- interest expense;
- amortized premiums, discounts and capitalized expenses related to indebtedness; and
- an estimate of the interest within rental expense.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables show summary financial information of CG&E and its consolidated subsidiaries. This information is derived from our historical results. See "Where You Can Find More Information." All dollar amounts are in thousands.

Consolidated Income Information

	Year Ended December 31,		
	2002	2001	2000
Operating Revenues	\$2,137,410	\$2,247,470	\$2,100,796
Operating Income	\$ 504,918	\$ 611,571	\$ 527,541
Net Income	\$ 263,696	\$ 326,654	\$ 266,820
Preferred Dividend Requirement	846	846	847
Net Income Applicable To Common Stock	<u>\$ 262,850</u>	<u>\$ 325,808</u>	<u>\$ 265,973</u>

Consolidated Capitalization

	Outstanding December 31, 2002	
	Amount	% of Capitalization
Total Debt(1)	\$1,826,674	50%
Cumulative Preferred Stock		
Not Subject to Mandatory Redemption	20,485	1%
Common Stock Equity	<u>1,810,334</u>	<u>49%</u>
Total Capitalization	<u>\$3,657,493</u>	<u>100%</u>

(1) Includes \$24,861 of capital lease obligations.

DESCRIPTION OF THE UNSECURED DEBT SECURITIES

We may issue from time to time one or more series of senior unsecured debt securities or junior subordinated unsecured debt securities under a Debenture Indenture, dated May 15, 1995, between us and Fifth Third Bank, as debenture trustee. When we offer to sell a particular series of unsecured debt securities, we will describe the specific terms of these unsecured debt securities in a prospectus supplement. The prospectus supplement will also indicate whether the general terms and provisions described in this prospectus apply to a particular series of unsecured debt securities.

We have summarized certain terms and provisions of the Debenture Indenture. The summary is not complete. The Debenture Indenture is an exhibit to the registration statement of which this prospectus forms a part. You should read the Debenture Indenture for the provisions that may be important to you. Terms used in this summary have the meanings specified in the Debenture Indenture. The Debenture Indenture is subject to and governed by the Trust Indenture Act of 1939, as amended.

General

The Debenture Indenture allows us to issue unsecured debt securities in an unlimited amount from time to time. The relevant prospectus supplement will describe the terms of any unsecured debt securities being offered, including:

- the title of the unsecured debt securities;
- any limit on the aggregate principal amount of the unsecured debt securities;
- the date or dates on which the principal of any of the unsecured debt securities will be payable;
- the rate or rates at which any of the unsecured debt securities will bear interest, if any;
- the date from which interest, if any, on the unsecured debt securities will accrue, the dates on which interest, if any, will be payable, the date on which payment of interest, if any, will commence, and the record dates for any interest payments;
- the right, if any, to extend interest payment periods and the duration of any extension;
- any redemption, purchase or sinking fund provisions;
- the place or places where the principal of and any premium and interest on any of the unsecured debt securities will be payable;
- the denominations in which the unsecured debt securities will be issuable;
- the index, if any, with reference to which the amount of principal of or any premium or interest on the unsecured debt securities will be determined;
- any addition to or change in the events of default applicable to any of the unsecured debt securities and any change in the right of the debenture trustee or the holders to declare the principal amount of any of the unsecured debt securities due and payable;
- any addition to or change in the covenants in the Debenture Indenture;
- whether the unsecured debt securities will be defeasible;
- whether the unsecured debt securities will be issued in the form of one or more global securities;
- the applicability of the subordination provisions of the Debenture Indenture to a series of unsecured debt securities; and
- any other terms of the unsecured debt securities not inconsistent with the provisions of the Debenture Indenture.

Subordination of Certain Unsecured Debt Securities

The Debenture Indenture provides that one or more series of unsecured debt securities may be subordinate and subject in right of payment to the prior payment in full of all senior debt of the Company.

No payment of principal of (including redemption and sinking fund payments), premium, if any, or interest on, the junior subordinated unsecured debt securities may be made if any senior debt is not paid when due, if any default has not been cured or waived, or if the maturity of any senior debt has been accelerated because of a default. Upon any distribution of assets of the Company to creditors upon any dissolution, winding-up, liquidation or reorganization, whether voluntary or involuntary, or in bankruptcy, insolvency, receivership or other proceedings, all principal of, and premium, if any, and interest due or to become due on, all senior debt must be paid in full before the holders of the junior subordinated unsecured debt securities are entitled to receive or retain any payment. The rights of the holders of the junior subordinated unsecured debt securities will be subordinated to the rights of the holders of senior debt to receive payments or distributions applicable to senior debt.

In this prospectus, we use the term "senior debt" to mean the principal of, premium, if any, and interest on and any other payment due pursuant to any of the following, whether currently outstanding or later incurred, created or assumed:

- (a) all indebtedness of the Company evidenced by notes, debentures, bonds, or other securities sold by the Company for money, excluding junior subordinated unsecured debt securities, but including all first mortgage bonds of the Company outstanding from time to time;
- (b) all indebtedness of others of the kinds described in the preceding clause (a) assumed by or guaranteed in any manner by the Company; and
- (c) all renewals, extensions, or refundings of indebtedness of the kinds described in either of the preceding clauses (a) and (b);

unless the instrument creating or evidencing, or assuming or guaranteeing, any particular indebtedness, renewal, extension or refunding expressly provides that the indebtedness, renewal, extension or refunding is not superior in right of payment to or is *pari passu* with the junior subordinated unsecured debt securities.

The Debenture Indenture does not limit the aggregate amount of senior debt that the Company may issue.

Exchange, Register and Transfer

The unsecured debt securities of each series will be issuable only in fully registered form without coupons.

The unsecured debt securities may be presented for exchange, registered and transferred in the manner, at the places and subject to the restrictions set forth in the unsecured debt securities and the relevant prospectus supplement. Subject to the limitations noted in the Debenture Indenture, you will not have to pay for these services, except for any associated taxes or other governmental charges.

Global Securities

We may issue registered unsecured debt securities of a series in the form of one or more fully registered global unsecured debt securities (each a "global security") that we will register in the name of, and deposit with, a depositary (or a nominee of a depositary) identified in the prospectus supplement relating to the series. Each global security will set forth the aggregate principal amount of the series of unsecured debt securities that it represents. The depositary (or its nominee) will not

transfer any global security unless and until it is exchanged in whole or in part for unsecured debt securities in definitive registered form, except that:

- the depositary may transfer the whole global security to a nominee;
- the depositary's nominee may transfer the whole global security to the depositary;
- the depositary's nominee may transfer the whole global security to another of the depositary's nominees; and
- the depositary (or its nominee) may transfer the whole global security to its (or its nominee's) successor.

A global security may not be exchanged for unsecured debt securities in definitive registered form, and no transfer of a global security may be registered in the name of any person other than the depositary (or its nominee), unless:

- the depositary has notified the Company that it is unwilling or unable to continue as depositary for the global security or has ceased to be qualified to act as depositary as required by the Debenture Indenture;
- an event of default has occurred with respect to the global security; or
- circumstances exist, if any, in addition to or in lieu of those described above, as may be described in the applicable prospectus supplement.

Any unsecured debt securities issued in definitive form in exchange for a global security will be registered in such name or names that the depositary gives to the debenture trustee. We expect that these instructions will be based upon directions received by the depositary from participants with respect to ownership of beneficial interests in the global security.

Depositary Arrangements

We will describe the specific terms of the depositary arrangement with respect to any portion of a series of unsecured debt securities to be represented by a global security in the prospectus supplement relating to the series. We anticipate that the following provisions will apply to all depositary arrangements.

Generally, ownership of beneficial interests in a global security will be limited to persons that have accounts with the depositary for the global security ("participants") or persons that may hold interests through participants. Upon the issuance of a global security, the depositary will credit, on its book-entry registration and transfer system, the participants' accounts with their respective principal amounts of the unsecured debt securities represented by the global security.

Any dealers, underwriters or agents participating in the distribution of the unsecured debt securities will designate the accounts to credit. For participants, the depositary will maintain the only record of their ownership of a beneficial interest in the global security and they will only be able to transfer those interests through the depositary's records. For persons who hold through a participant, the relevant participant will maintain the records of beneficial ownership and transfer. The laws of some states may require that certain purchasers of securities take physical delivery of securities in definitive form. These laws may impair their ability to own, transfer or pledge beneficial interests in global securities.

So long as the depositary (or its nominee) is the record owner of a global security, it will be considered the sole owner or holder of the unsecured debt securities represented by the global security for all purposes under the Debenture Indenture. Except as set forth below, owners of beneficial interests in a global security will not be entitled to have the unsecured debt securities represented by the global security registered in their names, will not receive or be entitled to receive physical delivery

of the unsecured debt securities in definitive form and will not be considered the owners or holders under the Debenture Indenture. Accordingly, each person owning a beneficial interest in a global security must rely on the procedures of the depositary and, if the person is not a participant, on the procedures of the participant through which the person owns its interest, to exercise any rights of a holder under the Debenture Indenture. We understand that under existing industry practices, if we request any action of holders or if any owner of a beneficial interest in a global security desires to give or take any action allowed under the Debenture Indenture, the depositary would authorize the participants holding the relevant beneficial interests to give or take that action, and those participants, in turn, would authorize beneficial owners owning through them to give or take the action or would otherwise act upon the instruction of beneficial owners holding through them.

Interest and Premium

Payments of principal, premium, if any, and any interest on unsecured debt securities represented by a global security registered in the name of a depositary (or its nominee) will be made to the depositary (or its nominee) as the registered owner of the global security. We and our agents will have no responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in any global security or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests, and neither will the debenture trustee and its agents.

We expect that the depositary for any unsecured debt securities represented by a global security, upon receipt of any payment of principal, premium, if any, or any interest in respect of the global security, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the global security as shown on the depositary's records. We also expect that payments by participants to owners of beneficial interests in the global security held through participants will be governed by standing customer instructions and customary practices, as is now the case with securities registered in "street name," and will be the responsibility of each participant.

Payment and Paying Agents

Unless the applicable prospectus supplement indicates otherwise, payment of interest on an unsecured debt security on any interest payment date will be made to the person in whose name the debt security is registered at the close of business on the regular record date for the interest payment.

Unless the applicable prospectus supplement indicates otherwise, principal of and any premium and interest on the unsecured debt securities will be payable at the office of the paying agent designated by us. However, we may elect to pay interest by check mailed to the address of the person entitled to the payment at the address appearing in the security register. Unless otherwise indicated in the applicable prospectus supplement, the corporate trust office of the debenture trustee in the City of Cincinnati will be designated as our sole paying agent for payments with respect to unsecured debt securities of each series. Any other paying agents initially designated by us for the unsecured debt securities of a particular series will be named in the applicable prospectus supplement. We may at any time designate additional paying agents or rescind the designation of any paying agent or approve a change in the office through which any paying agent acts, except that we will be required to maintain a paying agent in each place of payment for the unsecured debt securities of a particular series.

All moneys paid by us to a paying agent for the payment of the principal of or any premium or interest on any unsecured debt security which remain unclaimed at the end of 18 months after the principal, premium or interest has become due and payable will be repaid to us, and the holder of the debt security thereafter may look only to us for payment.

Consolidation, Merger, and Sale of Assets

The Debenture Indenture does not contain any provision that restricts our ability to merge or consolidate with or into any other corporation, sell or convey all or substantially all of our assets to any person, firm or corporation or otherwise engage in restructuring transactions, provided that the successor corporation assumes due and punctual payment of the principal, premium, if any, and interest on the unsecured debt securities.

Events of Default

Each of the following is defined as an event of default under the Debenture Indenture with respect to unsecured debt securities of any series:

- failure to pay principal of or any premium on any debt security of that series when due;
- failure to pay any interest on any debt security of that series when due, continued for 30 days;
- failure to deposit any sinking fund payment, when due, in respect of any debt security of that series;
- failure to perform any other of our covenants in the Debenture Indenture (other than a covenant included in the Debenture Indenture solely for the benefit of a series other than that series), continuing for 90 days after written notice has been given by the debenture trustee or the holders of at least 35% in aggregate principal amount of the outstanding unsecured debt securities of that series, as provided in the Debenture Indenture; and
- certain events of bankruptcy, insolvency or reorganization.

If an event of default (other than a bankruptcy, insolvency or reorganization event of default) with respect to the outstanding unsecured debt securities of any series occurs and is continuing, either the debenture trustee or the holders of at least 35% in aggregate principal amount of the outstanding unsecured debt securities of that series, by notice as provided in the Debenture Indenture, may declare the principal amount of the unsecured debt securities of that series to be due and payable immediately. If a bankruptcy, insolvency or reorganization event of default with respect to the outstanding unsecured debt securities of any series occurs, the principal amount of all the unsecured debt securities of that series will automatically, and without any action by the debenture trustee or any holder, become immediately due and payable. After any such acceleration, but before a judgment or decree based on acceleration, the holders of a majority in aggregate principal amount of the outstanding unsecured debt securities of that series may, under certain circumstances, rescind and annul the acceleration if all events of default, other than the non-payment of accelerated principal, have been cured or waived as provided in the Debenture Indenture. For information as to waiver of defaults, see "Modification and Waiver."

Subject to the provisions of the Debenture Indenture relating to the duties of the debenture trustee, *if an event of default occurs, the debenture trustee will be under no obligation to exercise any of its rights or powers under the Debenture Indenture at the request or direction of any of the holders, unless the holders shall have offered to the debenture trustee reasonably satisfactory indemnity.* Subject to these provisions for the indemnification of the debenture trustee, the holders of a majority in aggregate principal amount of the outstanding unsecured debt securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the debenture trustee, or exercising any trust or power conferred on the debenture trustee, with respect to the unsecured debt securities of that series.

No holder of a debt security of any series will have any right to institute any proceeding with respect to the Debenture Indenture, or for the appointment of a receiver or a debenture trustee, or for any other remedy thereunder, unless:

- (a) the holder has previously given to the debenture trustee written notice of a continuing event of default with respect to the unsecured debt securities of that series;
- (b) the holders of at least 35% in aggregate principal amount of the outstanding unsecured debt securities of that series have made written request, and have offered reasonably satisfactory indemnity, to the debenture trustee to institute a proceeding as trustee; and
- (c) the debenture trustee has failed to institute a proceeding, and has not received from the holders of a majority in aggregate principal amount of the outstanding unsecured debt securities of that series a direction inconsistent with such request, within 60 days after the notice, request and offer. However, these limitations do not apply to a suit instituted by a holder of a debt security for the enforcement of payment of the principal of or any premium or interest on the debt security on or after the applicable due date specified in the debt security.

We will be required to furnish to the debenture trustee annually a statement by certain of our officers as to whether or not we, to our knowledge, are in default in the performance or observance of any of the terms, provisions and conditions of the Debenture Indenture and, if so, specifying all known defaults.

Modification and Waiver

Modifications and amendments of the Debenture Indenture may be made by us and the debenture trustee with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding unsecured debt securities of each series affected by the modification or amendment; however, *without the consent of the holder of each outstanding debt security affected, no modification or amendment may:*

- change the stated maturity of the principal of, or any installment of principal of or interest on, any debt security;
- reduce the principal amount of, or any premium or interest on, any debt security;
- reduce the amount of principal of an original issue discount security or any other debt security payable upon acceleration of the maturity thereof;
- change the place or currency of payment of principal of, or any premium or interest on, any debt security;
- affect the applicability of the subordination provisions to any debt security;
- impair the right to institute suit for the enforcement of any payment on or with respect to any debt security; or

- reduce the percentage in aggregate principal amount of outstanding unsecured debt securities of any series, the consent of whose holders is required for modification or amendment of the Debenture Indenture; reduce the percentage in aggregate principal amount of outstanding unsecured debt securities of any series necessary for waiver of compliance with certain provisions of the Debenture Indenture or for waiver of certain defaults; or modify these provisions relating to modification and waiver.

The holders of not less than a majority in aggregate principal amount of the outstanding unsecured debt securities of any series may waive our compliance with certain restrictive provisions of the Debenture Indenture. The holders of a majority in aggregate principal amount of the outstanding unsecured debt securities of any series may waive any past default under the Debenture Indenture, except a default in the payment of principal, premium, or interest and certain covenants and provisions of the Debenture Indenture which cannot be amended without the consent of the holder of each outstanding debt security of such series affected.

Generally, we will be entitled to set any day as a record date for the purpose of determining the holders of outstanding unsecured debt securities of any series entitled to give or take any direction, notice, consent, waiver, or other action under the Debenture Indenture, in the manner and subject to the limitations provided in the Debenture Indenture. In certain limited circumstances, the debenture trustee will be entitled to set a record date for action by holders. If a record date is set for any action to be taken by holders of a particular series, the action may be taken only by persons who are holders of outstanding unsecured debt securities of that series on the record date. To be effective, the action must be taken by holders of the requisite aggregate principal amount of unsecured debt securities within 180 days following the record date, or such shorter period as we (or the debenture trustee, if it sets the record date) may specify.

Defeasance and Covenant Defeasance

Under the Debenture Indenture, we may elect to have the provisions of the Debenture Indenture relating to defeasance and discharge of indebtedness, or the provisions relating to defeasance of certain restrictive covenants, applied with respect to the unsecured debt securities of any series.

Defeasance and Discharge.

If we elect to have the provisions of the Debenture Indenture relating to defeasance and discharge of indebtedness applied to any unsecured debt securities, we will be discharged from all our obligations with respect to those unsecured debt securities (except for certain obligations to exchange or register the transfer of unsecured debt securities, to replace stolen, lost or mutilated unsecured debt securities, to maintain paying agencies and to hold moneys for payment in trust) upon the deposit in trust for the benefit of the holders of the unsecured debt securities of money or U.S. Government Obligations, or both, which will provide money sufficient to pay the principal of and any premium and interest on the unsecured debt securities as they become due. This defeasance or discharge may occur only if, among other things, we have delivered to the debenture trustee an opinion of counsel to the effect that we have received from, or there has been published by, the United States Internal Revenue Service a ruling, or there has been a change in tax law, in either case to the effect that holders of the unsecured debt securities will not recognize gain or loss for federal income tax purposes as a result of the deposit, defeasance, and discharge and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if the deposit, defeasance and discharge did not occur.

Defeasance of Certain Covenants.

If we elect to have the provisions of the Debenture Indenture relating to defeasance of certain covenants applied to any unsecured debt securities, we may omit to comply with certain restrictive

covenants that may be described in the applicable prospectus supplement, and the occurrence of certain events of default with respect to those restrictive covenants will no longer be applicable to those unsecured debt securities. In order to exercise this option, we will be required to deposit, in trust for the benefit of the holders of the unsecured debt securities, money or U.S. Government Obligations, or both, which will provide money sufficient to pay the principal of and any premium and interest on the unsecured debt securities as they become due. We will also be required, among other things, to deliver to the debenture trustee an opinion of counsel to the effect that holders of such unsecured debt securities will not recognize gain or loss for federal income tax purposes as a result of such deposit and defeasance of certain obligations and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and defeasance did not occur. If we were to exercise this option with respect to any unsecured debt securities and those unsecured debt securities subsequently were declared due and payable because of the occurrence of any event of default, the amount of money and U.S. Government Obligations deposited in trust would be sufficient to pay amounts due on the unsecured debt securities at the time of their respective stated maturities but might not be sufficient to pay the amounts due upon acceleration resulting from the event of default. In that case, we would remain liable for those payments.

Title

CG&E and the debenture trustee, and any agent of CG&E or the debenture trustee, may treat the person in whose name a debt security is registered as the absolute owner thereof (whether or not the debt security may be overdue) for the purpose of making payment and for all other purposes.

Governing Law

The Debenture Indenture and the unsecured debt securities will be governed by, and construed in accordance with, the laws of the State of New York.

Concerning the Debenture Trustee

Fifth Third Bank will be the debenture trustee under the Debenture Indenture. Fifth Third Bank also acts as the trustee for certain debt securities of our affiliates. Fifth Third Bank makes loans to, and performs other financial services for, us and our affiliates in the normal course of business.

DESCRIPTION OF THE FIRST MORTGAGE BONDS

We may issue from time to time one or more series of first mortgage bonds under a first mortgage dated as of August 1, 1936, between CG&E and The Bank of New York, as first mortgage trustee, as supplemented to date and as proposed to be supplemented by one or more supplemental indentures. When we offer to sell a particular series of first mortgage bonds, we will describe the specific terms of these first mortgage bonds in a prospectus supplement.

We have summarized certain terms and provisions of the Mortgage. The summary is not complete. The Mortgage is an exhibit to the registration statement of which this prospectus forms a part. You should read the Mortgage for the provisions that may be important to you. Terms used in this summary have the meanings specified in the Mortgage. The Mortgage is subject to and governed by the Trust Indenture Act of 1939, as amended.

General

The first mortgage bonds to be offered pursuant to this prospectus will be limited to a principal amount of \$500,000,000 less any unsecured debt securities and preferred stock issued pursuant to this

prospectus. The relevant prospectus supplement will describe the terms of any series of first mortgage bonds being offered, including:

- the aggregate principal amount of the first mortgage bonds;
- the date or dates on which the first mortgage bonds mature;
- the rate or rates per annum at which the first mortgage bonds will bear interest;
- the dates on which interest will be payable;
- the redemption terms of the first mortgage bonds; and
- any other special terms.

