

LARGE FILING SEPERATOR SHEET

CASE NUMBER: 03-118-GA-FOR
03-218-GA-GCR

FILE DATE: 6/14/2004

SECTION: 3 OF 4

NUMBER OF PAGES:

DESCRIPTION OF DOCUMENT:
CONFIDENTIAL

\$33.390 \$0.0074

\$112,803 \$0.0250

\$100,100

\$61.000 \$0.050

-\$64,200	
\$144,675	\$0.006
-\$22,697	-\$0.008
\$47,360	\$0.020

Potential Cost of "Call back":

-\$256,800	
\$144,675	-\$0.008
-\$113,487	-\$0.038
\$47,360	\$0.020

Potential Cost of "Call back":

CG&E Case No. 03-218-GA-GCR
Liberty Consulting Group
Management/Performance Audit
Initial Data Request Set No. 1
Request Date: February 2, 2004
Response Due Date: Feb. 27, 2004
Response Provided On:

LIBERTY-DR-01-053

REQUEST:

53. Please provide the following propane usage history, procurement history and operational history information for each propane plant for the last five years:
- a. Dates, times and duration of operation.
 - b. Quantities of propane used.
 - c. Quantities of product produced.
 - d. Identify which instances of operation were not weather driven, and only for operational or training purposes.
 - e. If CG&E owns or operates a propane storage cavern, the cavern injection history.
 - f. Propane procurement history, along with associated prices and dates of procurement.
 - g. Associated MDQs and SCQs.

RESPONSE:

- a. See attached propane reports from the three propane/air plants from 1999 through 2003.
- b. See attachment to 53a.
- c. See attachment to 53a.
- d. See attachment to 53a.
- e. See attachment to 53a.
- f. See table below:

<u>Dates of Delivery</u>	<u>Gallons</u>	<u>Price</u>
August 24-31 1999	2,097,438	\$0.46250/gallon
September 17-19 2001	2,100,126	\$0.44062/gallon
August 23-25 2003	3,633,420	\$0.61286/gallon

- g. Actual amounts vary depending on the mix of propane/air that is injected into the system. For planning purposes, an MDQ of 165,800 dth/day is used, a portion of which is allocated to the Customer Choice Program. The SCQ is assumed to be around 960,000 dth

Witness Responsible: James P. Henning

Title: Manager, Gas Commercial Operations

Dicks Ck. Gas Plant

Case 03-218-GA-GCR
LIBERTY-01-053

1999	Gallons	MCF Produced	Hours	Deliveries	Run Type
1/4/1999	47,977	3,974	13		Weather
1/5/1999	22,242	1,770	3.5		Weather
1/10/1999	7,368	657	3.2		Weather
2/23/1999	2,002	174	1.7		Test
2/25/1999	2,149	185	1.5		Test
3/8/1999	1,423	74	1		Test
3/15/1999	2,558	225	1		Test

8/24/1999				391,986	From TEPPCO
8/25/1999				730,674	From TEPPCO
8/26/1999				461,454	From TEPPCO
8/27/1999				356,202	From TEPPCO
8/31/1999				157,122	From TEPPCO

Total for 1999: 63,740 Gallons, 5,159 MCF Produced, 25.7 Hours, 2,597 Deliveries

2000	Gallons	MCF Produced	Hours	Deliveries	Run Type
1/21/2000	116,325	10,235	23.2		Weather
1/27/2000	32,014	2,723	3.6		Weather
1/29/2000	24,120	2,032	3.4		Weather
11/28/2000	4,551	401	1.7		Test
12/5/2000	8,276	724	4.3		Test
12/11/2000	9,657	858	2.2		Test
12/18/2000	32,189	2,751	8.8		Weather

Total for 2000: 243,081 Gallons, 20,923 MCF Produced, 42.7 Hours, 972 Deliveries

2001	Gallons	MCF Produced	Hours	Deliveries	Run Type
12/3/2001	2,425	194	1.7		Test
12/10/2001	3,905	259	4.3		Test
12/13/2001	5,840	481	8.8		Test
9/17/2001				1,094,016	from TEPPCO
9/18/2001				910,434	from TEPPCO
9/19/2001				95,676	from TEPPCO

Total for 2001: 12,170 Gallons, 1,334 MCF Produced, 14.8 Hours, 100 Deliveries

2002	Gallons	MCF Produced	Hours	Deliveries	Run Type
1/21/2002	5,413	457	1		Test
11/13/2002	4,140	304	1		Test
11/19/2002	5,542	429	2		Test
11/24/2002	6,162	486	2		Test
12/16/2002	145	11	1		Test

Total for 2002: 21,462 Gallons, 1,687 MCF Produced, 6 Hours, 5 Deliveries

2003	Gallons	MCF Produced	Hours	Deliveries	Run Type
1/15/2003	14,464	1180	3		Test
1/16/2003	6,888	555	1		Test
1/20/2003	13,361	1081	2		Test
1/23/2003	6,300	510	1.7		Test
1/28/2003	14,697	1247	4		Weather
1/27/2003	9,181	780	4		Weather
2/6/2003	28,219	602	5		Weather
2/23/2003	38,249	3314	9		Weather
2/24/2003	9,094	105092	11		Weather
2/25/2003	296,990	25434	24		Weather
2/26/2003	265,659	22716	24		Weather
2/27/2003	24,401	2088	2		Weather
3/5/2003	7,503	658	2		Test
3/10/2003	40,593	3490	7		Weather
8/23/2003				1,471,595	
8/24/2003				870,703	
8/25/2003				1,291,122	
11/13/2003	15,003	1250	3.5		Test
11/14/2003	22,921	1909	2		Test
12/3/2003	6,404	897	3		Test

Total for 2003: 619,917 Gallons, 54,624 MCF Produced, 109 Hours, 13 Deliveries

Eastern Ave. Gas Plant

1998	Gallons	MCF Produced	Hours	Deliveries	Run Type
1-Jan	25,096	2,114	n/a		Weather
3-Jan	26,356	2,249	n/a		Weather
4-Jan	77,241	6,777	n/a		Weather
5-Jan	40,575	3,577	n/a		Weather
9-Jan	40,436	3,532	n/a		Weather
10-Jan	20,647	1,772	n/a		Weather
11-Jan	6,111	526	n/a		Weather
9-Mar	5,768	323	n/a		Weather
10-Mar	4,483	371	n/a		Weather
15-Mar	7,356	628	n/a		Weather
April				998,706.0	From Dicks Creek
28-Nov	1,807	145	1		Weather
6-Dec	4,561	392	2.3		Weather
9-Dec	5,488	465	3		Test
21-Dec	6,128	542	3		Weather
24-Dec	13,352	1,118	7.7		Weather

Total 1998 1,285,402.1 112,244.830 76.7 1,998,706.0 11

2000	Gallons	MCF Produced	Hours	Deliveries	Run Type
18-Jan	4,365	377	2.5		Test
20-Jan	30,156	2,597	7		Weather
21-Jan	73,282	6,306	23.5		Weather
23-Jan	9,638	820	4		Weather
24-Jan	35,584	3,093	24		Weather
25-Jan	68,332	5,778	24		Weather
26-Jan	120,689	10,558	24		Weather
27-Jan	197,989	16,968	24		Weather
28-Jan	141,796	11,703	7.5		Weather
20-Nov	5,103	435	2		Test
21-Nov	3,459	309	1.8		Weather
17-Dec	26,187	2,237	9		Weather
19-Dec	28,765	2,433	11		Weather
21-Dec	18,936	1,421	8.7		Weather
22-Dec	92,471	7,956	24		Weather
23-Dec	5,079	434	1.4		Weather
24-Dec	14,486	1,299	3.5		Weather
25-Dec	3,098	274	2		Weather

Total 2000 1,297,443.3 112,244.830 203.4 1,212,330.0 21

2001	Gallons	MCF Produced	Hours	Deliveries	Run Type
2-Jan	27,896	2,385	6		Weather
3-Jan	56,502	4,920	6		Weather
20-Jan	19,170	1,688	5		Weather
21-Jan	463	41	0.3		Weather
9-Dec	69	5	1		Weather
10-Dec	512	32	1		Weather
Aug				1,212,330.0	From Dicks Ck.