Interest will be paid to holders of record on the applicable record dates established in the supplemental indenture relating to the first mortgage bonds. Each record date for the payment of interest will be the first day of the month for an interest payment date occurring on the fifteenth day of the same month or the fifteenth day of the month for an interest payment date occurring on the first day of the following month. Both principal and interest will be payable by check in New York, New York. Unless otherwise specified in the prospectus supplement, the first mortgage bonds will be issued only in fully registered form in denominations of \$1,000 and integral multiples thereof. The first mortgage bonds may be exchanged without charge for first mortgage bonds of other denominations, unless otherwise specified in the relevant prospectus supplement. The first mortgage bonds may be presented for transfer or exchange at the office of the mortgage trustee, 101 Barclay Street, New York, New York.

The first mortgage bonds are not entitled to the benefits of an improvement and sinking fund.

Maintenance and Replacement Fund

The first mortgage bonds are not entitled to the benefits of a maintenance and replacement fund.

CG&E has covenanted to maintain its properties in thorough repair, working order and condition, and to provide adequate reserves for depreciation.

Security

The first mortgage bonds will be secured by the Mortgage equally and ratably with all other bonds now or hereafter issued under the Mortgage. The Mortgage constitutes a first mortgage lien on all of the real estate, personal property and franchises of CG&E, subject to excepted encumbrances and the following exceptions:

- any property that has been released from the lien of the Mortgage by the mortgage trustee;
- except in case of a completed default (followed by a taking possession of the mortgaged property), revenues, earnings, rents, issues, income and profits of the mortgaged property, cash, bills, notes and accounts receivable, contracts and choses in action, materials, supplies and construction equipment; and
- in any case, bonds, notes, evidences of indebtedness, shares of stock and other securities, except as may be specifically subjected to the lien.

The Mortgage contains provisions that subject after-acquired property (subject to pre-existing liens) to the lien. These provisions may not be effective as to property acquired subsequent to the filing of a case with respect to CG&E under the federal Bankruptcy Reform Act of 1978. Certain covenants prohibiting the disposition by CG&E of equity securities of, and limiting the creation of indebtedness by, subsidiaries other than CG&E's Kentucky subsidiary, The Union Light, Heat and Power Company, will not apply in respect of the first mortgage bonds.

Issuance of Additional Bonds

Additional bonds in one or more series may be issued in principal amounts equal to (1) 66⅔% of the cost or the then fair value to CG&E (whichever is less) of unfunded property additions acquired, made or constructed subsequent to September 30, 1945, less the excess, if any, of retirements over the minimum provision for depreciation, (2) the principal amount of bonds previously issued under the Mortgage and retired (other than under a sinking fund and in certain other cases) or deposited with the mortgage trustee for retirement, or (3) amounts of cash deposited with the mortgage trustee, which cash may be withdrawn as CG&E becomes entitled to the issuance of further amounts of bonds. Bonds may be issued upon the basis of property additions and cash deposits only if net earnings (as defined in Section 5 of Article Five of the Mortgage) for any 12 consecutive calendar months within the 15 calendar months immediately preceding the issuance are at least twice the annual interest charges on all outstanding indebtedness having an equal or prior lien, including the additional issue. For the 12 months ended December 31, 2002, based on bonds outstanding on that date, CG&E's coverage was sufficient to issue the entire amount of the first mortgage bonds. No bonds may be issued against property additions if (1) prior lien bonds outstanding against those property additions exceed 35% of the cost or fair value (whichever is less) of the property additions, or (2) the aggregate principal amount of all prior lien bonds exceeds 15% of the principal amount of all bonds issued and outstanding under the Mortgage plus bonds proposed to be issued. The first mortgage bonds will be issued on the basis of unfunded property additions or against the retirement of bonds.

Modifications of the Mortgage

The rights and obligations of CG&E and of the bondholders may be modified only with the consent of the holders of at least 66⅔% in aggregate principal amount of the bonds then outstanding and affected thereby. No modification may extend the maturity of or reduce the rate of interest on or otherwise modify the terms of payment of principal or interest on any bond without the express consent of the holder of the bond or permit the creation of any lien ranking prior to or equal with the lien of the Mortgage on any of the mortgaged property. Notice of a proposed modification must be published in newspapers of general circulation in New York, New York and Cincinnati, Ohio, and the Mortgage provides that the modification must be consented to in writing within twelve months after the first publication of the notice. CG&E may, without the consent of bondholders, amend the Mortgage to remove this time limitation and to cure any ambiguity or correct any defective provision.

Redemption

The first mortgage bonds may be redeemable in whole or in part at the election of CG&E on 30 days' notice. Reference is made to the relevant prospectus supplement for the redemption terms of the first mortgage bonds. In the event that CG&E elects to redeem less than all of the first mortgage bonds, the first mortgage bonds to be redeemed will be drawn by lot in such manner as the mortgage trustee may elect.

Events of Default

A completed default is defined in the Mortgage as being:

- default in payment of principal;
- default for 90 days in payment of any interest;
- default in certain cases in payment of interest or principal of outstanding prior lien bonds beyond the period of grace specified in the Mortgage or other lien constituting a prior lien;
- default for 90 days after notice in the performance of any other covenant in the Mortgage; and

- certain events of bankruptcy, insolvency, or reorganization.

The Mortgage provides that the mortgage trustee may withhold notice to the bondholders of any default (except in payment of principal of, or interest on, the bonds) if the mortgage trustee considers it in the interest of the bondholders to do so. The Mortgage provides that, if a completed default has occurred, either the mortgage trustee or the holders of 25% in principal amount of the bonds then outstanding may declare the principal of and accrued interest on all the bonds to be due and payable. In certain cases the holders of a majority in principal amount of the bonds then outstanding may annul the declaration and its consequences, and may waive past defaults if the agreements in respect to which the default occurred have been fully performed and all arrears of interest, principal of any bonds then due, and mortgage trustee's expenses have been paid. Evidence of compliance with certain conditions and covenants of the Mortgage is periodically furnished by CG&E. The holders of a majority in principal amount of the bonds at the time outstanding have the right to direct the method and place of conducting any proceeding for any sale, foreclosure, or other proceeding under the Mortgage, as well as the right to direct the mortgage trustee to exercise any trust or power with respect to entry or sale conferred on it, so long as the direction is in accordance with the Mortgage and applicable law and the holders offer the mortgage trustee indemnity against its costs, expenses, and liabilities.

Subject to the right of any holder to enforce the payment of the principal of and interest on the holder's bonds at and after the maturity, no holder of any bond has the right to institute any proceeding to enforce the Mortgage unless the holder has given the mortgage trustee notice of a completed default and unless the holders of at least 25% in aggregate principal amount of the bonds then outstanding have:

- made written request to the mortgage trustee;
- offered the mortgage trustee reasonable opportunity to exercise its powers or institute action in its own name; and
- offered the mortgage trustee indemnity satisfactory to it against its costs, expenses, and liabilities.

Concerning the Mortgage Trustee

The Bank of New York is the mortgage trustee under the Mortgage. It also makes loans to, and performs other financial services for, us and our affiliates in the normal course of business.

Book Entry; Delivery and Form

Unless otherwise specified in the applicable prospectus supplement, the first mortgage bonds will be issued in fully registered form, without coupons. Except as described below or otherwise specified in the applicable prospectus supplement, the first mortgage bonds will be deposited with, or on behalf of, the Depository Trust Company, New York, New York, or DTC, and registered in the name of DTC's nominee, in the form of a global bond.

We expect that pursuant to procedures established by DTC:

- upon deposit of the bond, DTC or its custodian will credit on its internal system interests in the global bond to the accounts of persons who have accounts with DTC, the participants; and
- ownership of interests in the global bond will be shown on, and the transfer of those interests will be effected only through, records maintained by DTC or its nominee (with respect to interests of the participants) and the records of the participants (with respect to interests of persons other than participants). Ownership of beneficial interests in the global bond will be limited to participants or persons who hold interests through participants.

So long as DTC or its nominee is the registered owner of the first mortgage bonds, DTC or the nominee will be considered the sole owner of the first mortgage bonds represented by the global bond for all purposes under the Mortgage unless we indicate differently in a prospectus supplement. Except as specified below, no beneficial owner of an interest in the global bond will be able to transfer that interest except in accordance with DTC's procedures, in addition to those provided for under the Mortgage with respect to the first mortgage bonds.

Unless otherwise specified in the applicable prospectus supplement, payments of the principal of and interest on the global bond will be made to DTC or its nominee, as the case may be, as the registered owner thereof. None of CG&E, the mortgage trustee or any paying agent under the Mortgage will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global bond or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

Unless otherwise specified in the applicable prospectus supplement, we expect that DTC or its nominee, upon receipt of any payment of the principal of or interest on the global bond, will immediately credit the participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the global bond as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in the global bond held through such participants will be governed by standing customer instructions and customary practice as is now the case with securities held in nominee accounts. These payments will be the responsibility of the participants.

Transfers between participants in DTC will be effected in accordance with DTC's rules and will be settled in immediately available funds. If a holder requires physical delivery of a certificated first mortgage bond for any reason, including to sell first mortgage bonds to persons in states which require physical delivery of the first mortgage bonds or to pledge such securities, the holder must transfer its interest in the global bond in accordance with the normal procedures of DTC and with the procedures set forth in the Mortgage.

Unless otherwise specified in the applicable prospectus supplement, we expect that DTC will advise us that:

- it will take any action permitted to be taken by a holder of first mortgage bonds (including the presentation of the first mortgage bonds for exchange as described below) only at the direction of one or more participants to whose account at DTC interests in the global bond are credited and only in respect of that portion of the aggregate principal amount of first mortgage bonds as to which the participant or participants has or have given direction. However, as described below, if there is an event of default under the Mortgage, DTC will exchange the global bonds for certificated first mortgage bonds, which it will distribute to its participants;
- it is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act; and
- it was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Although DTC is expected to agree to the foregoing procedures in order to facilitate transfers of interest in the global bond among the participants, it is under no obligation to perform those procedures, and the procedures may be discontinued at any time. Neither CG&E nor the mortgage trustee will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Interests in Global Bonds for Certificated Bonds

Unless otherwise specified in the applicable prospectus supplement, the entire global bond may be exchanged for definitive first mortgage bonds in registered, certificated form if:

- DTC notifies us that it is unwilling or unable to continue as depositary for the global bond and we fail to appoint a successor depositary within 90 days;
- DTC has ceased to be a clearing agency registered under the Exchange Act;
- we notify the mortgage trustee in writing that we elect to cause the issuance of certificated bonds; or
- there shall have occurred and be continuing a default or an event of default with respect to the first mortgage bonds.

Unless otherwise specified in the applicable prospectus supplement, beneficial interests in the global bond may be exchanged for certificated bonds only upon at least 20 days' prior written notice given to the mortgage trustee by or on behalf of DTC in accordance with customary DTC procedures. Certificated bonds delivered in exchange for any beneficial interest in the global bond will be registered in the names, and issued in any approved denominations, requested by DTC on behalf of its direct or indirect participants.

Neither CG&E nor the mortgage trustee will be liable for any delay by the holder of the global bond or DTC in identifying the beneficial owners of the first mortgage bonds, and CG&E and the mortgage trustee may conclusively rely on, and will be protected in relying on, instructions from the holder of the global bond or DTC for all purposes.

DESCRIPTION OF THE PREFERRED STOCK

We may issue from time to time one or more series of preferred stock. When we issue shares of preferred stock, we will provide specific information about the preferred stock being offered in a prospectus supplement.

We have summarized certain terms and provisions of our Amended Articles of Incorporation. The summary is not complete. The Articles are an exhibit to the registration statement of which this prospectus forms a part. You should read the entire Articles for provisions that may be important to you.

The Articles limit the number of shares of preferred stock which we may issue to 6,000,000 shares, with a par value of \$100 each. There are currently outstanding 169,834 shares of the 4% Series and 35,015 of shares the 4¾% Series.

The Articles also prohibit, without the consent of holders of at least two-thirds of the total number of then-outstanding shares of preferred stock, the issuance of additional shares of preferred stock unless the consolidated income of CG&E and its subsidiaries for any 12 consecutive calendar months within the 15 calendar months immediately preceding the issuance has been at least 1.5 times the annual interest charges on all debt, including that of CG&E's subsidiaries, and the annual dividend requirement on all preferred stock of CG&E and its subsidiaries (and any class of stock with equal or prior rank) to be outstanding after the issuance of additional shares of preferred stock. As of

December 31, 2002, CG&E would have been permitted to issue the entire amount of the preferred stock. This amount will fluctuate at any given time depending on future earnings and dividend rates.

General

The Board of Directors of CG&E may from time to time adopt amendments to the Articles providing for the issuance of one or more series of preferred stock and fixing the terms of the series. The relevant prospectus supplement will describe these terms, including:

- the designation and number of shares of the series;
- the dividend rate of the series;
- the dividend payment dates for the series;
- the price or prices at which shares of the series may be redeemed, except that the price may not be less than \$100 a share or more than \$115 a share, plus an amount equal to all accrued dividends to the date fixed for redemption;
- the amount of any sinking fund applicable to the purchase or redemption of shares of the series and the manner of its application;
- whether or not the shares of the series are convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same class of stock of CG&E and, if so, the conversion price or prices, or the rates of exchange, and the adjustments, if any, at which the conversion or exchange may be made; and
- whether or not the issue of any additional shares of the series or any future series shall be subject to any restrictions and, if so, the nature of those restrictions.

Dividend Rights

Holders of the preferred stock will be entitled to receive cumulative dividends, if and when declared by our Board of Directors, as specified in the relevant prospectus supplement. We may not declare or set apart for payment any dividends or make any distribution on our common stock, or redeem or repurchase any preferred or common stock, while there are any arrears in payment of dividends on any outstanding preferred stock.

Voting Rights

Holders of the preferred stock do not have general voting rights. However, whenever dividends payable on the preferred stock are in default in an aggregate amount equivalent to four full quarterly dividends on all outstanding shares, the holders of the preferred stock of all series, voting separately as one class, are entitled to elect a majority of the Board of Directors. That right continues until all dividends then in default have been paid or declared and set apart for payment.

CG&E may not, without the consent in writing of the holders of record of at least two-thirds of the total number of shares of preferred stock of all series then outstanding:

- create or authorize any kind of stock ranking prior to the 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;
- amend, alter, change or repeal any of the express terms of the preferred stock so as to affect its holders adversely; or
- sell all or substantially all its assets, or sell all or substantially all its electric properties.

Liquidation Rights

Upon any dissolution, liquidation, winding up or reduction of the capital stock of CG&E resulting in a distribution of assets to its shareholders, holders of outstanding shares of preferred stock will be entitled to receive, before any distribution of assets is made to the holders of our common stock:

- in the event of any involuntary dissolution, liquidation or winding up, \$100 a share together with an amount equal to all accrued dividends; and
- in the event of any voluntary dissolution, liquidation or winding up 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 preferred stock of the series.

If the assets to be distributed among the holders of the preferred stock are insufficient to permit the payment to the holders of the full preferential amounts, then all remaining assets of the Company will be distributed ratably among the holders of the preferred stock in proportion to the full preferential amounts to which they are entitled. After payment to the holders of the preferred stock of the full preferential amounts, the holders of the preferred stock, as such, will have no right or claim to any of the remaining assets of the Company, which will be distributed to the holders of the common stock.

Other Provisions

Holders of the preferred stock have no rights 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. The preferred stock will be, when issued and paid for, fully paid and non-assessable.

Transfer Agent and Registrar

The transfer agent and registrar for our preferred stock is National City Bank.

PLAN OF DISTRIBUTION

We may sell the securities directly to purchasers or indirectly through underwriters, dealers or agents. The names of any underwriters, dealers or agents will be set forth in the relevant prospectus supplement. We will also set forth in the relevant prospectus supplement:

- the terms of the offering of the securities;
- the proceeds we will receive from the sale;
- any underwriting discounts and other items constituting underwriters' compensation;
- any initial public offering price;
- any discounts or concessions allowed or reallocated or paid to dealers; and
- any securities exchanges on which we may list the securities.

We may distribute the securities from time to time in one or more transactions at:

- a fixed price;
- prices that may be changed;
- market prices at the time of sale;
- prices related to prevailing market prices; and

- negotiated prices.

We will describe the method of distribution in the relevant prospectus supplement.

If we use underwriters with respect to an issuance of securities, we will set forth in the relevant prospectus supplement:

- the name of the managing underwriter, if any; and
- the name of any other underwriters.

The underwriters will acquire any securities for their own accounts and they may resell the securities from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price and at varying prices determined at the time of sale.

Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time. We anticipate that any underwriting agreement pertaining to any securities will:

- entitle the underwriters to indemnification by us against certain civil liabilities under the Securities Act, or to contribution with respect to payments that the underwriters may be required to make related to any such civil liability;
- subject the obligations of the underwriters to certain conditions precedent; and
- obligate the underwriters to purchase all securities offered in a particular offering if any securities are purchased.

In connection with an offering of securities, underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the securities. Specifically, underwriters may:

- overallocate in connection with the offering, creating a syndicate short position;
- bid for, and purchase, securities in the open market to cover syndicate short positions;
- bid for, and purchase, securities in the open market to stabilize the price of the securities; and
- reclaim selling concessions allowed for distributing the securities in the offering if the syndicate repurchases previously distributed securities in syndicate covering transactions, in stabilization transactions or otherwise.

Any of these activities may stabilize or maintain the market price of the securities above independent market levels. Underwriters are not required to engage in these activities, and may end any of these activities at any time.

If we use a dealer in an offering of securities, we will sell the securities to the dealer, as principal. The dealer may then resell the securities to the public at varying prices to be determined by the dealer at the time of resale. We will set forth the name of the dealer and the terms of the transaction in the prospectus supplement.

If we use an agent in an offering of securities, we will name the agent and describe the terms of the agency in the relevant prospectus supplement. Unless we indicate otherwise in the prospectus supplement, we will require an agent to act on a best efforts basis for the period of its appointment.

Dealers and agents named in a prospectus supplement may be considered underwriters of the securities described in the prospectus supplement under the Securities Act. We may indemnify them against certain civil liabilities under the Securities Act. In the ordinary course of business, we may engage in transactions with underwriters, dealers and agents and they may perform services for us.

We may solicit offers to purchase securities and make sales directly to institutional investors or others who may be considered underwriters under the Securities Act with respect to those sales. We will describe the terms of any such offer in the relevant prospectus supplement.

If we authorize underwriters or other agents to solicit from institutional investors offers to purchase securities pursuant to contracts providing for payment and delivery at a future date, we will indicate that we are doing so in the relevant prospectus supplement. We must approve all purchasers under these contracts; the institutional investors may include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others. We will not subject the obligations of these purchasers to any conditions except that:

- we will not allow purchases if they violate the laws of any jurisdiction to which a proposed purchaser is subject; and
- if we are also selling the securities to underwriters, we will not sell to the underwriters subject to delayed delivery.

Underwriters and other agents will not be responsible for the validity or performance of contracts providing for payment and delivery at a future date.

We will set forth in the relevant prospectus supplement the anticipated delivery date of securities and the prospectus delivery obligations of dealers.

LEGAL MATTERS

The validity of the securities will be passed upon for us by Taft, Stettinius & Hollister LLP, Cincinnati, Ohio, and for the underwriters, if any, by Davis Polk & Wardwell, 450 Lexington Avenue, New York, New York 10017, who may rely as to matters of Ohio law on the opinion of Taft, Stettinius & Hollister LLP or other Ohio counsel. In the past, Davis Polk & Wardwell has acted as counsel in certain matters for us and our affiliates.

EXPERTS

The financial statements and the related financial statement schedule incorporated in this prospectus by reference from The Cincinnati Gas & Electric Company's Annual Report on Form 10-K have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and has been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

New Issue--Book-Entry-Only

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes, except interest on any Bond for any period during which it is held by a "substantial user" or a "related person," as those terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"); (ii) interest on the Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (iii) interest on, and any profit made on the sale, exchange or other disposition of, the Bonds are exempt from the Ohio personal income tax, the net income base of the Ohio corporate franchise tax, and municipal and school district income taxes in Ohio. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

\$94,000,000

Ohio Air Quality Development Authority

State of Ohio

Air Quality Development Revenue Bonds

(The Cincinnati Gas & Electric Company Project)

\$47,000,000

2004 Series A

\$47,000,000

2004 Series B

Dated: Date of Issuance

Due: November 1, 2039

The Bonds will be issued to provide funds to finance a portion of the costs of the acquisition, construction and installation of portions of certain solid waste disposal facilities comprising air quality facilities at the Miami Fort Generating Station for The Cincinnati Gas & Electric Company.

The Bonds will be special obligations of the State of Ohio (the "State") issued by the Ohio Air Quality Development Authority (the "Issuer"). The Bonds will not constitute a debt, or a pledge of the faith and credit, of the Issuer or the State or of any political subdivision thereof, and the holders or owners of the Bonds will have no right to have taxes levied by the General Assembly of the State or the taxing authority of any political subdivision of the State for the payment of the principal or purchase price thereof or premium, if any, or interest thereon. The Bonds will be payable solely, except to the extent paid out of moneys attributable to proceeds thereof, from and secured by an assignment by the Issuer of loan payments to be received under separate, but substantially identical, Loan Agreements with

The Cincinnati Gas & Electric Company

Payment of the principal of and interest on the Bonds when due will be insured by separate bond insurance policies to be issued by XL Capital Assurance Inc. simultaneously with the delivery of the Bonds.

XL CAPITAL ASSURANCE

Interest on each series of Bonds will accrue at the Auction Rate from the date of issuance and will be payable on the Business Day after the Auction Period, subject to certain exceptions. The initial Auction Period for the 2004 Series A Bonds will end on January 4, 2005 and, unless changed in accordance with the Auction Procedures described in this Official Statement, the 2004 Series A Bonds thereafter will bear interest at Auction Rates for 35-day Auction Periods. The initial Auction Period for the 2004 Series B Bonds will end on January 11, 2005 and, unless changed in accordance with the Auction Procedures, the 2004 Series B Bonds thereafter will bear interest at Auction Rates for 35-day Auction Periods. The Auction Rate for all Bonds for the applicable Auction Period after the initial Auction Period will be the rate of interest per annum that the Auction Agent advises results from an Auction conducted in accordance with the Auction Procedures, subject to certain conditions. Deutsche Bank National Trust Company will serve as Trustee, Paying Agent and Registrar and Deutsche Bank Trust Company Americas will serve as the initial Auction Agent under separate, but substantially identical, Trust Indentures. Banc of America Securities LLC will serve as the initial Broker-Dealer and as Remarketing Agent for the 2004 Series A Bonds and Lehman Brothers Inc. will serve as the initial Broker-Dealer and as the Remarketing Agent for the 2004 Series B Bonds.

The method for determining the interest rate to be borne by a series of the Bonds may be changed from an Auction Rate to a Daily Rate, Weekly Rate, Commercial Paper Rate or a Term Rate at the times and in the manner set forth in this Official Statement.

Prospective purchasers should carefully review the Auction Procedures described in this Official Statement and should note that (i) a Bid or a Sell Order constitutes a commitment to purchase or sell Auction Rate Bonds based upon the results of an Auction, (ii) Auctions will be conducted through telephone or telefax communications and (iii) settlement for purchases and sales will be made on the Business Day following an Auction. Auction Rate Bonds may be transferred only pursuant to a Bid or a Sell Order placed in an Auction or to or through a Broker-Dealer. See also "THE BONDS -- Auction Rate Period -- Special Considerations Relating to Auction Rate Bonds."

The Bonds will be subject to optional, extraordinary optional and mandatory redemption and optional and mandatory tender prior to maturity, in each case at the price, in the manner and at the time set forth in this Official Statement.

The Bonds will be issued only as fully registered bonds and initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as a securities depository for the Bonds. Purchases of beneficial interests in the Bonds initially will be made in book-entry-only form (without certificates) in denominations of \$25,000 or any integral multiple thereof and under certain circumstances are exchangeable as more fully described herein. Principal of and any premium on the Bonds will be payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Registrar. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of, premium, if any, and interest on the Bonds will be made directly to Cede & Co. See "THE BONDS -- Book-Entry-Only System" herein.

Price: 100%

The Bonds are offered when, as and if issued by the Issuer and accepted by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, the approval of legality by Squire, Sanders & Dempsey L.L.P., as Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for The Cincinnati Gas & Electric Company by J. William DuMont, Esq., Senior Counsel; for the Ohio Air Quality Development Authority by Forbes, Fields & Associates Co., L.P.A.; and for the Underwriters by Squire, Sanders & Dempsey L.L.P. It is expected that delivery of the Bonds in book-entry-only form will be made on or about November 18, 2004 in New York, New York, against payment therefor.

Banc of America Securities LLC
2004 Series A Bonds only

Lehman Brothers
2004 Series B Bonds only

Dated: November 10, 2004

No dealer, broker, salesman or other person has been authorized by the Ohio Air Quality Development Authority, The Cincinnati Gas & Electric Company, Banc of America Securities LLC or Lehman Brothers Inc. (the "Underwriters") to give any information or to make any representation with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. Certain information contained herein has been obtained from the Ohio Air Quality Development Authority, The Cincinnati Gas & Electric Company, XL Capital Assurance Inc. and the Underwriters and other sources which are believed to be reliable.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF SUCH BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$94,000,000
Ohio Air Quality Development Authority
State of Ohio
Air Quality Development Revenue Bonds
(The Cincinnati Gas & Electric Company Project)
\$47,000,000 \$47,000,000
2004 Series A 2004 Series B

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and Appendices, of the Ohio Air Quality Development Authority (the "*Issuer*"), is provided to furnish information in connection with the offer and sale by the Issuer of \$47,000,000 aggregate principal amount of its State of Ohio Air Quality Development Revenue Bonds, 2004 Series A (The Cincinnati Gas & Electric Company Project) (the "*2004 Series A Bonds*") and \$47,000,000 aggregate principal amount of its State of Ohio Air Quality Development Revenue Bonds, 2004 Series B (The Cincinnati Gas & Electric Company Project) (the "*2004 Series B Bonds*"; together with the 2004 Series A Bonds, the "*Bonds*"), to be issued under separate, but substantially identical, Trust Indentures, dated as of November 1, 2004 (each an "*Indenture*"; together the "*Indentures*"), between the Issuer and Deutsche Bank National Trust Company, as trustee (the "*Trustee*"). The Registrar and Paying Agent will be Deutsche Bank National Trust Company, located in Chicago, Illinois and Deutsche Bank Trust Company Americas will be the initial Auction Agent. Terms used as defined terms and not otherwise defined herein are used as defined in the Indentures.

The proceeds of the Bonds will be loaned by the Issuer to The Cincinnati Gas & Electric Company, a public utility and corporation organized and existing under the laws of the State of Ohio (the "*Company*"), pursuant to separate, but substantially identical Loan Agreements dated as of November 1, 2004 (each a "*Loan Agreement*"; together the "*Loan Agreements*"), between the Company and the Issuer. The Bonds are being issued to provide funds in order to assist the Company in financing its portion of the costs of acquiring, constructing and installing portions of certain solid waste disposal facilities comprising air quality facilities at Units 7 and 8 at the Miami Fort Generating Station (the "*Plant*") located in Hamilton County, Ohio (collectively, the "*Project*"); the Company owns as tenant in common approximately a 64% interest in the Project. The Company will agree in each Loan Agreement to make payments sufficient to pay when due the principal of and interest and any premium on the related series of the Bonds and any other amounts relating thereto, including payments of the purchase price. See "THE LOAN AGREEMENTS."

The Bonds will be dated the date of their original issuance, will mature on November 1, 2039, will be subject to optional and mandatory tender for purchase, and will be subject to optional and mandatory redemption, as provided in each Indenture and as further described in this Official Statement. The 2004 Series A Bonds will bear interest initially at an interest rate determined for the Auction Period ending on January 4, 2005, and thereafter will bear interest at

Auction Rates for 35-day Auction Periods, unless changed in accordance with the Auction Procedures described herein or until a conversion to a different interest rate determination method or until the maturity of the 2004 Series A Bonds. The 2004 Series B Bonds will bear interest initially at an interest rate determined for the Auction Period ending on January 11, 2005, and thereafter will bear interest at Auction Rates for 35-day Auction Periods, unless changed in accordance with the Auction Procedures or until a conversion to a different interest rate determination method or until the maturity of the 2004 Series B Bonds.

The Bonds are special obligations of the State of Ohio, issued by the Issuer and payable solely from the revenues and other amounts received by the Trustee pursuant to the Loan Agreements and the Indentures. **The Bonds do not constitute a debt or a pledge of the faith and credit of the State of Ohio or any political subdivision thereof and the holders or owners of the Bonds have no right to have taxes levied by the General Assembly of the State of Ohio or taxing authority of any political subdivision of the State of Ohio for the payment of the principal of, or redemption price of, or interest on, or purchase price of, the Bonds. The Issuer has no taxing power.**

Prospective investors should note that the Loan Agreements allow the Company to transfer all or any part of its electric generating facilities and associated assets and liabilities to one or more other entities, to assign all of its obligations under the Loan Agreements (which represent the source of repayment of the Bonds) to any one or more of such entities and to be released from its obligations under the Loan Agreements. While the Company contemplates that any such ultimate obligor will be capitalized so as not to impair that entity's ability to fulfill its obligations under the Loan Agreements, there is no requirement in the Loan Agreements that the Company or any ultimate obligor of the Company's obligations hold any particular assets. The Company may only make such an assignment if certain conditions have been satisfied, including that the Company either (i) makes the assignment as of a date on which the Bonds are subject to mandatory tender for purchase or (ii) has delivered to the Issuer written evidence from each of Moody's Investor Service, Inc. ("*Moody's*") and Standard & Poor's Ratings Service ("*S&P*") that the Bonds have received, after taking into account the assignment, an Investment Grade Rating (as defined below) from such rating agency. The Issuer and the Trustee must acknowledge and agree to any such assignment and assumption agreement. See "THE LOAN AGREEMENTS—Restructuring Transaction."

Upon the issuance of the Bonds, XL Capital Assurance Inc. (the "*Bond Insurer*") will issue separate, but substantially identical, bond insurance policies (together the "*Bond Insurance Policies*") that will guarantee the payment of the principal of and interest on the related series of the Bonds when due and upon special mandatory redemption on determination of taxability as hereinafter described. The Bond Insurance Policies will be issued pursuant to an Insurance Agreement between the Company and the Bond Insurer to be dated the date of issuance of the Bonds (the "*Insurance Agreement*"). The Bond Insurance Policies will not insure payment of the purchase price of the Bonds subject to mandatory purchase or purchase on the demand of the bondholders thereof, losses suffered as a result of a bondholder's inability to sell the Bonds at an Auction, or payment of the principal, premium or interest on the Bonds as a result of an acceleration, redemption (other than special mandatory redemption on determination of taxability) or other advancement of maturity. Certain information with respect to the Bond Insurance Policies and the Bond Insurer is included in this Official Statement. See "THE BOND

INSURANCE POLICIES" and Appendix F. So long as the Bond Insurer is not in default under the Bond Insurance Policies, the Indentures and Loan Agreements may not be amended or supplemented without the prior written consent of the Bond Insurer, in accordance with the provisions of the Indentures. Upon the occurrence of an Event of Default under the Indentures, the Bond Insurer will be entitled to control and direct the enforcement of all rights and remedies granted to the bondholders or the Trustee. See "THE INDENTURES – Events of Default" and "—Rights of Bond Insurer."

Brief descriptions of the Issuer, the Bonds, the Bond Insurance Policies, the Loan Agreements, the Indentures and the Continuing Disclosure Agreement are included in this Official Statement. Certain information with respect to the Company is included as or incorporated by reference in Appendix A hereto. Appendix B sets forth Certain Definitions; Appendix C describes the Auction Procedures for the Bonds; Appendix D describes the Settlement Procedures for the Bonds; Appendix E-1 and Appendix E-2 are the proposed form of the opinion of Bond Counsel to be delivered in connection with the issuance and delivery of each series of the Bonds; and Appendix F is a Specimen Bond Insurance Policy.

All references herein to the documents are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the definitive forms thereof included in each related Indenture. Copies of certain of the financing documents will be available for inspection at the principal corporate trust office of the Trustee and, until the issuance of the Bonds, may be obtained from the Underwriters. Appendix A to this Official Statement and all information contained under the heading "APPLICATION OF PROCEEDS" has been furnished by the Company. The information contained under the heading "THE BONDS--Book Entry Only System" has been furnished by DTC, and none of the Issuer, the Company, the Underwriters or Bond Counsel assume any responsibility for the accuracy or completeness of such information. The information relating to Bond Insurer and the Bond Insurance Policies contained under the heading "THE BOND INSURANCE POLICIES" and in Appendix F has been provided by the Bond Insurer and neither the Issuer, the Company, the Underwriters nor Bond Counsel assume any responsibility for the accuracy or completeness of such information.

THE ISSUER

The Issuer is a body politic and corporate, organized and existing under the laws of the State of Ohio (the "State"), including Section 13 of Article VIII of the Ohio Constitution and Chapter 3706, Ohio Revised Code, as amended (collectively, the "Act"). Pursuant to the Act, the Issuer is authorized to issue the Bonds and to loan the proceeds thereof to the Company for the purpose of financing the Company's portion of the cost of acquiring, constructing and installing the Project and to secure the Bonds by an assignment of the payments under the Loan Agreements. To accomplish such actions, the Issuer is authorized to enter into the Indentures and the Loan Agreements.

The Bonds are special obligations of the State, issued by the Issuer and payable solely from the revenues and other amounts received by the Trustee pursuant to the Loan Agreements and the Indentures. **The Bonds do not constitute a debt or a pledge of the faith and credit of the State or any political subdivision thereof and the holders or owners of the Bonds have no**

right to have taxes levied by the General Assembly of the State or taxing authority of any political subdivision of the State for the payment of the principal of, or redemption price of, or interest on, or the purchase price of, the Bonds. The Issuer has no taxing power.

APPLICATION OF PROCEEDS

The proceeds of the Bonds will be applied to finance the acquisition and construction of the Company's interest in certain solid waste disposal facilities comprising air quality facilities at the Company's Miami Fort Generating Station in Hamilton County, Ohio. The proceeds of the Bonds also will be applied to pay costs of issuance of the Bonds.

The Issuer does not monitor the operation of the Project by the Company but relies upon the representations of the Company contained in the Loan Agreements.

THE BONDS

Each series of the Bonds will be issued under a separate Indenture, although each Indenture contains substantially identical terms and provisions. The occurrence of an event of default with respect to one series of the Bonds will not constitute an event of default with respect to the other series of the Bonds. Redemption or conversion of one series of the Bonds may be made in the manner described herein without the redemption or conversion of the Bonds of the other series. Funds pledged under an Indenture to secure one series of the Bonds will not be available for or pledged to the other series of the Bonds. In the following summary of terms of the Bonds, references to the Bonds, the Indenture, the Loan Agreement and other defined terms should be read as separately referring to each series of the Bonds and the related Indenture, Loan Agreement and other defined terms, except as otherwise noted.

General

The Bonds will be issued under the Indenture in the aggregate principal amount and mature on the date set forth on the cover page hereof, subject to optional and mandatory redemption and optional and mandatory tender prior to maturity as described below. The Bonds will be issuable as fully registered Bonds without coupons in Authorized Denominations.

Auction Rate Period

Auction Rates. Interest on the Bonds will accrue from the date of issuance and delivery. For the Initial Interest Periods ending on, respectively, January 4, 2005 and January 11, 2005, the interest rate will be the rate of interest per annum that is the minimum rate necessary to sell the Bonds on the date of issuance of the Bonds at the principal amount thereof (without regard to accrued interest). After the Initial Interest Periods, and prior to any subsequent selection of a new interest rate determination method, the Bonds will be Auction Rate Bonds. The interest rate on Auction Rate Bonds (the "Auction Rate") for each Auction Period after the Initial Interest Periods will, subject to certain exceptions described below, be the rate that the Auction Agent advises has resulted on the Auction Date from the implementation of auction procedures set forth in *Appendix C* to this Official Statement (the "Auction Procedures"), in

which persons determine to hold or offer to sell or, based on interest rates bid by them, offer to purchase or sell Auction Rate Bonds. Each periodic implementation of the Auction Procedures is an "Auction." Interest on Auction Rate Bonds will be computed on the basis of a 360-day year for the number of days actually elapsed.

The rate of interest on the Auction Rate Bonds for each subsequent Interest Period will be the Auction Rate; provided that if, on any Auction Date, an Auction is not held for any reason, then the rate of interest for the next succeeding Interest Period will equal the Auction Rate in effect for the preceding Interest Period. In no event will the Auction Rate be an interest rate in excess of the Maximum Auction Rate on any Auction Date or the Maximum Interest Rate at any time. Notwithstanding the foregoing, if: (a) the ownership of the Auction Rate Bonds is no longer maintained in the Book-Entry System, the rate of interest on the Auction Rate Bonds for any Interest Period commencing after the delivery of certificates representing Auction Rate Bonds will equal the Auction Rate in effect for the preceding Interest Period; (b) a Payment Default occurs, Auctions will be suspended and the Applicable Auction Rate Bonds Rate for the Interest Period commencing on or after such Payment Default and for each Interest Period thereafter to and including the Interest Period, if any, during which, or commencing less than the Applicable Number of Business Days after, such Payment Default is cured will equal the Maximum Auction Rate; or (c) if a failed conversion occurs following a proposed selection of a different method of determining interest on the Bonds, and the next succeeding Auction Date will be two or fewer Business Days after (or on) the effective date of any such failed conversion, then an Auction will not be held on such Auction Date and the rate of interest on the Auction Rate Bonds for the next succeeding Interest Period will be equal to the Auction Rate in effect for the preceding Interest Period. Certain special provisions apply regarding the determination of an Auction Rate if Sufficient Clearing Bids have not been made or in the event of the failure to meet certain conditions required to (i) change the length of an Auction Period, (ii) adjust the percentages used to determine the Maximum Auction Rate or (iii) effect a change in the method of determining interest on the Bonds. See "Auction Procedures--Appendix C."

Auction Periods and Dates. An Auction to determine the Auction Rate for each Auction Period after the initial Auction Period will occur on each Auction Date. The Auction Date for each Auction Period will be the Business Day immediately preceding the first day of each Interest Period, other than: (a) each Interest Period commencing after the ownership of the Auction Rate Bonds is no longer maintained in book entry form by the Depository; (b) each Interest Period commencing after the occurrence and during the continuance of a Payment Default; or (c) any Interest Period commencing less than the Applicable Number of Business Days after the cure or waiver of a Payment Default. It is presently anticipated that (i) an Auction Period of 35 days will be maintained for the 2004 Series A Bonds and, therefore, Auctions for the 2004 Series A Bonds are anticipated to be held every fifth Tuesday, and (ii) an Auction Period of 35 days will be maintained for the 2004 Series B Bonds and, therefore, Auctions for the 2004 Series B Bonds are anticipated to be held every fifth Tuesday. The Company may change the length of one or more Auction Periods or establish a different day as the Auction Date for future Auction Periods. See "Changes in the Auction Terms--*Changes in the Auction Date.*"

Special Considerations Relating to Auction Rate Bonds. A broker-dealer may submit orders in auctions for its own account. Any broker-dealer submitting an order for its own

account in any auction will have an advantage over other bidders in that it would have knowledge of other orders placed through it in that auction (but it would not have knowledge of orders placed through other broker-dealers, if any). As a result of the broker-dealer bidding, the auction clearing rate may be higher or lower than the rate that would have cleared if the broker-dealer had not bid. A broker-dealer may also bid in order to prevent what would otherwise be (i) a failed auction; or (ii) an auction clearing at a rate that the broker-dealer deems, in its discretion, to be too high given prevailing market conditions. A broker-dealer may also encourage additional or revised investor bidding in order to prevent an 'all-hold' auction or an auction clearing at a rate which the broker-dealer deems, in its discretion, to be too low given prevailing market conditions.

The Securities and Exchange Commission (the "SEC") is conducting an informal inquiry relating to auction rate securities transactions. Recent financial market news reports indicate that a number of participants in the auction rate securities market have received a letter from the SEC requesting the recipient to conduct a voluntary internal investigation of the firm's practices and procedures relating to auction rate securities. Banc of America Securities LLC, the underwriter and broker-dealer for the 2004 Series A Bonds, and Lehman Brothers Inc., the underwriter and broker-dealer for the 2004 Series B Bonds, each have advised the Issuer that it has received such a letter and is responding to the SEC in this inquiry. What action, if any, the SEC will take at the conclusion of its inquiry cannot be predicted. It is possible that the inquiry could lead to changes in practices relating to auctions which, among other things, might adversely affect the market for, and liquidity of, auction rate securities such as the Bonds.

Interest Payment Dates. Interest on the Auction Rate Bonds initially will be payable on the first Business Day after the end of each Auction Period. It is presently anticipated that (i) for the 2004 Series A Bonds, each Auction Period will be 35 days, in which case the Interest Payment Dates after the initial Interest Payment Date (January 5, 2005) will generally be every fifth Wednesday, and (ii) for the 2004 Series B Bonds, each Auction Period will be 35 days, in which case the Interest Payment Dates after the initial Interest Payment Date (January 12, 2005) will generally be every fifth Wednesday.

The determination of any interest rate by the Remarketing Agent in accordance with the Indenture or by the Auction Agent in accordance with the Auction Procedures will be conclusive and binding upon the Issuer, the Trustee, the Paying Agent, the Auction Agent, the Remarketing Agent, the Company, all Broker-Dealers and the registered and beneficial owners of Auction Rate Bonds. Failure of the Remarketing Agent, the Paying Agent, the Trustee, the Auction Agent or DTC or any DTC Participant to give any of the notices described in the Indenture, or any defect therein, will not affect the interest rate to be borne by any Auction Rate Bonds nor the applicable Auction Period.

In no event will the Auction Rate be more than the Maximum Auction Rate on any Auction Date or the Maximum Interest Rate at any time.

Auction Agency Agreement. The Company will enter into an agreement (the "Auction Agency Agreement") with Deutsche Bank Trust Company Americas (together with any successor bank or trust company or other entity entering into a similar agreement with the Company, the "Auction Agent") which provides, among other things, that the Auction Agent

will follow the Auction Procedures for the purposes of determining the Auction Rate so long as the Auction Rate is to be based on the results of an Auction. See "Auction Procedures—Concerning the Auction Agent."

Remarketing Agreement. The Company will enter into separate, but substantially identical, Remarketing Agreements (each a "*Remarketing Agreement*" and together the "*Remarketing Agreements*") with Banc of America Securities LLC with respect to the 2004 Series A Bonds (together with any successor as remarketing agent under the related Indenture, the "*2004 Series A Remarketing Agent*") and with Lehman Brothers Inc. with respect to the 2004 Series B Bonds (together with any successor as remarketing agent under the related Indenture, the "*2004 Series B Remarketing Agent*"; together with the 2004 Series A Remarketing Agent, each a "*Remarketing Agent*" and together the "*Remarketing Agents*"), which sets forth the Remarketing Agent's duties and responsibilities and provides for the remarketing of Bonds bearing an interest rate other than an Auction Rate. For each Rate Period, the interest rate for the Bonds will be determined by the Remarketing Agent in accordance with the Indenture; provided that, the interest rate or rates borne by the Bonds may not exceed the lesser of (a) 13% per annum, (b) the maximum rate of interest permitted under State law, or (c) in the case of Bonds bearing interest at a Variable Rate, the maximum rate of interest permitted by any Liquidity Facility then in effect (the "Maximum Interest Rate"). See also "THE INDENTURES—Remarketing Agents."