Total 2001 1,04,012.1 8,700.6 12.0 1,212,330.0 7

2002	Gallons	MCF Produced	Hours	Deliveries	Run Type
30-Jan	5,974	378		Correction from a previous run in Dec 2001	
5-Feb	3,674	327	1.0		Test
3-Mar	39,626	3,430	4.0		Weather
6-Dec	3,674	327	1.0		Test
26-Dec	3,113	275	1.0		Test
27-Dec	2,138	167	1.0		Test

Total 2002 58,199.1 5,000.0 8.0 0.0 6

2003	Gallons	MCF Produced	Hours	Deliveries	Run Type
6-Jan	33,793	3,029	9		Weather
10-Jan	45,541	3,903	4		Weather
11-Jan	101,655	8,904	9		Weather
12-Jan	169,713	14,782	10		Weather
13-Jan	303,694	27,272	24		Economic Dispatch
14-Jan	311,320	27,972	24		Economic Dispatch
15-Jan	273,639	24,583	24		Economic Dispatch
16-Jan	202,695	18,214	24		Economic Dispatch
17-Jan	144,365	12,514	24		Economic Dispatch
18-Jan	12,070	700	2		Weather
21-Jan	51,174	4,591	9		Economic Dispatch
22-Jan	167,116	14,810	24		Economic Dispatch
23-Jan	265,613	23,115	24		Economic Dispatch
24-Jan	257,087	22,377	23		Economic Dispatch
26-Jan	77,958	6,792	9		Economic Dispatch
27-Jan	86,411	7,144	8		Weather
4-Feb	35,534	2,890	2		Weather
5-Feb	188,193	15,813	15		Economic Dispatch
6-Feb	126,921	11,391	17		Economic Dispatch
7-Feb	143,369	12,800	15		Economic Dispatch
8-Feb	47,705	4,272	4		Weather
10-Feb	71,420	5,965	11		Economic Dispatch
11-Feb	108,199	11,465	16		Economic Dispatch
12-Feb	98,382	8,717	14		Economic Dispatch
13-Feb	49,813	4,347	4		Weather
16-Feb	26,386	2,361	6		Weather
17-Feb	100,236	9,009	13		Economic Dispatch
18-Feb	128,322	11,536	14		Economic Dispatch
19-Feb	98,340	8,659	15		Economic Dispatch
20-Feb	65,760	5,914	14		Economic Dispatch
23-Feb	99,838	9,006	11		Economic Dispatch
24-Feb	357,179	31,401	24		Economic Dispatch
25-Feb	396,453	33,840	24		Economic Dispatch
26-Feb	455,118	38,171	24		Economic Dispatch
27-Feb	128,533	11,399	24		Economic Dispatch
28-Feb	38,653	3,431	6		Weather
2-Mar	47,380	4,004	4		Weather
3-Mar	32,769	2,746	2.3		Weather
9-Mar	50,715	4,504	6		Weather
10-Mar	69,919	6,208	9.2		Economic Dispatch
May				1,411,287	from Dicks Creek
Sept				1,008,420	from Constance
Sept				1,560,966	from Dicks Creek
3-Dec	8,352	654	2		Test