Liquidity Facility. Under the Indenture, upon conversion to a Rate Period that provides for either optional or mandatory tender for purchase of Bonds prior to maturity, a Liquidity Facility acceptable to the Bond Insurer must be delivered to the Trustee to provide for the payment of purchase price of Bonds tendered for optional or mandatory purchase, unless the requirement to deliver a Liquidity Facility is waived by the Bond Insurer. *No Liquidity Facility will be provided in connection with Auction Rate Bonds.* As a consequence, certain provisions in the Indenture that would be applicable to the Bonds if a Liquidity Facility were delivered are not described in this Official Statement. If, at the option of the Company, a Liquidity Facility is delivered with respect to the Bonds, the Bonds will be subject to mandatory tender for purchase at a purchase price equal to 100% of the principal amount thereof on the date of the delivery of the Liquidity Facility.

Broker-Dealer Agreements. Each Auction requires the participation of one or more broker-dealers. The Auction Agent will enter into separate, but substantially identical agreements with each Underwriter (or an affiliate thereof) and may enter into similar agreements (collectively, the "*Broker-Dealer Agreements*") with one or more additional broker-dealers (collectively, the "*Broker-Dealers*") selected by the Company with the approval of the Remarketing Agents (which approval will not be unreasonably withheld) which provide for the participation of Broker-Dealers in Auctions. The Broker-Dealer will be paid a fee calculated as set forth in the Broker-Dealer Agreements. In the event that there is more than one Broker-Dealer, the Company will specify which Broker-Dealer is to perform certain functions under the Indenture.

Depository. Unless a successor securities depository is designated pursuant to the Indenture, or unless the Company otherwise directs, DTC will act as the Depository for its members and participants (the "*DTC Participants*") with respect to Auction Rate Bonds. On the

date of delivery of Auction Rate Bonds offered hereby, the Auction Rate Bonds will be issued in a global Bond in the denomination equal to the aggregate principal amount of Auction Rate Bonds authorized pursuant to the Indenture. It is anticipated that such Bond will be registered in the name of Cede & Co., a nominee of DTC. The global Bond will bear a legend to the effect that such global Bond is issued subject to the provisions restricting transfers of Auction Rate Bonds contained in the Indenture. Stop-transfer instructions will be issued to the Paying Agent. DTC or its nominee will be the holder of record of all issued and outstanding Auction Rate Bonds and beneficial owners of such Auction Rate Bonds may not obtain physical possession of Auction Rate Bonds beneficially owned by them.

Payment of principal, interest and premium, if any, on Auction Rate Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of Auction Rate Bonds. Upon receipt of moneys, the current practice of DTC is to credit immediately the accounts of the DTC Participants in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants to beneficial owners are governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participants and not of DTC, the Issuer, the Trustee, the Paying Agent, the Auction Agent or the Company, subject to any statutory and regulatory requirements as may be in effect from time to time. No assurances can be provided that in the event of bankruptcy or insolvency of DTC or a DTC Participant through which a beneficial owner holds its interest in Auction Rate Bonds, payment will be made by DTC or the DTC Participant on a timely basis.

The Issuer, the Trustee, the Paying Agent, the Company and the Remarketing Agent will recognize DTC or its nominee as the registered owner of Auction Rate Bonds for all purposes, including notices and consents. Conveyance of notices and other communications by DTC to DTC Participants and by DTC Participants to beneficial owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time.

Bond certificates are required to be issued in exchange for a global certificate and registered in such names of the Beneficial Owner and in Authorized Denominations as the Depository, pursuant to instructions from the Participants or otherwise, will instruct the Trustee under the following circumstances:

(a) The Depository determines to discontinue providing its service with respect to the Bonds and no successor has been appointed within 90 days after the Company receives notice thereof. Such a determination may be made by a Depository at any time by giving notice to the Company, the Issuer, the Trustee, the Auction Agent, the Registrar and the Paying Agent and discharging its responsibilities with respect thereto under applicable law.

(b) The Company determines that continuation of the system of Book-Entry transfers through the Securities Depository is not in the best interests of the Beneficial Owners.

(c) The Remarketing Agent has notified the Issuer, the Company, the Auction Agent, the Registrar, the Paying Agent and the Trustee that the Auction Rate Bonds should not be maintained in the Book-Entry System.

(d) The Depository is no longer registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and no successor has been appointed within 90 days after the Company receives notice thereof.

DTC, which is a New York-chartered, limited purpose trust company, performs services for its participants (including the DTC Participants), some of whom (and/or their representatives) own DTC. DTC maintains lists of its participants and will maintain the positions (ownership interests) held by each DTC Participant in Auction Rate Bonds, whether as an Existing Holder for its own account or as a nominee for another Existing Holder. Each beneficial owner of Auction Rate Bonds must make arrangements with its DTC Participant or Broker-Dealer to receive notices and payments with respect to Auction Rate Bonds.

Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

THE ISSUER, THE COMPANY, THE TRUSTEE, THE REGISTRAR, THE PAYING AGENT, THE AUCTION AGENT, THE BROKER-DEALERS AND THE REMARKETING AGENTS HAVE NO RESPONSIBILITY WITH RESPECT TO (I) THE ACCURACY OF THE RECORDS OF DTC OR ANY DTC PARTICIPANT AS TO THE BENEFICIAL OWNERSHIP OF AUCTION RATE BONDS; (II) THE DELIVERY OF EITHER NOTICES OR PAYMENT TO ANY PARTY OTHER THAN DTC OR ITS NOMINEE AS REGISTERED OWNER OF AUCTION RATE BONDS; (III) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE HOLDER OF RECORD OF ALL ISSUED AND OUTSTANDING AUCTION RATE BONDS; OR (IV) THE SELECTION BY DTC OR ANY DTC PARTICIPANTS OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF AUCTION RATE BONDS.

See "Book-Entry-Only System" below for further information about DTC and its procedures.

Auction Procedures

Auction and Settlement Procedures. A summary of the Auction Procedures is set forth in *Appendix C* to this Official Statement.

A summary of the Settlement Procedures (as set forth in Exhibit A to the initial Broker-Dealer Agreement) to be used with respect to Auctions is set forth as *Appendix D* to this Official Statement.

Concerning the Auction Agent. Deutsche Bank Trust Company Americas is the initial Auction Agent. The Auction Agent is acting as agent for the Company in connection with Auctions. In the absence of willful misconduct or negligence on its part, the Auction Agent will not be liable for any action taken, suffered or omitted or for any error of judgment made by it in the performance of its duties under the Auction Agency Agreement and will not be liable for any error of judgment made in good faith unless the Auction Agent has been negligent in ascertaining (or failing to ascertain) the pertinent facts necessary to make such judgment.

The Auction Agent may terminate the Auction Agency Agreement upon notice in accordance with the Indenture. The Auction Agent may be removed at any time by the Company, with the consent of the Bond Insurer (such consent not to be unreasonably denied), or the holders of a majority of the aggregate principal amount of the Auction Rate Bonds upon at least 45 days' written notice to the Auction Agent, the Paying Agent, the Registrar, the Issuer, the Broker-Dealers, the Bond Insurer and the Remarketing Agent. If the Auction Agent should resign or be removed, the Company is obligated under the Remarketing Agreement to use its best efforts to appoint a successor Auction Agent and enter into an agreement with a successor Auction Agent, subject to the consent of the Bond Insurer, containing substantially the same terms and conditions as the Auction Agency Agreement.

Changes in the Auction Terms

Changes in an Auction Period. The Company may change the length of one or more Auction Periods (and will make a corresponding change in the Interest Payment Date) in order to conform with then current market practice with respect to similar securities. The Company may also change the length of one or more Auction Periods (and may make a corresponding change in the Interest Payment Date) in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by the Auction Rate Bonds.

The Company will initiate the change in the length of one or more Auction Periods by giving written notice to the Trustee, the Paying Agent, the Auction Agent, the Remarketing Agent, the Issuer and the Depository in the form required by the Indenture at least five days prior to the Auction Date for such Auction Period.

Any such changed Auction Period may not be less than seven days and must be an integral multiple of seven days.

The change in the length of one or more Auction Periods will not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given and the Auction immediately preceding the proposed change.

The change in length of one or more Auction Periods will take effect only if (A) the Paying Agent, the Remarketing Agent and the Auction Agent receive, by 11:00 a.m., New York

City time on the Business Day before the Auction Date for the first such Auction Period, a certificate from the Authorized Company Representative in substantially the form required by the Indenture, authorizing the change in the length of one or more Auction Periods specified in such certificate and (B) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. If the condition referred to in (A) above is not met, the Applicable Auction Rate Bonds Rate for the next Auction Period will be determined pursuant to the Auction Procedures and the Auction Period will be the Auction Period determined without reference to the proposed change. If the condition referred to in (A) is met but the condition referred to in (B) above is not met, the Applicable Auction Rate Bonds Rate for the next Auction Period will be the Maximum Auction Rate and the Auction Period will be the Auction Period determined without reference to the proposed change.

Changes in the Auction Date. The Company may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" with respect to one or more specified Auction Periods in order to conform with then current market practice with respect to similar securities. The Company, in order to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Auction Rate Bonds, may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" with respect to one or more specified Auction Periods. The Authorized Company Representative will provide notice of any determination to specify an earlier Auction Date for one or more Auction Periods by means of a written notice delivered at least five days prior to the proposed changed Auction Date to the Trustee, the Paying Agent, the Auction Agent, the Remarketing Agent, the Issuer and the Depository. Such notice will be substantially in the form of, or contain substantially the information required by, the Indenture.

Notice Regarding Changes. Pursuant to the Auction Agency Agreement, the Auction Agent will mail to the Existing Holders within two Business Days of its receipt thereof: (1) any notice of a change in the Auction Period and (2) any certificate authorizing the adjustment of the All Hold Rate and/or the Applicable Percentage used to determine the Maximum Auction Rate. EXISTING HOLDERS TO WHOM ANY OF THE FOREGOING NOTICES HAVE BEEN DELIVERED SHOULD CONTACT THEIR BROKER-DEALER TO BE GIVEN INFORMATION REGARDING ANY OF THE FOREGOING CHANGES.

Interest Rate Determination Methods

Determination of Interest Rates and Rate Periods (other than Auction Rate). Following Conversion from an Auction Rate Period, each interest rate to be determined by the Remarketing Agent will be the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause the Bonds to have a market value on the commencement date of such Rate Period equal to the principal amount thereof plus accrued and unpaid interest, if any, under prevailing market conditions as of the date of determination. In no event will the Variable Rate be an interest rate in excess of the Maximum Interest Rate. All determinations of Variable Rates, including Commercial Paper Rate Periods and Term Rate Periods, pursuant to the Indenture will be conclusive and binding upon the Issuer, the Company, the Trustee, the Paying Agent, the Liquidity Facility Issuer and the

holders of the Bonds. The Variable Rate in effect for Bonds during any Rate Period will be available to Holders on the date such Variable Rate is determined, between 1:00 p.m. and 5:00 p.m., New York City time, from the Remarketing Agent or the Trustee at their principal offices. Under the Indenture, the Bonds may be in different Rate Periods at any one time and the provisions of the Indenture will separately apply with respect to each portion of the Bonds.

During any transitional period for a conversion from the Commercial Paper Rate Period to a Daily or Weekly Rate Period in which the Remarketing Agent is setting different Commercial Paper Rate Periods in order to effect an orderly transition of such conversion, Bonds bearing interest at the Commercial Paper Rate will be governed by the provisions of the Indenture applicable to Commercial Paper Rate Periods and Commercial Paper Rates, and Bonds bearing interest at the Daily Rate or Weekly Rate, as applicable, will be governed by the provisions of the Indenture applicable to such Daily Rates and Daily Rate Periods or Weekly Rates and Weekly Rate Periods, as the case may be.

Commercial Paper Rate and Commercial Paper Rate Period. The Commercial Paper Rate Period for each Bond will be determined separately by the Remarketing Agent on or prior to the first day of such Commercial Paper Rate Period as being the Commercial Paper Rate Period which, in the judgment of the Remarketing Agent, will, with respect to each Bond, ultimately produce the lowest overall interest cost on the Bonds during the Commercial Paper Rate Period; provided that each Commercial Paper Rate Period will be from one day to 270 days in length, will begin on a Business Day and end on a day preceding a Business Day or the day preceding the Maturity Date. The Commercial Paper Rate for each Commercial Paper Rate Period will be effective from and including the commencement date of such period and remain in effect to and including the last day thereof. Each such Commercial Paper Rate will be determined by the Remarketing Agent no later than 1:00 p.m., New York City time, on the first day of the Commercial Paper Rate Period as the minimum rate of interest necessary, in the judgment of the Remarketing Agent, to enable the Remarketing Agent to sell such Bond on that day at a price equal to the principal amount thereof. If the Remarketing Agent has received notice of any conversion to a Term Rate Period, the remaining number of days prior to the Conversion Date or, if the Remarketing Agent has received notice of any conversion from a Commercial Paper Rate Period to a Daily or Weekly Rate Period, the length of each Commercial Paper Rate Period for each Bond will be determined by the Remarketing Agent to be either (i) that length of period that, as soon as possible, will enable the Commercial Paper Rate Periods for all Bonds to end on the day before the Conversion Date, or (ii) that length of period which, based on the Remarketing Agent's judgment, will best promote an orderly transition to the next Rate Period. If a Liquidity Facility is then in effect, no Commercial Paper Rate Period may be established which is longer than a period equal to the maximum number of days' interest coverage provided by such Liquidity Facility minus 15 days or which extends beyond the remaining term of such Liquidity Facility minus 15 days.

Daily Rate and Daily Rate Period. Daily Rate Periods will commence on a Business Day and will extend to, but not include, the next succeeding Business Day. The Daily Rate for each Daily Rate Period will be effective from and including the commencement date thereof and will remain in effect during that Daily Rate Period. Each such Daily Rate will be determined by the Remarketing Agent no later than 10:30 a.m., New York City time, on the Business Day which is the commencement date of the Daily Rate Period to which it relates.

Weekly Rate and Weekly Rate Period. Weekly Rate Periods will commence on Wednesday of each week and end on Tuesday of the following week, except that (i) in the case of a conversion to a Weekly Rate Period, the initial Weekly Rate Period for Bonds will commence on the Conversion Date and end on Tuesday of the following week; and (ii) in the case of a conversion from a Weekly Rate Period to a different Rate Period, the last Weekly Rate Period prior to conversion will end on the last day immediately preceding the Conversion Date. The Weekly Rate for each Weekly Rate Period will be effective from and including the commencement date of such period and will remain in effect through and including the last day thereof. Each such Weekly Rate will be determined by the Remarketing Agent no later than 10:00 a.m., New York City time, on the commencement date of the Weekly Rate Period to which it relates.

Term Rate and Term Rate Period. Term Rate Periods will commence either on a Conversion Date (including a conversion from a Term Rate Period to a Term Rate Period of a different duration) or, if then in a Term Rate Period, the commencement date of an immediately successive Term Rate Period of the same duration and extend to but not include either the commencement date of an immediately successive Term Rate Period (of whatever duration) or the Conversion Date on which an Auction, Daily, Weekly or Commercial Paper Rate Period becomes effective. The Term Rate for each Term Rate Period will be effective from and including the commencement date of such period and remain in effect through and including the last day thereof. Each such Term Rate will be determined by the Remarketing Agent not later than 12:00 noon, New York City time, on the Business Day immediately preceding the commencement date of such period. The duration of each successive Term Rate Period will be the same as the then current Term Rate Period until the Company elects to convert the Term Rate Period to an Auction, Daily, Weekly or Commercial Paper Rate Period, or to an additional Term Rate Period, all as provided in the Indenture.

Failure of Remarketing Agent to Set Rate. If the Remarketing Agent fails for any reason to determine the rate for any Rate Period, then the Bonds will bear such interest at the last effective rate established for such Rate Period, except as otherwise set forth in the Indenture.

Conversions

Conversions Between Rate Periods. At the option of the Company, the Bonds may be converted from one Rate Period to another, including a conversion from one Term Rate Period to another Term Rate Period of a different duration. The Conversion Date must be an Interest Payment Date for the Rate Period from which the conversion is to be made; provided, however, that (i) if the conversion is from a Term Rate Period to another Rate Period, including a Term Rate Period of a different duration, the Conversion Date must be limited to any Interest Payment Date upon which the Bonds are subject to optional redemption pursuant to the Indenture or the last Interest Payment Date of that Term Rate Period, as the case may be; (ii) if the conversion is from a Daily Rate Period to a Weekly Rate Period, or from a Weekly Rate Period to a Daily Rate Period, the Conversion Date may be any Wednesday, regardless of whether the Wednesday is an Interest Payment Date; and (iii) if the conversion is from a Commercial Paper Rate Period, the Conversion Date must be the last Interest Payment Date on which interest is payable for all Bonds bearing Commercial Paper Rates theretofore established; provided, however, that if the conversion is from a Commercial Paper Rate Period to a Daily or Weekly Rate Period, there may be more than one

Conversion Date in accordance with the Indenture and in that case the Conversion Date with respect to each Bond must be an Interest Payment Date for such Bond.

Not fewer than 15 days prior to the Conversion Date in the case of conversions from Auction, Daily, Weekly and Commercial Paper Rate Periods, and not fewer than 30 days prior to the Conversion Date in the case of a conversion from a Term Rate Period, and not fewer than 30 days prior to the last Business Day before the commencement of a new Term Rate Period, the Trustee will mail by first class mail a written notice of the conversion or of the commencement of such new Term Rate Period to each holder stating: (i) in the case of a conversion, the type of Rate Period to which the conversion will be made and the Conversion Date, (ii) that the Bonds will be subject to mandatory tender for purchase on the Conversion Date or on the Business Day immediately succeeding the last day of a Term Rate Period, as the case may be, and the purchase price of the Bonds, and (iii) if the Bonds are no longer in book-entry form and are therefore in certificated form, information with respect to required delivery of bond certificates and payment of the purchase price pursuant to the Indenture.

Conditions Precedent to Conversions. Any conversion (i) from an Auction, Daily, Weekly or Commercial Paper Rate Period to a Term Rate Period, (ii) from a Term Rate Period to an Auction, Daily, Weekly or Commercial Paper Rate Period, or (iii) to a Term Rate Period from a Term Rate Period (on a date other than the date originally scheduled as the last Interest Payment Date of the then current Term Rate Period) will be subject to the condition that on or before the Conversion Date, the Company will have delivered to the Issuer, the Trustee, the Auction Agent, the Paying Agent, the Bond Insurer and the Remarketing Agent an Opinion of Bond Counsel to the effect that the conversion is authorized under the Indenture and the Act and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

As a condition to any conversion from the Auction Rate Period to a Rate Period that provides for either optional or mandatory tender for purchase of Bonds prior to maturity, unless the Bond Insurer otherwise consents, a Liquidity Facility acceptable to the Bond Insurer must be delivered to the Trustee. The Liquidity Facility, if any, to be held by the Trustee after the Conversion Date must be sufficient to cover the principal of and accrued interest on the outstanding Bonds for the maximum Interest Period permitted for that particular Rate Period plus 15 days, and, if a Liquidity Facility is to be held by the Trustee after the conversion of the Bonds to a Term Rate Period, that Liquidity Facility must also extend for the entire Term Rate Period plus 15 days. If a Liquidity Facility is in effect and the purchase price of the Bonds under the Indenture includes any premium, such conversion will be subject to the condition that the Trustee will have confirmed prior to mailing notice to the holders of such conversion that the Trustee is entitled to draw on that Liquidity Facility in an aggregate amount sufficient to pay the applicable purchase price (including such premium). Notwithstanding anything in the foregoing, if an Event of Default involving a payment default on the part of the Company has occurred and is continuing, the Bond Insurer will succeed to the rights of the Company to request or direct a change in the Rate Period, provided that such payment default has occurred and is continuing for a period of 35 days from the date of such payment default.

Failure of Conversion. If for any reason a condition precedent to a conversion of the Bonds is not met, the conversion will not be effective (although any mandatory tender pursuant to the Indenture will be made on such date if the notice required under the Indenture has been sent to

holders stating that the Bonds would be subject to mandatory purchase on that date), and the Bonds, except as otherwise provided and subject to the conditions set forth in the Indenture, generally will be converted to a Weekly Rate Period and bear interest at the Weekly Rate determined by the Remarketing Agent as of the date on which the conversion was to occur.

Optional Tenders

Purchase Price and Purchase Dates. The holders of Bonds bearing interest for a Daily or Weekly Rate Period may elect to have their Bonds or portions thereof purchased at a purchase price equal to 100% of the principal amount of such Bonds (or portions thereof), plus any interest accrued from the immediately preceding Interest Payment Date and unpaid. There is no optional tender right while the Bonds are in a Commercial Paper Rate, Term Rate or Auction Rate Period.

Daily Rate. Bonds bearing interest at Daily Rates may be tendered for purchase at a price payable in immediately available funds on any Business Day, upon telephonic or electronic notice of tender given not later than 11:00 a.m., New York City time, on the purchase date to the Paying Agent. Any telephonic notice must be promptly confirmed by the holder to the Paying Agent in writing.

Weekly Rate. Bonds bearing interest at Weekly Rates may be tendered for purchase at a price payable in immediately available funds on any Business Day, upon delivery of written or electronic notice of tender to the Paying Agent not later than 5:00 p.m., New York City time, on a Business Day not fewer than seven days prior to the purchase date.

Notice of Tender. When a book-entry-only system is in effect, a Beneficial Owner through its Direct Participant of that book-entry-only system may tender its interest in a Bond (or portion of Bond) by delivering notice, in the manner and by the time set forth above, to the Paying Agent stating the principal amount of the Bond (or portion of Bond being tendered), payment instructions for the purchase price and the purchase date. The Beneficial Owner will effect delivery of such Bonds by causing such Direct Participant to transfer its interest in the Bonds equal to such Beneficial Owner's interest on the records of DTC to the participant account of the Paying Agent with DTC. When a book-entry-only system is not in effect, a holder of a Bond may tender the Bond (or portion of Bond) by delivering a notice, in the manner and by the time set forth above, to the Paying Agent which states (A) the principal amount of the Bond or Bonds to which the notice relates, (B) that the holder irrevocably demands purchase of such Bond or Bonds or a specified portion thereof in an amount equal to the lowest denomination then authorized or an integral multiple of such lowest denomination, (C) the date on which such Bond or portion is to be purchased, and (D) payment instructions with respect to the purchase price.

Mandatory Tenders

Commercial Paper Rate Periods. Each Bond bearing interest at a Commercial Paper Rate will be subject to mandatory tender for purchase, on the Interest Payment Date applicable to such Bond, at a purchase price equal to 100% of the principal amount thereof.

Conversion Dates. On any Conversion Date (other than a Conversion Date from a Daily Rate Period to a Weekly Rate Period or from a Weekly Rate Period to a Daily Rate Period), the

Bonds will be subject to mandatory tender for purchase on such Conversion Date at a purchase price equal to 100% of the principal amount thereof or, in the case of Bonds bearing interest at a Term Rate which are tendered on a day on which those Bonds are subject to optional redemption at a redemption price of more than 100% of the principal amount redeemed, at a purchase price equal to that redemption price.

Term Rate Periods. On the Business Day immediately succeeding the last day of each Term Rate Period, the Bonds will be subject to mandatory tender for purchase on such date at a purchase price equal to 100% of the principal amount thereof.

Notices of Mandatory Tenders. Not fewer than 15 days prior to the Conversion Date in the case of conversions from Auction, Daily, Weekly and Commercial Paper Rate Periods, and not fewer than 30 days prior to the Conversion Date in the case of a conversion from a Term Rate Period and not fewer than 30 days prior to the last Business Day before the commencement of a new Term Rate Period, the Trustee will mail by first class mail a written notice to each holder, setting forth those matters required by the Indenture, including a statement that the Bonds will be subject to mandatory purchase on the Conversion Date or on the Business Day immediately succeeding the last day of the current Term Rate Period. No notice will be given in connection with the mandatory purchase of a Bond bearing interest at a Commercial Paper Rate on an Interest Payment Date applicable to such Bond.

Remarketing and Purchase of Tendered Bonds

The Indenture provides that, unless otherwise instructed by the Company, the Remarketing Agent will offer for sale and use its best efforts to find purchasers for Bonds for which notice of tender has been received or which are subject to mandatory tender for purchase. The Remarketing Agent will not sell any Bond as to which a notice of conversion from one type of Rate Period to another has been given by the Trustee, unless the Remarketing Agent has advised the person to whom the sale is made of the conversion. There will be no purchase of Bonds if an acceleration has been declared under the Indenture due to any Event of Default described under "THE INDENTURES--Events of Default," and there will be no remarketing of Bonds if there has occurred and is continuing an Event of Default or a Default under the Indenture, except in the sole discretion of the Remarketing Agent.

The purchase price of Bonds tendered for purchase will be paid by the Paying Agent from the following funds in the priority indicated: (i) proceeds of the remarketing of such Bonds by the Remarketing Agent to persons other than the Company, its affiliates or the Issuer, (ii) proceeds of the Liquidity Facility, if any, and (iii) proceeds of the remarketing of such Bonds by the Remarketing Agent to the Company, its affiliates or the Issuer.

Payment of Purchase Price

When a book-entry-only system is in effect, the requirement for physical delivery of the Bonds will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on the records of DTC to the participant account of the Paying Agent.

When a book-entry-only system is not in effect, all Bonds to be purchased on any date must be delivered to the Principal Office of the Paying Agent at or before (i) 12:00 noon, New York City time, on the purchase date in the case of Bonds accruing interest at Auction or Weekly Rates; (ii) 1:00 p.m., New York City time, on the purchase date in the case of Bonds bearing interest at Daily or Commercial Paper Rates; or (iii) 3:00 p.m., New York City time, on the purchase date in the case of Bonds bearing interest at a Term Rate. If the holder of any Bond (or portion thereof) that is subject to purchase fails to deliver such Bond to the Paying Agent for purchase on the purchase date, and if the Paying Agent is in receipt of the purchase price, the Bond will be purchased on the day fixed for purchase and ownership of such Bond (or portion thereof) will be transferred to the purchaser. If on the purchase date the Paying Agent is in receipt of the purchase price for all Bonds to be purchased on that purchase date, the holder of any such Bond will have no further rights thereunder except the right to receive the purchase price thereof and, if the purchase date coincides with an Interest Payment Date and if such holder was the holder of the Bond on the Regular Record Date pertaining to the Interest Payment Date, such rights as the holder may have to interest accrued to and unpaid on such Interest Payment Date.

Redemption

Optional Redemption. The Bonds will be subject to optional redemption by the Issuer at the direction of the Company, in whole or in part, as follows:

(i) During any Auction, Daily or Weekly Rate Period, on any Interest Payment Date, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date.

(ii) During any Commercial Paper Rate Period for a Bond, on the Interest Payment Date for that Bond, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date.

(iii) During a Term Rate Period, on any date which occurs on or after the first day of the optional redemption period, and at the redemption prices, expressed as a percentage of the principal amount being redeemed, plus accrued and unpaid interest, if any, to the redemption date, as follows:

<u>Length of Term Rate Period</u>	<u>First Day of Optional Redemption Period</u>	<u>Redemption Price</u>
More than 15 years	Tenth anniversary of commencement of Term Rate Period	100%
More than 10, but not more than 15 years	Eighth anniversary of commencement of Term Rate Period	100%
More than 5, but not more than 10 years	Fifth anniversary of commencement of Term Rate Period	100%
5 years or less	Non-callable	Non-callable

If at the time of the Company's notice to the Trustee of a conversion to a Term Rate Period (including a conversion from a Term Rate Period to a Term Rate Period of a different duration), the Company satisfies certain conditions, including provision of an Opinion of Bond Counsel that a change in the redemption provisions of the Bonds will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, the redemption periods and redemption prices may be revised, effective as of the date of such conversion.

Extraordinary Optional Redemption During a Term Rate Period. During any Term Rate Period, the Bonds are subject to redemption by the Issuer in whole at a redemption price of 100% of the principal amount redeemed, plus accrued and unpaid interest to the redemption date in whole upon the occurrence of the event described below in paragraph (c) and in part upon the occurrence of the other events described below in accordance with the applicable provisions of the Indenture. In the event that any of the events described below affect less than all of the Project Facilities and the Generating Station which they serve, the Bonds may be redeemed in an amount equal to the outstanding principal amount of the Bonds multiplied by the following allocable percentage figures for each Project Facility: 48% for Unit No. 7 at the Generating Station and 52% for Unit No. 8 at the Generating Station.

(a) The Project or the Plant are damaged or destroyed to such an extent that (1) the Project or the Plant 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 use and operation of the Project or the Plant for a period of six consecutive months.

(b) Title to, or the temporary use of, all or a significant part of one or more of the Project or the Plant is taken under the exercise of the power of eminent domain to such an extent that (1) the Project or the Plant 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) the Company is reasonably expected to be prevented from carrying on its normal use and operation of the Project or the Plant 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, the Loan Agreement becomes void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in the Loan Agreement.

(d) Unreasonable burdens or excessive liabilities are imposed upon the Issuer or the Company with respect to the Project or the Plant 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 Plant.

(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 Plant 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 Plant uneconomic or obsolete for the Project purposes.

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

(g) The termination by the Company of operations at the Plant.

Mandatory Redemption Upon a Determination of Taxability. The Bonds are subject to mandatory redemption by the Issuer at a redemption price of 100% of the principal amount thereof, plus interest accrued to the redemption date, at the earliest practicable date selected by the Trustee, after consultation with the Company, but in no event later than 180 days following the receipt by the Trustee of notification of a Determination of Taxability, as defined below. Such redemption will be either in whole or, if in the Opinion of Bond Counsel the Determination of Taxability will not apply to Bonds remaining outstanding after such redemption, in part.

A "Determination of Taxability" means written notice from the Company of the occurrence of a final decision, ruling or technical advice by any federal judicial or administrative authority to the effect that, as a result of a failure by the Company to observe or perform any

covenant, agreement or obligation on its part to be observed or performed under the Loan Agreement or the inaccuracy of any representation made by the Company in the Loan Agreement, interest on any Bond is or was includable in the gross income of the owner of that Bond for federal income tax purposes, other than an owner who is a "substantial user" of the Project or a "related person" as those terms are used in Section 147(a) of the Code; provided that, no decision by any court or decision, ruling or technical advice by any administrative authority will be considered final (a) unless the owner involved in the proceeding or action giving rise to such decision, ruling or technical advice (i) gives the Company and the Trustee prompt notice of the commencement thereof and (ii) offers the Company the opportunity to control the contest thereof, provided that the Company has agreed to bear all expenses in connection therewith and to indemnify the owner against all liabilities in connection therewith, and (b) until the expiration of all periods for judicial review or appeal. A Determination of Taxability will not result from the inclusion of interest on any Bond in the computation of the alternative minimum tax imposed by Section 55 of the Code, the branch profits tax on foreign corporations imposed by Section 884 of the Code or the tax imposed on net excess passive income of certain S corporations under Section 1375 of the Code.

If the Indenture has been released in accordance with its terms prior to the occurrence of a Determination of Taxability, the Bonds will not be subject to mandatory redemption.

Notice of Redemption. The Trustee will give notice of the redemption on behalf of the Issuer by mailing a copy of the redemption notice by first class mail, postage prepaid, at least 30 days but not more than 90 days prior to the redemption date, to the owner of each Bond subject to redemption in whole or in part and to the Auction Agent and the Bond Insurer. Failure to receive any such notice, or any defect therein in respect of any Bond, will not affect the validity of the redemption of any Bond. If at the time of mailing of the notice of redemption there has not been deposited with the Trustee moneys sufficient to redeem all Bonds called for redemption, such notice may state that it is conditional, subject to the deposit of moneys sufficient for the redemption. If either (A) unconditional notice of redemption was mailed or (B) conditional notice was mailed and the moneys sufficient to redeem all Bonds on the redemption date have been deposited with the Trustee, then in either event, the Bonds and portions thereof called for redemption will become due and payable on the redemption date, and upon presentation and surrender thereof at the place or places specified in that notice, will be paid at the redemption price, plus interest accrued to the redemption date.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, all notices of redemption will be sent only to Cede & Co., and delivery of notice of redemption to the Direct Participants, if any, will be solely the responsibility of DTC.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The Issuer, the Company, Bond Counsel and the Underwriters make no representation as to the accuracy of such information. See "THE BONDS--Auction Rate Period--Depository" for information about DTC and its procedures relating to Auction Rate Bonds.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the

name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each series of the Bonds, in the aggregate principal amount of such series, and will be deposited with DTC or its custodian.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the

Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, the Issuer or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Paying Agent, disbursement or such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner may give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and will effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds on DTC's records to the Paying Agent. The requirement for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Issuer or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

So long as Cede & Co., as nominee of DTC, is the registered owner of any of the Bonds, the Beneficial Owners of such Bonds will not receive or have the right to receive physical delivery of the Bonds, and references herein to the registered owners of such Bonds will mean Cede & Co. and will not mean the Beneficial Owners of such Bonds.

THE ISSUER, THE COMPANY, THE PAYING AGENT, THE REGISTRAR, THE UNDERWRITERS AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE BONDS, (2) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, OR (3) NOTICES OF REDEMPTION OR OTHER NOTICES SENT TO DTC OR ITS NOMINEE, CEDE & CO., AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SEC, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH PARTICIPANTS MAY BE OBTAINED FROM DTC.

THE ISSUER, THE COMPANY, THE PAYING AGENT, THE REGISTRAR, THE UNDERWRITERS AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY SUCH DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY ANY PARTICIPANT OF ANY AMOUNT DUE TO THE BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The book-entry-only system for registration of the ownership of the Bonds may be discontinued at any time if: (i) DTC determines to resign as securities depository for the Bonds; or (ii) the Company determines (and notifies the Issuer in writing of its determination and the Issuer provides 30 days' notice of such discontinuation to the Trustee and DTC) to discontinue the system of book-entry transfers through DTC (or through a successor securities depository).

Upon occurrence of either such event, the Issuer may, at the request of the Company, attempt to establish a securities depository book-entry relationship with another securities depository. If the Issuer does not do so, or is unable to do so, and after the Issuer has notified DTC and upon surrender to the Trustee of the Bonds held by DTC, the Issuer will issue and the Trustee will authenticate and deliver the Bonds in registered certificate form in authorized denominations, at the expense of the Company, to such Persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer, the Company or the Trustee for the accuracy of such designation. In any such event (unless the Issuer appoints a successor securities depository), the Bonds will be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Trustee for the accuracy of such designation. Whenever DTC requests the Issuer or the Trustee to do so, the Issuer or the Trustee will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

Revision of Book-Entry-Only System; Replacement Bonds

In the event that the Issuer or the Trustee determines that DTC is incapable of discharging its responsibilities described in the Indenture and that it is in the best interest of the Beneficial Owners of the Bonds that they be able to obtain certificated Bonds, the Issuer or the Trustee will (i) appoint a successor Depository, qualified to act as such under Section 17A of the Securities Exchange Act of 1934, as amended, notify DTC and Participants, identified by DTC, of the appointment of such successor Depository and transfer one or more separate Bonds to such successor Depository or (ii) notify DTC and Participants, identified by DTC, of the availability through DTC of Bonds and transfer one or more separate Bonds to Participants, identified by DTC, having Bonds credited to their DTC accounts. In such event, the Bonds will no longer be restricted to being registered in the registration books of the Trustee in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor Depository, or its nominee, or in whatever name or names Bondholders transferring or exchanging Bonds designate, in accordance with the provisions of the Indenture.

Upon the written consent of 100% of the Beneficial Owners of the Bonds, the Trustee will withdraw the Bonds from DTC, and authenticate and deliver Bonds fully registered to the assignees of DTC or its nominee. If the request for such withdrawal is not the result of any Issuer action or inaction, such withdrawal, authentication and delivery will be at the cost and expense (including costs of printing, preparing and delivering such Bonds) of the persons requesting such withdrawal, authentication and delivery.

In the event that the book-entry-only system is discontinued, the following provisions will apply. The Bonds may be issued in Authorized Denominations. Bonds may be transferred or exchanged in authorized denominations upon surrender of such Bonds at the principal office of the Trustee, accompanied by an assignment satisfactory to the Trustee, duly executed by the Owner or the Owner's duly authorized attorney-in-fact. Neither the Issuer nor the Trustee will be required to make any such transfer or exchange of any Bond during the period beginning at the opening of business 15 days immediately preceding the mailing of a notice of Bonds selected for redemption and ending at the close of business on the day of such mailing, or, with respect to a Bond, after such Bond or any portion thereof has been selected for redemption. The Issuer or

the Trustee may make a charge to the Owner for every transfer or exchange of a Bond sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and may demand that such charge be paid before any new Bond is delivered.

Insurance Agreement with Company

The following summarizes certain provisions of the Insurance Agreement, to which reference is made for the detailed provisions thereof. All references in this summary to the Bonds, the Bond Insurance Policy and other defined terms should be read as separately referring to each series of the Bonds and the related Bond Insurance Policy and other defined terms.

The Bond Insurer has agreed to issue the Bond Insurance Policy pursuant to the Insurance Agreement. Under the Insurance Agreement, the Company is obligated to reimburse the Bond Insurer, immediately and unconditionally upon demand, for all payments made by the Bond Insurer under the terms of the Bond Insurance Policy. The Company is also obligated to deliver certain collateral to the Bond Insurer in certain circumstances and to comply with certain financial covenants specified therein. The Insurance Agreement includes certain events of default, including the failure of the Company to pay amounts owed thereunder to the Bond Insurer and certain breaches by the Company of representations and warranties set forth therein. If any such event of default should occur and be continuing, the Bond Insurer may, among other things, notify the Trustee of such an event of default which would result in an "Event of Default" under the Loan Agreement and the Indenture. See "THE LOAN AGREEMENTS – Events of Default and Remedies" and "THE INDENTURES – Events of Default."

THE BOND INSURER

The information relating to XL Capital Assurance Inc. contained herein has been furnished solely by XL Capital Assurance Inc. No representation is made by the Underwriters, the Remarketing Agents, the Issuer, Bond Counsel or the Company as to the accuracy or adequacy of such information or as to the absence of material adverse changes in the condition of XL Capital Assurance Inc. subsequent to the date hereof. The following discussion does not purport to be complete and is qualified in its entirety by reference to the Bond Insurance Policies, a specimen of the form of which is attached hereto as Appendix F. The Bond Insurer accepts no responsibility for the accuracy or completeness of this Official Statement or any other information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Insurer and its affiliates set forth under this heading. In addition, the Bond Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds.

General

The Bond Insurer is a monoline financial guaranty insurance company incorporated under the laws of the State of New York. The Bond Insurer is currently licensed to do insurance business in, and is subject to the insurance regulation and supervision by, the State of New York, forty-eight other states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Singapore. The Bond Insurer has a license application pending with the State of Wyoming, the only state in which it is not currently licensed.

The Bond Insurer is an indirect wholly owned subsidiary of XL Capital Ltd, a Cayman Islands corporation ("XL Capital Ltd"). Through its subsidiaries, XL Capital Ltd is a leading provider of insurance and reinsurance coverages and financial products to industrial, commercial and professional service firms, insurance companies and other enterprises on a worldwide basis. The common stock of XL Capital Ltd is publicly traded in the United States and listed on the New York Stock Exchange (NYSE: XL). **XL Capital Ltd is not obligated to pay the debts of or claims against the Insurer.**

The Bond Insurer was formerly known as The London Assurance of America Inc. ("London"), which was incorporated on July 25, 1991 under the laws of the State of New York. On February 22, 2001, XL Reinsurance America Inc. ("XL Re") acquired 100% of the stock of London. XL Re merged its former financial guaranty subsidiary, known as XL Capital Assurance Inc. (formed September 13, 1999) with and into London, with London as the surviving entity. London immediately changed its name to XL Capital Assurance Inc. All previous business of London was 100% reinsured to Royal Indemnity Company, the previous owner at the time of acquisition.

Reinsurance

The Bond Insurer has entered into a facultative quota share reinsurance agreement with XL Financial Assurance Ltd ("XLFA"), an insurance company organized under the laws of Bermuda, and an affiliate of the Bond Insurer. Pursuant to this reinsurance agreement, the Bond Insurer expects to cede up to 90% of its business to XLFA. The Bond Insurer may also cede reinsurance to third parties on a transaction-specific basis, which cessions may be any or a combination of quota share, first loss or excess of loss. Such reinsurance is used by the Bond Insurer as a risk management device and to comply with statutory and rating agency requirements and does not alter or limit the Bond Insurer's obligations under any financial guaranty insurance policy. With respect to any transaction insured by the Bond Insurer, the percentage of risk ceded to XLFA may be less than 90% depending on certain factors including, without limitation, whether the Bond Insurer has obtained third party reinsurance covering the risk. As a result, there can be no assurance as to the percentage reinsured by XLFA of any given financial guaranty insurance policy issued by the Bond Insurer, including the Bond Insurance Policies.

Based on the audited financials of XLFA, as of December 31, 2003, XLFA had total assets, liabilities, redeemable preferred shares and shareholders' equity of \$831,762,000, \$401,123,000, \$39,000,000 and \$391,639,000, respectively, determined in accordance with generally accepted accounting principles in the United States. XLFA's insurance financial

strength is rated "Aaa" by Moody's and "AAA" by S&P and Fitch Inc. In addition, XLFA has obtained a financial enhancement rating of "AAA" from S&P.

The obligations of XLFA to the Bond Insurer under the reinsurance agreement described above are unconditionally guaranteed by XL Insurance (Bermuda) Ltd ("XLI"), a Bermuda company and one of the world's leading excess commercial insurers. XLI is a wholly owned indirect subsidiary of XL Capital Ltd. In addition to A.M. Best's rating of "A+" (Negative Outlook), XLI's insurance financial strength rating is "Aa2" by Moody's, "AA-" by Standard & Poor's and "AA" by Fitch. The ratings of XLFA and XLI are not recommendations to buy, sell or hold securities, including the Bonds and are subject to revision or withdrawal at any time by Moody's, Standard & Poor's or Fitch.

Notwithstanding the capital support provided to the Bond Insurer described in this section, the holders of the Bonds will have direct recourse against the Bond Insurer only, and neither XLFA nor XLI will be directly liable to the holders of the Bonds.