Total 2003 5,426,332.3 468,810.654 415.4 1,978,673.2 23

Erlanger Gas Plant

1999	Gallons	MCF Produced	Hours	Deliveries	Run Type
4-Jan	48,644	4267	14.4		Weather
5-Jan	7,855	683	1.5		Weather
9-Jan	19,018	1,683	8.2		Weather
10-Jan	18,035	1,596	6.7		Weather
May				1,017,450.0	from Dicks Ck.
21-Nov	5,937	495	1.8		Test
2-Dec	4,362	375	1.3		Test
6-Dec	11,088	940	2		Test
8-Dec	3,783	304	1		Test
15-Dec	7,938	634	2		Test
20-Dec	6,427	559	2		Test
24-Dec	18,770	1,645	4		Weather

TOTAL 1999 125,205.0 10,714.7 60.6 1,017,450.0

2000	Gallons	MCF Produced	Hours	Deliveries	Run Type
13-Jan	8,742	727	2		Test
20-Jan	31,064	2,824	6.8		Weather
21-Jan	90,279	7,888	23		Weather
23-Jan	13,295	1,141	4		Weather
24-Jan	6,798	618	4		Weather
25-Jan	4,279	389	2		Test
26-Jan	10,791	981	3		Weather
27-Jan	98,890	8,990	24		Weather
28-Jan	12,870	1,122	3		Weather
17-Feb	5,402	470	2		Test
13-Nov	4,570	384	1.4		Test
16-Nov	7,865	694	1.9		Test
21-Dec	15,591	1,380	5		Weather
22-Dec	62,062	5,642	23		Weather

TOTAL 2000 347,498.0 30,250.0 105.1 1,017,450.0

2001	Gallons	MCF Produced	Hours	Deliveries	Run Type
2-Jan	19,201	1,686	5		Weather
4-Apr	2,276	166	1		Test
6-Aug				995,386.0	From Dicks Ck.
2-Dec	8,950	597	1.8		Test
27-Dec	9,565	825	2		Test

TOTAL 2001 32,032.0 2,574.0 10.1 995,386.0

2002	Gallons	MCF Produced	Hours	Deliveries	Run Type
14-Nov	3,842	337	1		Test
20-Nov	6,788	581	2.0		Test
4-Dec	5,712	480	2.0		Test
11-Dec	7,444	651	2.0		Test
22-Dec	5,481	476	1.0		Test
26-Dec	10,286	899	2.0		Test

TOTAL 2002 39,653.0 3,324.0 10.0 1,017,450.0

2003	Gallons	MCF Produced	Hours	Deliveries	Run Type
1-Jan	11,014	953	2		Test
6-Jan	12,426	1,101	2		Test
11-Jan	13,123	1,193	4		Weather
21-Jan	11,770	1,070	24		Economic Dispatch
22-Jan	7,667	697	24		Economic Dispatch
23-Jan	72,986	6,636	24		Economic Dispatch
24-Jan	13,222	1,202	7		Economic Dispatch
26-Jan	39,380	3,580	10		Economic Dispatch
27-Jan	65,197	5,927	23		Economic Dispatch
29-Jan	29,320	2,582	10		Weather
5-Feb	4,290	390	2		Weather
6-Feb	6,358	578	6		Weather
10-Feb	61,765	5,615	24		Economic Dispatch
11-Feb	61,578	5,598	24		Economic Dispatch
12-Feb	55,462	5,042	24		Economic Dispatch
16-Feb	10,406	946	6		Weather
23-Feb	25,927	2,357	10		Weather
24-Feb	55,022	4,757	10		Economic Dispatch
25-Feb	54,760	4,604	9		Economic Dispatch
26-Feb	35,235	2,958	10		Economic Dispatch
2-Mar	33,242	3,022	10		Economic Dispatch
3-Mar	54,362	4,942	24		Economic Dispatch
5-Mar	19,592	1,706	6		Economic Dispatch
6-Mar	78,572	6,841	20		Economic Dispatch
7-Mar	19,471	1,696	5		Economic Dispatch
9-Mar	29,194	2,654	10		Economic Dispatch
10-Mar	59,906	5,448	23		Economic Dispatch
13-Mar	5,346	486	2		Test
Transferred Propane				1,006,420.0	To Eastern Ave.
24-Nov	18,445	1,621	2		Test
2-Dec	9,878	898	2		Test
3-Dec	1,430	130	0.5		Test
4-Dec	7,581	672	2		Test
10-Dec	10,587	946	2		Test
22-Dec	6,695	597	2		Test