Financial Strength and Financial Enhancement Ratings of Bond Insurer

The Bond Insurer's insurance financial strength is rated "Aaa" by Moody's and "AAA" by Standard & Poor's and Fitch, Inc. ("Fitch"). In addition, the Bond Insurer has obtained a financial enhancement rating of "AAA" from Standard & Poor's. These ratings reflect Moody's, Standard & Poor's and Fitch's current assessment of the Bond Insurer's creditworthiness and claims-paying ability as well as the reinsurance arrangement with XLFA described under "Reinsurance" above.

The above ratings are not recommendations to buy, sell or hold securities, including the Bonds and are subject to revision or withdrawal at any time by Moody's, Standard & Poor's or Fitch. Any downward revision or withdrawal of these ratings may have an adverse effect on the market price of the Bonds. The Bond Insurer does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

Capitalization of the Bond Insurer

Based on the audited statutory financial statements for the Bond Insurer as of December 31, 2002 filed with the State of New York Insurance Department, the Bond Insurer has total admitted assets of \$180,993,189, total liabilities of \$58,685,217 and total capital and surplus of \$122,307,972 determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities ("SAP"). Based on the audited statutory financial statements for the Bond Insurer as of December 31, 2003 filed with the State of New York Insurance Department, the Bond Insurer has total admitted assets of \$329,701,823, total liabilities of \$121,635,535 and total capital and surplus of \$208,066,288 determined in accordance with SAP.

For further information concerning the Bond Insurer and XLFA, see the financial statements of the Bond Insurer and XLFA, and the notes thereto, incorporated by reference in this Official Statement. The financial statements of the Bond Insurer and XLFA are included as exhibits to the periodic reports filed with the Securities and Exchange Commission (the

"Commission") by XL Capital Ltd and may be reviewed at the EDGAR website maintained by the Commission. All financial statements of the Bond Insurer and XLFA included in, or as exhibits to, documents filed by XL Capital Ltd pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 on or prior to the date of this Official Statement, or after the date of this Official Statement but prior to termination of the offering of the Bonds, shall be deemed incorporated by reference in this Official Statement. Except for the financial statements of the Bond Insurer and XLFA, no other information contained in XL Capital Ltd's reports filed with the Commission is incorporated by reference. Copies of the statutory quarterly and annual statements filed with the State of New York Insurance Department by the Bond Insurer are available upon request to the State of New York Insurance Department.

Regulation of the Bond Insurer

The Bond Insurer is regulated by the Superintendent of Insurance of the State of New York. In addition, the Bond Insurer is subject to regulation by the insurance laws and regulations of the other jurisdictions in which it is licensed. As a financial guaranty insurance company licensed in the State of New York, the Bond Insurer is subject to Article 69 of the New York Insurance Law, which, among other things, limits the business of each insurer to financial guaranty insurance and related lines, prescribes minimum standards of solvency, including minimum capital requirements, establishes contingency, loss and unearned premium reserve requirements, requires the maintenance of minimum surplus to policyholders and limits the aggregate amount of insurance which may be written and the maximum size of any single risk exposure which may be assumed. The Bond Insurer is also required to file detailed annual financial statements with the New York Insurance Department and similar supervisory agencies in each of the other jurisdictions in which it is licensed.

The extent of state insurance regulation and supervision varies by jurisdiction, but New York and most other jurisdictions have laws and regulations prescribing permitted investments and governing the payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liabilities for borrowings.

THE FINANCIAL GUARANTY INSURANCE POLICIES ISSUED BY THE BOND INSURER, INCLUDING THE BOND INSURANCE POLICIES, ARE NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

The principal executive offices of the Bond Insurer are located at 1221 Avenue of the Americas, New York, New York 10020 and its telephone number at this address is (212) 478-3400.

THE LOAN AGREEMENTS

Each Loan Agreement is separate from and will operate independently of the other Loan Agreement, and the occurrence of an Event of Default under one Loan Agreement will not, in and of itself, constitute an Event of Default under the other Loan Agreement. The Loan Agreements contain substantially identical terms and provisions. All references in this summary to the Bonds, the Issuer, the Indenture, the Loan Agreement and other defined terms should be read as referring separately to each series of the Bonds and the related Indenture, Loan Agreement and other defined terms. Reference is made to each Loan Agreement for the detailed provisions thereof.

Loan of Proceeds

The Issuer will loan the proceeds of the sale of the Bonds to the Company, in accordance with the Loan Agreement and the Indenture, to assist the Company in financing a portion of the costs of the Project as defined in the Indenture.

Application of Proceeds; Completion

Net proceeds of the Bonds will be deposited into the Project Fund and disbursed to pay Project Costs in accordance with the Loan Agreement. The Completion Date for the Project will be established by the Company in accordance with the Loan Agreement. Any moneys in the Project Fund remaining after the Completion Date and payment, or provision for payment, in full of the Project Costs at the direction of the Company promptly will be (a) used to acquire, construct or install such additional real and personal property comprising solid waste disposal facilities and Air Quality Facilities as defined in the Act for use in connection with the Project as is designated by the Company and the acquisition, construction, equipment, installation and improvement of which will be such as is permitted under the Act, (b) used for the purchase of Bonds in the open market for the purpose of cancellation at prices not exceeding the fair market value thereof plus accrued interest to the date of payment therefor, (c) paid into the Bond Fund to be applied to the payment of Bond Service Charges on the Bonds or the redemption of the Bonds, or (d) used for a combination of the foregoing as is provided in that direction or for any other purposes as are or may be permitted under the Act; provided that, in all such cases, (A) those moneys will be so used or applied only to the extent that such use or application will not, in the opinion of Bond Counsel or under a ruling of the Internal Revenue Service, adversely affect the exclusion of the interest on the Bonds from the gross income of the holders thereof and (B) any money remaining in the Project Fund following completion of the Project will be invested in accordance with the Code in such manner as not to adversely affect the exclusion of the interest on the Bonds from the gross income of the holders thereof. If moneys in the Project Fund are not sufficient to pay all Project Costs, the Company, nonetheless, will complete the Project or cause the Project to be completed, in order to fulfill the Project Purposes set forth in the Loan Agreement and will pay all such additional Project Costs from its own funds.

Loan Payments

The Company is obligated to make Loan Payments under the Loan Agreement which correspond, as to time, and are equal in amount, to the amount then payable as principal of and premium, if any, and interest on the Bonds. All payments under the Loan Agreement related to the

Loan will be assigned to the Trustee, and the Company will make such payments directly to the Trustee for the account of the Issuer and for deposit in the Bond Fund created under the Indenture.

Obligation to Purchase Bonds

The Company will agree to pay or cause to be paid to the Trustee or the Paying Agent, on or before each day on which Bonds may be or are required to be tendered for purchase, amounts equal to the amounts to be paid by the Trustee or the Paying Agent with respect to the Bonds tendered for purchase on such dates pursuant to the Indenture; provided, however, that the obligation of the Company to make any such payment will be reduced by the amount of (A) moneys paid by the Remarketing Agent as proceeds of the remarketing of such Bonds by the Remarketing Agent, (B) moneys drawn under a Liquidity Facility, if any, for the purpose of paying such purchase price and (C) other moneys made available by the Company.

Term of Loan Agreement

The Loan Agreement will remain in full force and effect until such time as (i) all of the Bonds are fully paid (or provision has been made for such payment) and the Indenture has been released pursuant to the terms thereof and (ii) all other sums payable by the Company under the Loan Agreement have been paid.

Maintenance and Modification

During the term of the Loan Agreement, the Company will use its best efforts to keep and maintain the Project in good repair and good operating condition so that the Project will continue to constitute Air Quality Facilities (as defined in the Loan Agreement) for the purposes of the operation thereof.

Subject to certain conditions, the Company has the right, from time to time, to remodel the Project or make additions, modifications and improvements thereto, the cost of which must be paid by the Company. The Company also has the right, subject to certain conditions, to substitute or remove any portion of the Project.

Maintenance of Corporate Existence

Subject to the provisions below relating to an assignment or a Restructuring Transaction, the Company will agree that during the term of the Loan Agreement, it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; provided that the Company may consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, or sell or otherwise transfer to another corporation all or substantially all of its assets as an entirety and thereafter dissolve, provided the surviving, resulting or transferee corporation, as the case may be (if other than the Company), is a corporation organized and existing under the laws of one of the states of the United States, and assumes in writing all of the obligations of the Company under the Loan Agreement and, if not an Ohio corporation, is qualified to do business in the State.

Tax Covenant

The Company will covenant and represent in the Loan Agreement that it has taken and caused to be taken and will take and cause to be taken all actions that may be required of it for the interest on the Bonds to be and remain excluded from the gross income of the owners thereof for federal income tax purposes, and that it has not taken or permitted to be taken on its behalf, and 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.

Assignment by Company

Notwithstanding any other provisions of the Loan Agreement, the Loan Agreement may be assigned in whole or in part by the Company and the Project may be sold or conveyed 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 as described under "Maintenance of Corporate Existence" above or "Restructuring Transaction" below) will relieve the Company from primary liability for any of its obligations under the Loan Agreement, and in the event of any such assignment the Company will continue to remain primarily liable for the payment of the Loan Payments and Additional Payments (as defined in the Loan Agreement) and for performance and observance of the agreements on its part therein 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 the Loan Agreement, and any assignee from the Company must assume the obligations of the Company thereunder to the extent of the interest assigned;
- (c) the Company must, within 30 days after the 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; and
- (d) Any assignment from the Company may not materially impair fulfillment of the Project Purposes to be accomplished by operation of the Project as provided in the Loan Agreement.

Restructuring Transaction

Notwithstanding any other provisions of the Loan Agreement, the Loan Agreement may be assigned as a whole by the Company, subject, however, to each of the following conditions:

- (a) The Company's rights, duties and obligations under the Loan Agreement and all related documents are assigned to, and assumed in full by, the assignee either (i) as of a date the Bonds are subject to mandatory purchase under the Indenture or (ii) as of a date specified by the Company in connection with a Restructuring Transaction (as defined below) but, in such case, only if the assignee is the GenCo (as defined below)

and the Company has delivered to the Issuer and the Trustee written evidence of an Investment Grade Rating (as defined below) (taking into account such assignment to, and assumption in full by, the GenCo) with respect to the Bonds from each Rating Agency.

(b) The assignee and the Company execute an assignment and assumption agreement, in form and substance reasonably acceptable to the Company, and acknowledged and agreed to by the Issuer and the Trustee, and consented to by the Bond Insurer, whereby the assignee confirms and acknowledges that it has assumed all of the rights, duties and obligations of the Company under the Loan Agreement and all related documentation and agrees to be bound by and to perform and comply with the terms and provisions of the Loan Agreement and all related documentation as if it had originally executed the same; provided further that if there is more than one assignee, such assignment and assumption agreement are on a joint and several basis among all assignees.

(c) The Company furnishes to the Issuer, the Bond Insurer and the Trustee (i) an Opinion of Bond Counsel that such assignment is authorized or permitted by the Act and will not adversely affect the exclusion from gross income of interest on the Bonds, (ii) an opinion of counsel to the assignee to the effect that such assignment and assumption agreement has been duly authorized by the assignee and constitutes the legal, valid and binding obligation of the assignee, enforceable against the assignee in accordance with its terms, subject to laws relating to or affecting generally the enforcement of creditors' rights, including, without limitation, bankruptcy and insolvency laws and to general principles of equity (regardless of whether considered in a proceeding in equity or at law) and (iii) a certificate of an Authorized Company Representative and an opinion of counsel to the Company, each stating that such transaction complies with the Loan Agreement and that all conditions precedent therein relating to such transaction have been complied with.

(d) The Company furnishes or causes to be furnished, within 30 days after execution thereof, to the Issuer and the Trustee a true and complete copy of such assignment and assumption agreement.

(e) Any assignment from the Company does not materially impair fulfillment of the purpose of the Project as herein provided.

(f) Upon the effectiveness of such assignment and assumption, the assignee is deemed to be the "Company" under the Loan Agreement and the assignor is relieved of all liability thereunder.

(g) Such assignment must have been approved in writing by the Bond Insurer in its absolute discretion; provided, however, such approval may not be unreasonably denied if the assignment is to a Regulated Utility (as defined in the Insurance Agreement) with a credit rating equal to or better than that of the Company.

The following definitions apply for the purposes of the Loan Agreement:

"Restructuring Transaction" means the sale or transfer by the Company of some or all of its electric generating facilities and associated assets and liabilities, which sale or transfer includes the Plant, to an entity or entities organized and existing under the laws of one of the states of the United States of America, the District of Columbia or under the laws of the United States of America and qualified to do business in the State (the "*GenCo*") if such transfer or sale is, in the sole discretion of the Company, necessary or desirable in order to permit the Company or an affiliate of the Company to provide retail electric service in the State or to comply with any law of the State relating to electric utility restructuring.

"Investment Grade Rating" means a long-term debt rating by a Rating Agency that is included in one of the four highest debt rating categories of the Rating Agency, provided that such rating categories mean generic categories and without regard to or other qualifications of ratings within each such generic rating category such as "+", "-", "1", "2" or "3."

"Rating Agency" means Moody's and S&P.

Events of Default and Remedies

The Loan Agreement provides that the occurrence of each of the following events will constitute an "event of default":

- (a) The occurrence of an event of default described in paragraphs (a), (b) or (c) under "THE INDENTURES--Events of Default";
- (b) Failure by the Company to observe and perform any other agreement, term or condition contained in the Loan Agreement, other than a failure as has resulted in an event of default described in (a) above, which failure continues for a period of 90 days after notice by the Issuer or the Trustee, or for such longer period as the Issuer and the Trustee agree to in writing; provided, that such failure will 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 within 150 days after the expiration of the initial 90 day cure period or within such longer period as the Issuer and the Trustee may agree to in writing;
- (c) The receipt by the Trustee of written notice from the Bond Insurer that an event of default has occurred and is continuing under the Insurance Agreement; and
- (d) The occurrence of certain voluntary or involuntary events of bankruptcy, reorganization or receivership with respect to the Company.

A failure by the Company described in paragraph (b) above will not be a default if it occurs by reason of certain events of "force majeure" specified in the Loan Agreement not reasonably within the control of the Company.

Whenever any event of default under the Loan Agreement has happened and is subsisting, either or both of the following remedial steps may be taken by the Issuer or the Trustee:

(a) 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) Pursue all remedies existing at law or in equity to recover all amounts then due and thereafter to become due under the Loan Agreement or to enforce performance and observance of any other obligation or agreement of the Company under the Loan Agreement.

Any amounts collected pursuant to action taken upon the happening of an event of default will be paid into the Bond Fund and applied pursuant to the Indenture.

Amendment to the Loan Agreement

The Indenture provides that the Loan Agreement may be amended without the consent of or notice to the holders of the Bonds only as may be required (i) by the provisions of the Loan Agreement or the Indenture, (ii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission therein, (iii) in connection with an amendment of the Indenture not requiring the consent of holders, or (iv) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the holders of the Bonds. The Loan Agreement may be amended, but only with the consent of the holders of all of the outstanding Bonds, to change the amounts or times as of which Loan Payments under the Loan Agreement are required to be made. Any other amendments to the Loan Agreement may be made only with the written approval or consent of the holders of not less than a majority in aggregate principal amount of the Bonds outstanding. No amendment to the Loan Agreement will be effective without the consent of the Bond Insurer (such consent not to be unreasonably denied).

Before the Issuer and the Trustee may consent to any amendment to the Loan Agreement, there must be delivered to the Trustee an Opinion of Bond Counsel stating that such amendment is authorized or permitted by the Act and is authorized under the Indenture, that such amendment will, upon the execution and delivery thereof, be valid and binding in accordance with its terms, and that such amendment will not adversely affect the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

THE INDENTURES

Each Indenture is separate from and will operate independently of the other Indenture, and the occurrence of an Event of Default under one Indenture will not, in and of itself, constitute an Event of Default under the other Indenture. The Indentures contain substantially identical terms and provisions. All references in this summary to the Bonds, the Indenture, the Loan Agreement, the Bond Insurance Policy and other defined terms should be read as referring separately to each series of the Bonds and the related Indenture, Loan Agreement, Bond Insurance Policy and other defined terms. Reference is made to each Indenture for the detailed provisions thereof.

Pledge of Revenues

Pursuant to the Indenture, all right, title and interest of the Issuer in and to the "Revenues" (as defined below) and under the Loan Agreement (except for certain rights of the Issuer), will be pledged or assigned to the Trustee to secure the payment of the principal or redemption price of and interest on the Bonds.

"Revenues" are defined to mean: (a) the Loan Payments, (b) all other moneys received or to be received by the Issuer (excluding any fees paid to the Issuer and all Unassigned Authority Rights) 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 Project Fund, 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 or the Bond Purchase Fund as those terms are defined in the Indenture.

Project Fund

The net proceeds of the sale of the Bonds, other than any accrued interest, will be deposited in and credited to the Project Fund created under the Indenture and will be used by the Trustee to pay a portion of the costs of financing the acquisition and construction of the Project Facilities.

Bond Fund

A Bond Fund will be established with the Issuer and maintained by the Trustee as a trust fund under the Indenture. The amounts with respect to the payment of principal of and premium, if any, and interest on the Bonds derived under the Loan Agreement and certain other amounts specified in the Indenture will be deposited in the Bond Fund. While the Bonds are outstanding, moneys in the Bond Fund will be used solely for the payment of the principal or redemption price of and interest on the Bonds as they become due on any Interest Payment Date or at stated maturity, by redemption or upon acceleration.

Bond Purchase Fund

A Bond Purchase Fund will be established and maintained by the Paying Agent for the deposit of amounts to be used to pay the purchase price of Bonds. Moneys in the Bond Purchase Fund will be used solely for the payment of the purchase price of Bonds. Moneys in the Bond Purchase Fund will not be pledged to the payment of the principal of or interest or any premium on the Bonds and will not be invested.

Investments

Any moneys held as a part of the Project Fund, the Bond Fund and the Rebate Fund will be invested and reinvested by the Trustee as provided in the Indenture. Any such investments will be held by or under the control of the Trustee and will be deemed at all times a part of the respective Fund.

Events of Default

So long as the Bond Insurance Policy is in effect, the Bond Insurer will be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders and the Trustee for the benefit of the Bondholders, including, without limitation: (i) the right to accelerate the principal of the Bonds and (ii) the right to annul any declaration of acceleration, and the Bond Insurer also will be entitled to approve all waivers of events of default.

The Indenture provides that each of the following events will constitute an "Event of Default" thereunder:

- (a) Payment of any interest on any Bond is not made when it becomes due and payable;
- (b) Payment of the principal or redemption price of any Bond is not made when it becomes due and payable, whether at stated maturity, by redemption, by acceleration or otherwise;
- (c) Payment of the purchase price of any Bond tendered for purchase pursuant to the provisions of the Indenture is not made when due and payable;
- (d) Failure by the Issuer to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in the Bonds or the Indenture (other than a failure described in paragraphs (a), (b) or (c) above), which failure has continued for a period of 90 days after written notice (or for such longer period as the Trustee may agree to in writing), by registered or certified mail, to the Issuer and the Company given by the Trustee, either in its discretion or at the written request of the holders of not less than 35% in aggregate principal amount of Bonds then outstanding; provided, that failure will not constitute an Event of Default so long as the Issuer institutes curative action within the applicable period and diligently pursues that action to completion within 150 days after the expiration of the initial cure period as determined above, or within such longer period as the Trustee may agree to in writing; or
- (e) The occurrence and continuance of an event of default as described in paragraphs (c) or (d) under "THE LOAN AGREEMENTS--Events of Default."

Remedies

Upon the occurrence and continuance of any Event of Default described under "Events of Default" above, (i) at the written direction of the Bond Insurer or (ii) upon the written request of the holders of not less than 35% in aggregate principal amount of Bonds then outstanding and with the written consent of the Bond Insurer, in either event, the Trustee, by written notice to the Issuer and the Company, must declare the principal of all Bonds then outstanding (if not then due and payable), and the accrued and unpaid interest thereon, to be due and payable immediately.

Interest on the Bonds will accrue at the rates per annum borne by the Bonds to the date determined by the Trustee for the tender of payment to the holders pursuant to that declaration;

provided, that interest on any unpaid principal of Bonds outstanding will continue to accrue from the date determined by the Trustee for the tender of payment to the holders of those Bonds until that principal amount has been paid or made available to the Trustee for the benefit of the holders. The Trustee will give immediate written notice of such declaration by mail to the holders of all Bonds then outstanding.

The provisions above are subject to the condition that if at any time after declaration of acceleration and prior to the entry of a judgment in a court for enforcement (after an opportunity for hearing by the Issuer and the Company), all sums payable (except the principal of and interest on Bonds which have not reached their stated maturity dates but which are due and payable solely by reason of that declaration of acceleration), plus interest to the extent permitted by law on any overdue installments of interest at the rate then borne by the Bonds, have been duly paid or provision therefor having been made by deposit with the Trustee or Paying Agent and all existing Events of Default have been cured, then such payment or provision for payment will constitute an automatic waiver of the Event of Default and its consequences and will constitute an automatic rescission and annulment of that declaration.

If an Event of Default occurs and is continuing, the Trustee, before or after the principal of the Bonds becomes immediately due and payable, may pursue any available remedy to enforce the payment of principal of, premium, if any, and interest on the Bonds or the observance and performance of any other covenant, agreement or obligation under the Indenture, the Loan Agreement or any other instrument providing security for the Bonds. If, upon the occurrence and continuance of an Event of Default, the Trustee is directed so to do by the Bond Insurer or requested so to do by the holders of at least 35% in aggregate principal amount of Bonds outstanding and with the written consent of the Bond Insurer, the Trustee will be required to exercise any rights and powers conferred by, and subject to, the Indenture.

The Bond Insurer will have the right or, with the consent of the Bond Insurer, the holders of a majority in aggregate principal amount of Bonds then outstanding will have the right at any time to direct, by an instrument or document or instruments or documents in writing executed and delivered to the Trustee, the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings thereunder; provided, that (i) any direction may not be other than in accordance with the provisions of law and of the Indenture, (ii) the Trustee must be indemnified as provided in the Indenture, (iii) the Trustee may take any other action which it deems to be proper and which is not inconsistent with the direction and (iv) the Bond Insurer will have no rights in respect of remedies against the Bond Insurer.

All moneys received under the Indenture by the Trustee upon the occurrence of an Event of Default (provided that moneys received under the Bond Insurance Policy will be used only for payment of principal of and interest then due on the Bonds) will be applied first to the payment of the costs and expenses of the proceedings resulting in the collection of such money and of the fees and expenses incurred by the Trustee, and the balance of such money will be deposited in the Bond Fund and applied to the payment of the principal of and premium, if any, and interest on the Bonds in the manner and in the priorities set forth in the Indenture. The Trustee will have a first lien against the trust estate, payable prior to debt service on the Bonds, provided, however, that moneys received under the Bond Insurance Policy will be used only for payment of the principal of and interest then due on the Bonds.

No holder of any Bond will have any right to institute any suit, action or proceeding for the enforcement of the Indenture or for the exercise of any other remedy under the Indenture, unless (i) an Event of Default has occurred and is continuing and the Trustee has or is deemed to have notice of the same, (ii) the holders of not less than 35% in aggregate principal amount of the then outstanding Bonds have made written request to the Trustee and have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted by the Indenture or to institute a suit, action or proceeding in its own name and have offered to the Trustee satisfactory indemnity as provided in the Indenture, and (iii) the Trustee thereafter has failed or refused to exercise the remedies, rights and powers granted under the Indenture or to institute such action, suit or proceeding in its own name. Notwithstanding the foregoing, each holder of a Bond will have a right to enforce the payment of the principal of and premium, if any, and interest on any Bond held or owned by that holder at and after the maturity thereof at the place, from the sources and in the manner expressed in said Bond.

Supplemental Indentures

The Issuer and the Trustee may, with the consent of the Bond Insurer (such consent not to be unreasonably denied) and without the consent of, or notice to, any holder of a Bond, enter into supplemental indentures which will not, in the opinion of the Issuer and the Trustee, be inconsistent with the Indenture for any one or more of the following purposes:

- (a) To cure any ambiguity, inconsistency or formal defect or omission in the Indenture;
- (b) To grant to or confer upon the Trustee for the benefit of the holders of the Bonds any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the holders or the Trustee;
- (c) To assign additional revenues under the Indenture;
- (d) To accept additional security and instruments and documents of further assurance with respect to the Project, including without limitation, first mortgage bonds of the Company;
- (e) To add to the covenants, agreements and obligations of the Issuer under the Indenture, other covenants, agreements and obligations to be observed for the protection of the holders of the Bonds, or to surrender or limit any right, power or authority reserved to or conferred upon the Issuer in the Indenture;
- (f) To evidence any succession to the Issuer and the assumption by its successor of the covenants, agreements and obligations of the Issuer under the Indenture, the Loan Agreement and the Bonds;
- (g) To permit the exchange of Bonds, at the option of the holder or holders thereof, for coupon Bonds payable to bearer, if the Trustee has received an Opinion of Bond Counsel to the effect that the exchange would not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds outstanding;

- (h) To permit the transfer of Bonds from one Depository to another, and the succession of Depositories, or the withdrawal of Bonds issued to a Depository for use in a book entry system and the issuance of replacement Bonds in fully registered form to others than a Depository;
- (i) To permit the Trustee to comply with any obligations imposed upon it by law;
- (j) To specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar, the Bond Insurer, the Auction Agent, the Remarketing Agent and any authenticating agents or Paying Agents;
- (k) To achieve compliance of the Indenture with any applicable federal securities or tax law;
- (l) To make amendments to the provisions of the Indenture relating to arbitrage matters under Section 148(f) of the Code, if, in the opinion of Bond Counsel, those amendments would not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds outstanding;
- (m) To make any amendments appropriate or necessary to provide for or facilitate the delivery of any Liquidity Facility;
- (n) Prior to, or concurrently with, the conversion of the Bonds from a Daily, Weekly, Commercial Paper, or Term Rate Period to an Auction Rate Period, to make any amendments appropriate or necessary with respect to the Auction Rate Procedures and any definitions or provisions in the Indenture or exhibits thereto in order to provide for or facilitate the marketability of Auction Rate Bonds; and
- (n) To permit any other amendment which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the holders of the Bonds.

Exclusive of such supplemental indentures, the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding, with the written consent of the Bond Insurer (such consent not to be unreasonably denied) and, if required by the Indenture, of the Company, will have the right to consent to and approve any supplemental indenture, except that no supplemental indenture will permit:

- (a) An extension of the maturity of the principal of or the date for payment of interest on any Bond, a reduction in the principal amount of any Bond or the rate of interest or premium thereon, a reduction in the purchase price of any Bond or an extension of the date for payment of the purchase price of any Bond without the consent of the holder of each Bond so affected; or
- (b) The creation of a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or a reduction in the aggregate principal amount of the Bonds required for consent to a supplemental indenture, without the consent of the holders of all of the Bonds then outstanding.

Any supplemental indenture which affects the rights or obligations of the Company requires the written consent of the Company. Before the Issuer and the Trustee may enter into any supplemental indenture, there must be delivered to the Trustee an Opinion of Bond Counsel stating that such supplemental indenture is authorized or permitted by the Act and is authorized under the Indenture, that such supplemental indenture will, upon the execution and delivery thereof, be valid and binding in accordance with its terms, and that such supplemental indenture will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

Discharge of Indenture

The lien created by the Indenture will be discharged when the Issuer pays or causes to be paid, or if there otherwise is paid, to or for the holders of the Bonds the principal, premium, if any, and interest due or to become due thereon and provision is also made for the payment of all other sums payable pursuant to the provisions of the Indenture and the Loan Agreement.

All of the Bonds will be deemed to have been paid and discharged within the meaning of the Indenture if:

(a) The Trustee as paying agent and any Paying Agents have received, in trust for and irrevocably committed thereto, sufficient moneys, or

(b) The Trustee has received, in trust for and irrevocably committed thereto, noncallable and nonprepayable Government Obligations which are certified by an independent public accounting firm of national reputation (with a copy of the certification being delivered to the Rating Agencies) to be of such maturities or redemption dates and interest payment dates, and to bear such interest as will be sufficient together with moneys referred to in (a) above, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, for the payment of all principal of and premium, if any, and interest on such Bonds (interest will be calculated at the maximum interest rate permitted to be borne by the Bonds pursuant to the Indenture unless the Bonds are in a Term Rate Period and the Bonds will mature or be redeemed on or prior to the last day of such Term Rate Period) at their maturity or redemption dates, as the case may be; provided, that if any of such Bonds are to be redeemed prior to maturity, notice of such redemption must have been duly given or irrevocable provision satisfactory to the Trustee must have been duly made for the giving of such notice.

"Government Obligations" are defined to mean (i) direct obligations of the United States for which its full faith and credit are pledged for the full and timely payment thereof, (ii) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the United States, the full and timely payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States, or (iii) certificates or receipts representing direct ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (i) or (ii), which obligations are held by a custodian in safekeeping on behalf of such certificates or receipts.

Liquidity Facility

The Company may deliver a Liquidity Facility to the Trustee on any Interest Payment Date upon which the Bonds are subject to optional redemption or, if the Bonds are in a Term Rate Period, the last Interest Payment Date for that Term Rate Period. Any such Liquidity Facility is required to provide for direct payments to or upon the order of the Trustee of the principal and purchase price of and interest on the Bonds when due. The Bond Insurer must consent in writing to the delivery of any Liquidity Facility or waive in writing any requirement to deliver a Liquidity Facility (such consent not to be unreasonably denied). Any Liquidity Facility will be subject to the prior written consent of the Bond Insurer (such consent not to be unreasonably denied).

Rights of Bond Insurer

The Indenture grants certain rights to the Bond Insurer. In addition to those rights, the Bond Insurer will, to the extent it makes payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy. If an Event of Default occurs, the Bond Insurer will have the right to institute any suit, action or proceeding at law or in equity under the same terms as a Bondholder may institute any action under the Indenture.

To the extent that the Indenture confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of the Indenture, the Bond Insurer is explicitly recognized under the Indenture as being a third-party beneficiary thereof and may enforce any such right, remedy or claim conferred, given or granted thereunder.

As 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: (a) any provision of the Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer thereunder without the prior written consent of the Bond Insurer; (b) any action under the Indenture which requires the consent or approval of Bondholders will, in addition to such approval, be subject to the prior written consent of the Bond Insurer; (c) upon occurrence and continuance of an Event of Default, and subject to certain indemnification provisions, the Bond Insurer will be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under the Indenture including, without limitation, (i) the right to accelerate the principal of the Bonds and (ii) the right to annul any declaration of acceleration, and the Bond Insurer will also be entitled to approve all waivers of Events of Default; and (d) the Bond Insurer will be entitled to receive copies of notices, certificates and other documents received by the Trustee pursuant to the Indenture and notification of any failure to provide any such document as required by the Indenture or the Loan Agreement.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal or interest due on the Bonds is paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds will remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Issuer to the Bondholders will continue to exist and run to

the benefit of the Bond Insurer, and the Bond Insurer will be subrogated to the rights of the Bondholders.

No Personal Liability of Issuer's Officials

No covenant, stipulation, obligation or agreement of the Issuer contained in the Indenture will be or be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Issuer in other than his or her official capacity. No official of the Issuer executing the Bonds, the Indenture, the Loan Agreement (or amendments or supplements to either) will be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or the execution of the Indenture or the Loan Agreement (or amendments or supplements to either).

The Trustee

Except for any period during which an Event of Default, of which the Trustee has been notified or is deemed to have knowledge, has occurred and is continuing, the Trustee (i) will undertake to perform only the duties specifically set forth in the Indenture and (ii) in the absence of bad faith on its part, may rely conclusively upon the truth of the statements and the correctness of the opinions furnished to it pursuant to the Indenture. In case an Event of Default has occurred and is continuing (of which the Trustee has been notified or is deemed to have notice), the Trustee will exercise the rights and powers vested in it by the Indenture and will use the same degree of care and skill as a prudent person would use under the circumstances in the conduct of his or her own affairs. The Trustee will not be required to expend or risk its own funds in performing its duties under the Indenture and will be entitled to compensation and the reimbursement of its expenses.

The Trustee may resign at any time from the trusts created by the Indenture by giving written notice of the resignation to the Issuer, the Company, the Registrar, any Paying Agents, the Remarketing Agent, the Auction Agent, the Bond Insurer and authenticating agents and by mailing written notice thereof to the holders of the Bonds. The resignation will take effect only upon the appointment of a successor Trustee acceptable to the Bond Insurer.

The Trustee may be removed at any time by the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding. The Trustee also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Issuer, upon its own volition or at the request of the Company or the holders of not less than 35% in aggregate principal amount of the Bonds then outstanding under the Indenture. The removal will take effect only upon the appointment of a successor Trustee acceptable to the Bond Insurer.

Every successor Trustee appointed pursuant to the Indenture (i) must be a trust company or a bank having the powers of a trust company, (ii) must be in good standing within the State, (iii) must be duly authorized to exercise trust powers within the State, (iv) must have a reported capital and surplus of not less than \$75,000,000, (v) so long as the Bonds are rated by Moody's, must either be rated at least Baa3 or P-3 by Moody's or be otherwise acceptable to Moody's, (vi) so long as the Bonds are rated by S&P, must be acceptable to S&P, and (vii) must be acceptable to the Bond Insurer.

Remarketing Agent

The 2004 Series A Remarketing Agent's principal office is at Banc of America Securities LLC, 600 Peachtree Street N.E., 4th Floor, Atlanta, Georgia 30308 Attention: Municipal Bond Department. The 2004 Series B Remarketing Agent's principal office is at Lehman Brothers Inc., 399 Park Avenue, 16th Floor, New York, New York 10022 Attention: Public Finance. The Remarketing Agent will determine the Variable Rates and the Commercial Paper Rate Periods for the Bonds and will remarket Bonds subject to optional or mandatory tender. The Remarketing Agent must have a capitalization of at least \$50,000,000 and be authorized by law to perform all the duties imposed upon it by the Indenture. Any successor Remarketing Agent must be rated at least Baa3/P-3 or otherwise be acceptable to Moody's and must have been approved in writing by the Bond Insurer (such approval not to be unreasonably denied).

If at any time the Remarketing Agent is unable or unwilling to act as a Remarketing Agent, the Remarketing Agent may resign upon the earlier to occur of (i) the twentieth day following receipt by the Company, the Issuer, the Trustee, the Auction Agent and the Paying Agent of written notice of resignation and (ii) the day of appointment by the Company of a successor Remarketing Agent pursuant to the Indenture and acceptance of such appointment by such successor Remarketing Agent. The Remarketing Agent may be removed at any time by the Company upon five days' written notice signed by the Company and delivered to the Remarketing Agent, the Issuer, the Trustee, the Bond Insurer, the Auction Agent and the Paying Agent.

TAX MATTERS

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law, as enacted and construed on the date of delivery of the Bonds, (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Code, except for interest on any Bond for any period during which it is held by a "substantial user" or a "related person" as those terms are used in Section 147(a) of the Code; (ii) interest on the Bonds is an item of tax preference for purposes of Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations; and (iii) interest on the Bonds and any profit made on their sale, exchange or other disposition are exempt from Ohio personal income tax, the net income base of the Ohio corporate franchise tax and municipal and school district income taxes in Ohio. Bond Counsel will express no opinion as to any other tax consequences regarding the Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications and compliance with certain covenants of the Company and the Issuer to be contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the certifications and representations made by the Company and the Issuer.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which, including provisions for potential payments by the Issuer to the federal government, require future or continued compliance after issuance of the obligations in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with certain of these requirements by the Company or the Issuer with respect to the Bonds could cause the interest on the Bonds to be included in gross income for federal income tax purposes and to be subject to federal income taxation retroactively to the date of their issuance. The Company and Issuer will each covenant to take all actions required of it to assure that the interest on the Bonds shall be and remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

Under the Code, interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on the excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes can have certain adverse federal income tax consequences on items of income, deductions or credits for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations and individuals otherwise eligible for the earned income credit. The applicability and extent of these or other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding such consequences.

CONTINUING DISCLOSURE AGREEMENT

Certain provisions of the Continuing Disclosure Agreement are described below. Reference is made to the Continuing Disclosure Agreement for the detailed provisions thereof.

The Company will agree, in a Continuing Disclosure Agreement (the “*Continuing Disclosure Agreement*”) for the benefit of the holders and beneficial owners from time to time of the Bonds, in accordance with, and as the only obligated person with respect to the Bonds under, Rule 15c2-12 (the “*Rule*”) of the Securities and Exchange Commission (the “*SEC*”), to provide or cause to be provided such financial information and operating data of the Company (collectively, “*Annual Information*”), audited financial statements and notices, in such manner, as may be required for purposes of paragraph (b)(5)(i) of the Rule, including specifically the following:

- (a) To each nationally recognized municipal securities information repository designated from time to time by the SEC (“*NRMSIR*”), to any state information depository (“*SID*”) and to the Trustee: Annual Information for each fiscal year of the Company, ending on or after December 31, 2004, consisting of (i) so long as the Company files reports with the SEC on Form 10-K or a successor form, such reports, (ii) in the event that the Company no longer is required to file such reports on Form 10-K or a successor form, the Company’s audited financial statements prepared in accordance with accounting principles applied from time to time in the preparation of the Company’s annual financial statements, initially generally

accepted accounting principles and such related financial and operating data disclosure as is made available to the Company's public shareholders generally, or (iii) in the event that the Company no longer is required to file such reports on Form 10-K or a successor form and no longer has any public shareholders, information concerning the Company's business and properties, selected financial data and management's discussion and analysis, together with the Company's audited financial statements prepared in accordance with the aforementioned accounting principles, comparable to the information contained in such report on Form 10-K. Such reports are required to be filed by the 30th day (or the next Business Day if that day is not a Business Day) following the date by which the Company is required to file annual reports with the SEC or, in the event that the Company is no longer required to file annual reports with the SEC, by the 120th day (or the next Business Day if that day is not a Business Day) following the end of each fiscal year.

(b) To each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB"), and to any SID, in a timely manner, notice of:

(1) The occurrence of any of the following events, within the meaning of the Rule, with respect to the Bonds, if material:

- (i) principal and interest payment delinquencies;
- (ii) nonpayment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) modifications to rights of holders or beneficial owners;
- (viii) Bond calls for the Bonds;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds; and
- (xi) rating changes for the Bonds.

Although enumerated in the Rule, the events described in subparagraphs (iii) and (x) above currently are inapplicable with respect to the Bonds.

- (2) The Company's failure to provide the Annual Information within the time specified above.
- (3) The termination of the Continuing Disclosure Agreement.

The Continuing Disclosure Agreement may be amended, and any of its provisions may be waived, if such amendment or waiver is supported by a legal opinion of independent counsel who is expert in federal securities laws to the effect that such amendment or waiver would not, in and of itself, violate the Rule. If the amendment or waiver will materially impair the interests of Bondholders or beneficial owners, then the Trustee must also obtain the approval of the holders.

The Continuing Disclosure Agreement is solely for the benefit of the holders and beneficial owners from time to time of the Bonds. The exclusive remedy for any breach of the Continuing Disclosure Agreement is limited to a right of holders and beneficial owners to cause to be instituted and maintained, proceedings in equity to obtain the specific performance by the Company of its obligations under the Continuing Disclosure Agreement. Any individual holder or beneficial owner may institute and maintain, or cause to be instituted and maintained, such proceedings to require the Company to provide a pertinent filing if such a filing is due and has not been made. Any such proceedings to require the Company to perform any other obligation under the Continuing Disclosure Agreement (including any proceedings that contest the sufficiency of any pertinent filing) may be instituted and maintained only by the holders and beneficial owners of not less than 35% in principal amount of the Bonds then outstanding or their agent.

Any failure by the Company to comply with any provision of the Continuing Disclosure Agreement will not constitute a failure or a default, or an event of default, under the Loan Agreements or the Indentures.

The Continuing Disclosure Agreement will remain in effect only for such period that any of the Bonds are outstanding in accordance with their terms and the Company remains an obligated person with respect to the Bonds within the meaning of the Rule.

There have not been, and the Company will covenant that as of the closing date for the sale of the Bonds, there will not have been, any instances in which the Company failed to comply, in all material respects, with any previous continuing disclosure agreement made by the Company for purposes of the Rule.

The following NRMSIRs exist at this time: Bloomberg Municipal Repository, Skillman, New Jersey; DPC Data Inc., Fort Lee, New Jersey; and FT Interactive Data and Standard & Poor's Securities Evaluations, Inc., each of New York, New York. The following SID exists at this time: Ohio Municipal Advisory Council, Twinsburg, Ohio.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel. The form of such opinion is included as Appendix E hereto. Certain legal matters in connection with the issuance of the Bonds will be passed upon for the Issuer by Forbes, Fields & Associates Co., L.P.A.

Certain legal matters will be passed upon for the Company by J. William DuMond, Esq., Senior Counsel. Certain legal matters will be passed upon for the Bond Insurer by an Assistant General Counsel. Certain legal matters will be passed upon for the Underwriters by Squire, Sanders & Dempsey L.L.P. From time to time, Squire, Sanders & Dempsey L.L.P. has represented the Company and its affiliates in various matters.

UNDERWRITING

Under the terms of a Bond Purchase Agreement, the Underwriters will agree, jointly and severally, subject to the approval of certain legal matters by counsel and to certain other conditions, to purchase the Bonds from the Issuer at a price of \$93,671,000 (representing 100% of the aggregate principal amount of the Bonds less an underwriting discount of \$329,000). The Company also will agree to reimburse the Underwriters for certain expenses. The Underwriters will agree to purchase all of the Bonds, if any of the Bonds are purchased. After the Bonds are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Underwriters, and such Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment accounts) and others at prices lower than the public offering price set forth on the cover page hereof.

The Company will agree to indemnify the Underwriters and the Issuer against certain liabilities, including certain liabilities under federal securities laws.

Each Underwriter also will act as a Broker-Dealer during the Auction Rate Period. The Broker-Dealers will be compensated for their services as Broker-Dealers. Banc of America Securities LLC has been appointed to serve as 2004 Series A Remarketing Agent and Lehman Brothers Inc. has been appointed to serve as 2004 Series B Remarketing Agent. Each Remarketing Agent will be separately compensated by the Company.

In the ordinary course of their respective businesses, the Underwriters and certain of their respective affiliates have engaged, and may in the future engage, in investment banking or other transactions with the Company and its affiliates.

This Official Statement has been duly authorized, executed and delivered by the Company and the Issuer.

OHIO AIR QUALITY
DEVELOPMENT AUTHORITY

By: /s/Mark R. Shanahan
Executive Director

THE CINCINNATI GAS & ELECTRIC
COMPANY

By: /s/ Wendy L. Aumiller
Treasurer

Appendix A

THE CINCINNATI GAS & ELECTRIC COMPANY

The information contained herein as Appendix A to the Official Statement relates to and has been supplied by the Company. The delivery of this Official Statement shall not create any implication that there has been no change in the affairs of the Company since the date hereof, or that the information contained, referred to or incorporated by reference in this Appendix A is correct as of any time subsequent to its date. The Issuer makes no representation or warranty as to the accuracy or completeness of the information contained or incorporated by reference in this Appendix A.