TOTAL 2003 1,001,219.0 80,141.0 293.5 1,006,420.0

**CG&E Case No. 03-218-GA-GCR
Liberty Consulting Group
Management/Performance Audit
Initial Data Request Set No. 1
Request Date: February 2, 2004
Response Due Date: Feb. 27, 2004
Response Provided On:**

LIBERTY-DR-01-056

REQUEST:

56. Please provide a copy of CG&E's Risk Management Policies and Procedures.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET

See the attached.

**Witness Responsible: James P. Henning
Title: Manager, Gas Commercial Operations**

CINERGY CORP. ENTERPRISE
CREDIT RISK MANAGEMENT POLICY

I. GENERAL BACKGROUND

A. Purpose

The purpose of this Enterprise Credit Risk Management Policy ("Credit Policy") is to outline the credit risk management policies and procedures for wholesale energy commodities transactions including the purchase, sale or exchange of energy related commodities, structured transactions, commodities swap agreements or option contracts for energy related commodities including, but not limited to, electricity, natural gas, crude oil, emission allowances and coal. The goal of the Credit Policy is to minimize and mitigate the credit exposure of Cinergy Corp and its affiliates ("Cinergy").

The Credit Policy will designate the responsibilities for credit risk management and will describe the approved methodology for measuring and monitoring credit risk. It will also set forth techniques for minimizing and mitigating credit exposure.

B. Scope

Credit exposure arising from trading and marketing activities covering both physical commodity and financial commitments, on and off-balance sheet, is covered by this Credit Policy. All energy commodities transactions entered into are subject to, and shall comply with, the provisions of this Credit Policy.

C. Risk Definitions

1. Credit Risk is the exposure to economic losses that may occur as a result of nonperformance by counterparties, pursuant to the terms of their contractual obligations. Credit risk is therefore a function of (1) the value of the positions exposed to potential default; (2) the probability of default and; (3) the value that may be recovered in the event of default. Specific components of Credit Risk include counterparty default risk, collateral risk, concentration risk and settlement (delivery) risk.

a.) Default Risk – is the potential failure to pay or perform any obligation under any contract or the failure to give adequate security for, or assurance of ability to perform, further obligations under any contract.

b.) Collateral Risk – is the risk associated with credit enhancements used when a counterparty does not qualify for unsecured credit or is over their credit limit (e.g. parent guarantees, letters of credit, deposits/prepayments, margining). All enhancement-issuing entities are subject to a credit assessment and credit line approval, including any Company issuing a guarantee.

c.) Concentration Risk – is the risk that the trading portfolio is dominated by less than favorable risk-rated counterparties or by one type of entity. Concentration risk relates to significant customers or counterparties, or groups of customers or counterparties, possessing similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly correlated by changes in economic or other conditions.

d.) Settlement Risk – is the risk of nonpayment of financial obligations by a counterparty. Settlement Risk may be reduced by netting, which may eliminate the risk that payments between counterparties are not exchanged simultaneously.

2. Market Risk represents the potential impact of changes in the market value of a particular commitment. Credit Risk and Market Risk are interrelated, as market movements will impact the value of Credit Risk positions over time.

II. AUTHORITY AND RESPONSIBILITIES

A. Role of the Enterprise Credit Risk Management Department (“Credit Department”)

The Credit Department is responsible for overseeing all aspects of Credit Risk management, and reports directly to the Vice President – Global Risk Management of Cinergy Corp. and indirectly to the Risk Policy Committee of Cinergy Corp. (the “RPC”).