THE CINCINNATI GAS & ELECTRIC COMPANY

The following information is furnished solely to provide limited introductory information regarding The Cincinnati Gas & Electric Company (the "Company") and does not purport to be comprehensive. The data are qualified in their entirety by reference to the detailed information and financial statements appearing in the documents incorporated herein by reference and, therefore, should be read together therewith.

The Company, an Ohio corporation, is a wholly-owned subsidiary of Cinergy Corp. ("Cinergy"), a registered holding company under the Public Utility Holding Company Act of 1935. The Company is a combination electric and gas public utility company and is engaged in the production, transmission, distribution, and sale of electricity and the sale and transportation of natural gas. The Company provides service in the southwestern portion of Ohio and through one of its subsidiaries in nearby areas of Kentucky. The Company's principal subsidiary, The Union Light, Heat and Power Company, is a Kentucky corporation that provides electric and gas service in northern Kentucky. The Company's other subsidiaries are insignificant to its results of operations.

The Company's principal executive and business office is located at 139 East Fourth Street, Cincinnati, Ohio 45202 (telephone 513-421-9500).

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and accordingly files reports and other information with the Securities and Exchange Commission (the "SEC"). Reports, proxy statements, and other information can be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The Company's filings also may be read over the Internet at the SEC's home page at <http://www.sec.gov>. Such material can also be inspected at the offices of the New York Stock Exchange.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed by the Company with the SEC pursuant to the Exchange Act are hereby incorporated in this Official Statement by reference:

- (a) Annual Report on Form 10-K for the year ended December 31, 2003;
- (b) Quarterly Reports on Form 10-Q for the quarters ended March 31, 2004, June 30, 2004 and September 30, 2004; and
- (c) Current Report on Form 8-K dated August 19, 2004.

All documents filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Official Statement and prior to the termination of this offering shall be deemed to be incorporated in this Official Statement by reference and to be a part hereof from the date of filing of such documents.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company hereby undertakes to provide without charge to each person to whom a copy of this Official Statement has been delivered, upon the written or oral request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than exhibits to such documents. Requests for such copies should be directed to Ms. Wendy L. Aumiller, Treasurer, The Cincinnati Gas & Electric Company, 139 East Fourth Street, Cincinnati, Ohio 45202 (telephone 513-287-2368).

CERTAIN DEFINITIONS

Unless the context otherwise requires, the following terms will, as used herein, have the following meanings:

"A-1' Composite Commercial Paper Rate," on any date of determination, means (i) the interest equivalent of the 30-day rate on commercial paper placed on behalf of issuers whose corporate bonds are rated "A-1" by S&P, or the equivalent of such rating by S&P, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination; or (ii) if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by the Commercial Paper Dealer to the Auction Agent as of the close of business on the Business Day immediately preceding such date of determination; *provided* that if any Commercial Paper Dealer does not quote a commercial paper rate required to determine the "A-1" Composite Commercial Paper Rate, the "A-1" Composite Commercial Paper Rate will be determined on the basis of such quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers. For purposes of this definition, the "interest equivalent" of a rate stated on a discount basis (a "*discount rate*") for commercial paper of a given day's maturity will be equal to the product of (a) 100 times (b) the quotient (rounded upwards to the next higher one-thousandth (.001) of 1%) of (x) the discount rate (expressed in decimals) divided by (y) the difference between (1) 1.00 and (2) a fraction, the numerator of which will be the product of the discount rate (expressed in decimals) times the number of days in which such commercial paper matures and the denominator of which will be 360.

"All Hold Rate" means, as of any Auction Date, 55% of LIBOR.

"Applicable Number of Business Days" means the greater of two Business Days or one Business Day plus the number of Business Days by which the Auction Date precedes the first day of the next succeeding Interest Period.

"Applicable Percentage," on any date of determination, means the percentage determined (as such percentage may be adjusted pursuant to the Indenture) based on the lower of the prevailing credit rating on the Auction Rate Bonds in effect at the close of business on the Business Day immediately preceding such date, as set forth below:

CREDIT RATINGS

<u>MOODY'S INVESTORS SERVICE</u>	<u>STANDARD & POOR'S RATINGS SERVICES</u>	<u>APPLICABLE PERCENTAGE</u>
"Aaa"	"AAA"	175%
"Aa3" to "A1"	"AA-" to "AA+"	175%
"A3" to "A1"	"A-" to "A+"	175%
"Baa3" to "Baa1"	"BBB-" to "BBB+"	200%
Below "Baa3"	Below "BBB-"	265%

provided, that, in the event that the Auction Rate Bonds are not rated by any nationally recognized rating agency, the Applicable Percentage will be 265%, and, *provided further*, that if a Payment Default has occurred and be continuing, the Applicable Percentage will be 300%. For purposes of this definition, S&P's rating categories of "AAA", "AA", "A" and "BBB", and Moody's rating categories of "Aaa", "Aa", "A" and "Baa," refer to and include the respective rating categories correlative thereto if either or both of such rating agencies have changed or modified their generic rating categories or if Moody's or S&P no longer rates the Auction Rate Bonds and has been replaced.

"*Auction Date*" means for the 2004 Series A Bonds January 4, 2005 and for the 2004 Series B Bonds January 11, 2005; and thereafter, the Business Day immediately preceding the first day of each Interest Period, other than:

- (a) each Interest Period commencing after the ownership of the Auction Rate Bonds is no longer maintained in book entry form by the Depository;
- (b) each Interest Period commencing after the occurrence and during the continuance of a Payment Default; or
- (c) any Interest Period commencing less than the Applicable Number of Business Days after the cure or waiver of a Payment Default.

Notwithstanding the foregoing, the Auction Date for one or more Auction Periods may be changed pursuant to the Indenture.

"*Auction Period*" means the Interest Period applicable to the particular Auction Rate Bonds as the same may be changed pursuant to the Indenture.

"*Auction Rate Bonds*" means any Bonds which bear the Auction Rate.

"*Authorized Denominations*" means (i) during an Auction Rate Period, \$25,000 and integral multiples thereof; (ii) during a Commercial Paper Rate Period, a Daily Rate Period and a Weekly Rate Period, \$100,000 minimum denomination, with \$5,000 increments above \$100,000; and (iii) during a Term Rate Period, \$5,000 or integral multiples of \$5,000.

"Book-Entry System" means the system maintained by the Depository and described herein under "THE BONDS—Auction Rate Period—*Depository*" and "THE BONDS—Book-Entry-Only System."

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in New York, New York, or the city or cities in which are located the principal corporate trust offices or payment offices of the Trustee, the Company, the Auction Agent, the Remarketing Agent, the Registrar or the Paying Agent are authorized by law to close or (iii) a day on which the New York Stock Exchange is closed.

"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 revenue rulings, announcements, notices, procedures and judicial determinations under the foregoing applicable to the Bonds.

"Commercial Paper Dealer" means the Remarketing Agent or, in lieu thereof, its affiliates or successors, provided that any such entity is a commercial paper dealer, or any substitute commercial paper dealer or dealers selected by the Company to provide the applicable quotation or quotations.

"Commercial Paper Rate" means, when used with respect to any particular Bond, the interest rate determined for each Commercial Paper Rate Period applicable thereto pursuant to the Indenture.

"Commercial Paper Rate Period" means a period during which a Bond bears interest at a Commercial Paper Rate.

"Conversion Date" means a day on which the Bonds are converted to bear interest (i) from one Variable Rate to another Variable Rate in accordance with the terms of the Indenture, including any change from a Term Rate Period to a Term Rate Period of a different duration, or (ii) from an Auction Rate to a Variable Rate or (iii) from a Variable Rate to an Auction Rate.

"Daily Rate" means the interest rate to be determined for the Bonds on each Business Day pursuant to the Indenture and described under the caption "THE BONDS—Interest Rate Determination Methods—*Daily Rate and Daily Rate Period.*"

"Daily Rate Period" means a period during which the Bonds bear interest at a Daily Rate is in effect.

"Depository" means The Depository Trust Company (a limited purpose trust company), New York, New York, until a successor Depository will have become such pursuant to the applicable provisions of the Indenture and thereafter, "Depository" will mean the successor Depository. Any Depository will be a depository that is a clearing agency under federal law

operating and maintaining, with its participants or otherwise, a Book Entry System to record ownership of beneficial interests in Bonds or bond service charges thereon, and to effect transfers of Bonds, in a Book Entry Form.

"Existing Holder" means a person who is listed as the beneficial owner of Auction Rate Bonds in the records of the Auction Agent.

"Initial Interest Period" means for the 2004 Series A Bonds, the period from and including the date of delivery of the 2004 Series A Bonds and ending on January 4, 2005 and for the 2004 Series B Bonds, the period from and including the date of delivery of the 2004 Series B Bonds and ending on January 11, 2005.

"Interest Payment Date" means, initially, January 5, 2005 for the 2004 Series A Bonds and January 12, 2005 for the 2004 Series B Bonds, and thereafter (a) when used with respect to Bonds bearing interest at the Daily or Weekly Rate, the first Business Day of each calendar month to which interest at such rate has accrued; (b) when used with respect to Bonds bearing interest at a Term Rate, the first day of the sixth calendar month following the month in which the Term Rate Period begins and the first day of each sixth calendar month thereafter to which interest at such rate has accrued, except that the last Interest Payment Date for any Term Rate Period which is followed by a conversion to a Daily, Weekly or Commercial Paper Rate Period (but not a conversion to a Term Rate Period of a different duration) will be the first Business Day of the sixth calendar month following the month in which the immediately preceding Interest Payment Date occurs; (c) when used with respect to any particular Bond bearing interest at a Commercial Paper Rate, the first Business Day following the last day of each Commercial Paper Rate Period applicable thereto; and (d) when used with respect to any particular Auction Rate Bond, (i) for an Auction Period of 91 days or less, the first Business Day after the end of such Auction Period and (ii) for an Auction Period of more than 91 days, each 13th Wednesday after the first day of such Auction Period and the first Business Day after the end of such Auction Period. In any case, the final Interest Payment Date will be the Maturity Date.

"Interest Period" means, unless otherwise changed as described in this Official Statement under "THE BONDS—Changes in the Auction Terms—*Changes in an Auction Period*", for the 2004 Series A Bonds, the Initial Interest Period for the 2004 Series A Bonds and each successive 35-day period thereafter, and for the 2004 Series B Bonds, the Initial Interest Period for the 2004 Series B Bonds and each successive 35-day period thereafter, in each case commencing on a Wednesday and ending on (and including) a Tuesday, *provided that each Interest Period for such Auction Rate Bonds will commence on an Interest Payment Date and end on, but exclude, the next succeeding Interest Payment Date.* *"Interest Period"*, for Bonds bearing interest at a Variable Rate means the period from an including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date, as applicable. The final Interest Period will end on the day immediately preceding the Maturity Date.

"LIBOR" means on any date of determination for an Auction Period, the offered rate (rounded up to the next highest one one-thousandth of one percent (0.001%)) for deposits in U.S. dollars for a one-month period which appears on the Telerate page 3750 at approximately 11:00

A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market then on the next preceding day on which such dealings were transacted in such market. In the event that LIBOR as defined in the preceding sentence may not be determined on any such date, the "A-1" Composite Commercial Paper Rate shall be used instead of LIBOR.

"Liquidity Facility" means a standby bond purchase agreement, line of credit or other similar instrument allowing the Trustee or Paying Agent to draw thereunder to provide liquidity support for the payment of purchase price of Bonds tendered for purchase in accordance with the Indenture. The Bond Insurer must consent in writing to the delivery of any Liquidity Facility or waive in writing any requirement to deliver a Liquidity Facility. Any Liquidity Facility must be acceptable to the Bond Insurer.

"Liquidity Facility Issuer" means the issuer of any Liquidity Facility then in effect.

"Maturity Date" means November 1, 2039.

"Maximum Auction Rate," on any date of determination, means the interest rate per annum equal to the lesser of:

- (i) the Applicable Percentage of LIBOR on such date; and
- (ii) the Maximum Interest Rate;

rounded to the nearest one thousandth (.001) of 1%.

"Maximum Interest Rate" means the lesser of (a) 13% per annum, (b) the maximum rate of interest permitted under State law, or (c) in the case of Bonds bearing interest at a Variable Rate, the maximum rate of interest permitted by any Liquidity Facility then in effect.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, "Moody's" will be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer, with the approval of the Company, by notice to the Trustee and the Company.

"Opinion of Bond Counsel" means a written opinion of nationally-recognized bond counsel selected by the Company and acceptable to the Trustee and 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.

"Outstanding Bonds", *"Bonds outstanding"* or *"outstanding"* as applied to Bonds, means, as of the applicable date, all Bonds which have been authenticated and delivered, or which are being delivered by the Trustee under the Indenture, except:

(a) Bonds cancelled upon surrender, exchange or transfer, or cancelled because of payment or redemption on or prior to that date;

(b) On or after any purchase date for Bonds pursuant to the Indenture, all Bonds (or portions of Bonds) which are tendered or deemed to have been tendered for purchase on such date, but which have not been delivered to the Paying Agent, provided that funds sufficient for such purchase are on deposit with the Paying Agent in the appropriate accounts in accordance with the provisions hereof;

(c) Bonds, or the portion thereof, for the payment, redemption or purchase for cancellation of which sufficient moneys have been deposited and credited with the Trustee or Paying Agent to the appropriate accounts on or prior to that date for the purpose (whether upon or prior to the maturity or redemption date of those Bonds); provided, that if any of those Bonds are to be redeemed prior to their maturity, notice of that redemption has been given or arrangements satisfactory to the Trustee have been made for giving notice of that redemption, or waiver by the affected Holders of that notice satisfactory in form to the Trustee has been filed with the Trustee;

(d) Bonds, or the portion thereof, which are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of the Indenture; and

(e) Bonds in lieu of which others have been authenticated under the Indenture.

"Participant" means one of the entities which deposit securities, directly or indirectly, in the Book-Entry System.

"Paying Agent" means (i) Deutsche Bank National Trust Company, located in Chicago Illinois, or (ii) any bank or trust company designated as Paying Agent by or in accordance with the Indenture.

"Payment Default" means failure to make payment of interest on, premium, if any, and principal of the Auction Rate Bonds and the failure by the Bond Insurer to honor its obligations under the applicable Bond Insurance Policy.

"Potential Holder" means any person, including any Existing Holder, who may be interested in acquiring Auction Rate Bonds (or, in the case of an Existing Holder thereof, an additional principal amount of Auction Rate Bonds).

"Rate Period" means a period during which a particular rate of interest determined for the Bonds is to remain in effect until a subsequently determined rate of interest becomes effective pursuant to the Indenture. In any case, the final Rate Period will end on (and include) the day immediately preceding the Maturity Date.

"Registrar" means Deutsch Bank National Trust Company until a successor Registrar has become such pursuant to the Indenture.

"S&P" means Standard & Poor's Ratings Services, and its successors and assigns, except that if such Division is dissolved or liquidated or no longer performs the functions of a securities rating agency, "S&P" will be deemed to refer to any other nationally recognized securities rating organization designated by the Issuer, with the approval of the Company, by notice to the Trustee and the Company.

"State" means the State of Ohio.

"Submission Deadline" means 1:00 p.m., New York City time, on any Auction Date or such other time on any Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.

"Term Rate" means the interest rate to be determined pursuant to the Indenture for the Bonds for a term of one or more whole years or for a term to the Maturity Date.

"Term Rate Period" means a period during which the Bonds bear interest at a particular Term Rate.

"Variable Rate" means, as the context requires, the Commercial Paper, Daily, Weekly or Term Rate applicable from time to time to the Bonds.

"Weekly Rate" means the interest to be determined for the Bonds on a weekly basis pursuant to the Indenture and described under the caption "THE BONDS-Interest Rate Determination Methods-Weekly Rate and Weekly Rate Period."

"Weekly Rate Period" means a period during which the Bonds bear interest at a Weekly Rate.

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(ii) (A) Subject to the provisions of (b) below, a Bid by an Existing Holder will constitute an irrevocable offer to sell:

(1) the principal amount of Outstanding Auction Rate Bonds specified in such Bid if the Auction Rate determined as provided in these Auction Procedures will be less than the rate specified in such Bid; or

(2) such principal amount or a lesser principal amount of Outstanding Auction Rate Bonds to be determined as set forth in (d)(i)(D) below, if the Auction Rate determined as provided in these Auction Procedures will be equal to the rate specified in such Bid; or

(3) such principal amount or a lesser principal amount of Outstanding Auction Rate Bonds to be determined as set forth in (d)(ii)(C) below if the rate specified will be higher than the Maximum Auction Rate and Sufficient Clearing Bids have not been made.

(B) Subject to the provisions of (b) below, a Sell Order by an Existing Holder will constitute an irrevocable offer to sell:

(1) the principal amount of Outstanding Auction Rate Bonds specified in such Sell Order; or

(2) such principal amount or a lesser principal amount of Outstanding Auction Rate Bonds as set forth in (d)(ii)(C) below if Sufficient Clearing Bids have not been made.

(C) Subject to the provisions of (b) below, a Bid by a Potential Holder will constitute an irrevocable offer to purchase:

(1) the principal amount of Outstanding Auction Rate Bonds specified in such Bid if the Auction Rate determined as provided in these Auction Procedures will be higher than the rate specified in such Bid; or

(2) such principal amount or a lesser principal amount of Outstanding Auction Rate Bonds as set forth in (d)(i)(E) below if the Auction Rate determined as provided in these Auction Procedures will be equal to the rate specified in such Bid.

(b)(i) Each Broker-Dealer will submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date all Orders obtained by such Broker-Dealer and will specify with respect to each such Order:

(A) the aggregate principal amount of Auction Rate Bonds that are the subject of such Order;

(B) to the extent that such Bidder is an Existing Holder:

(1) the principal amount of Auction Rate Bonds, if any, subject to any Hold Order placed by such Existing Holder;

(2) the principal amount of Auction Rate Bonds, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and

(3) the principal amount of Auction Rate Bonds, if any, subject to any Sell Order placed by such Existing Holder; and

(C) to the extent such Bidder is a Potential Holder, the rate and amount specified in such Potential Holder's Bid.

(ii) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent will round such rate up to the next highest one thousandth (.001) of 1%.

(iii) If an Order or Orders covering all Outstanding Auction Rate Bonds held by any Existing Holder is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent will deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of Outstanding Auction Rate Bonds held by such Existing Holder and not subject to an Order submitted to the Auction Agent.

(iv) None of the Issuer, the Company, the Trustee, the Paying Agent, the Auction Agent or the Remarketing Agent will be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder.

(v) If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of Outstanding Auction Rate Bonds held by such Existing Holder, such Orders will be considered valid as follows and in the following order of priority:

(A) all Hold Orders will be considered valid, but only up to and including in the aggregate the principal amount of Auction Rate Bonds held by such Existing Holder, and if the aggregate principal amount of Auction Rate Bonds subject to such Hold Orders exceeds the aggregate principal amount of Auction Rate Bonds held by such Existing Holder, the aggregate principal amount of Auction Rate Bonds subject to each such Hold Order will be reduced pro rata to cover the aggregate principal amount of Outstanding Auction Rate Bonds held by such Existing Holder;

(B) (1) any Bid will be considered valid up to and including the excess of the principal amount of Outstanding Auction Rate Bonds held by such Existing Holder over the aggregate principal amount of Auction Rate Bonds subject to any Hold Orders referred to in clause (A) of this paragraph (v);

(2) subject to subclause (1) of this clause (B), if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate principal amount of Outstanding Auction Rate Bonds subject to such Bids is greater than such excess, such Bids will be considered valid up to and including the amount of such excess and the stated amount of Auction Rate Bonds subject to each Bid with the same rate will be reduced pro rata to cover the stated amount of Auction Rate Bonds equal to such excess;

(3) subject to subclause (1) and (2) of this clause (B), if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids will be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(4) in any such event, the aggregate principal amount of Outstanding Auction Rate Bonds, if any, subject to Bids not valid under this clause (B) will be treated as the subject of a Bid by a Potential Holder at the rate therein specified; and

(C) all Sell Orders will be considered valid up to and including the excess of the principal amount of Outstanding Auction Rate Bonds held by such Existing Holder over the aggregate principal amount of Auction Rate Bonds subject to valid Hold Orders referred to in clause (A) of this paragraph (v) and valid Bids referred to in clause (B) of this paragraph (v).

(vi) If more than one Bid for Auction Rate Bonds is submitted on behalf of any Potential Holder, each Bid submitted will be a separate Bid with the rate and principal amount therein specified.

(vii) Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of Auction Rate Bonds not equal to an Authorized Denomination therefor will be rejected and will be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of Auction Rate Bonds not equal to an Authorized Denomination therefor will be rejected.

(c)(i) Not earlier than the Submission Deadline on each Auction Date, the Auction Agent will assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to individually as a "*Submitted Hold Order*," a "*Submitted Bid*" or a "*Submitted Sell Order*," as the case may be, or as a "*Submitted Order*" and collectively as "*Submitted Hold Orders*," "*Submitted Bids*" or "*Submitted Sell Orders*," as the case may be, or as "*Submitted Orders*") and will determine:

(A) the excess of the total principal amount of Outstanding Auction Rate Bonds over the sum of the aggregate principal amount of Outstanding Auction Rate Bonds subject to