The Credit Department performs the following functions:

- Administers and enforces the Credit Policy.
- Administers the credit risk management programs and maintains individual counterparty credit limits based on parameters established in this policy.
- Responsible for the documented analysis and assignment of counterparties’ Internal Risk Ratings.
- Responsible for the review of counterparty credit files no less frequently than annually.
- Responsible for evaluating credit exposure, monitoring ongoing counterparty creditworthiness, reviewing concentrations of credit risk and establishing credit enhancement arrangements.
- Responsible for the accuracy of the internal and external credit reporting process, makes regular reports on exposures and limit exceptions, and monitors policy and documentation of exceptions.
- Responsible for mitigating credit risks through the review and execution of contractual arrangements between counterparties, including but not limited to The EEI Master Agreements, ISDA’s, GIBS’s NAESB’s and Netting Agreements.
- Represents Cinergy Corp. and its subsidiaries as viable counterparties to the industry.
- Determines and monitors margin calls on a daily basis.
- Responds to traders’ inquiries in a timely manner.
- Develops credit risk management policies and procedures and recommends adoption of policies and procedures by the RPC.
- Evaluating credit risk in structured transactions.
- Responsible for calculating the Credit Reserve requirement.

B. Role of the General Manager, Enterprise Credit Risk- Global Risk Management

- Responsible for the creation of a comprehensive framework for measuring market-induced credit exposures, analytical modeling of such risks, evaluation of credit implications of new products and provision of assistance in the development of analytical tools and credit risk reports, reports directly to the Vice President, Global Risk Management and indirectly to the RPC.

C. The Risk Policy Committee (RPC)

The RPC has the authority to approve or reject all proposed changes to individual counterparty limits that exceed the authority of the position of Senior Vice President and Chief Risk Officer.

- Serves as the point of arbitration for internal credit appeals and regularly reviews exceptions, exposures and other credit-related reports.
- Recommending to the RPC approval of the Cinergy Corp. Enterprise Credit Risk Management Policy.

III. CREDIT ASSESSMENT AND COUNTERPARTY APPROVAL

A. Credit Assessment Criteria

The creditworthiness of each counterparty or its credit enhancement provider must be determined through a fundamental analysis of the counterparty's financial and operational conditions. The credit analysis incorporates three basic components: business profile (qualitative analysis), financial profile (quantitative analysis) and external ratings, as listed below. An Internal Credit Rating and credit limit are established as a result of this due diligence process. This entire process shall be repeated for each counterparty no less frequently than annually or as additional information affecting credit condition becomes available (merger, acquisition, downgrade, etc.). When the information mentioned above results in a reduced credit limit, the new limit shall be communicated via email, and immediately adjusted in the trade capture system. Any trade restrictions associated with the information mentioned above shall be communicated in the Daily Credit Exception Report. Some of the factors included in this analysis are as follows:

<u>Business Profile</u>	<u>Financial Profile</u>	<u>External Rating</u>
-Management	-Financial Characteristics	S&P
-Competitive Position	-Profitability	Moody's
-Industry Characteristics	-Capital Structure	Fitch
-# of years in business	-Cash Flow	
	-Financial Flexibility	
	-Financial Ratios	
	-Financial Policy	
	-Tangible Net Worth	

Credit analysis is an important component in deciding whether to transact with a given counterparty. Agreeing to enter into a transaction with a counterparty prior to having credit analysis performed may subject Cinergy Corp. or one of its subsidiaries or affiliates to unwarranted credit risk. This Credit Policy specifically requires that a credit review be completed for all new counterparties, and at least annually for all existing counterparties, prior to entering into any transaction.

B. Financial Analysis

The financial strength of each counterparty shall be analyzed through various methods, which includes financial statement analysis, trend and comparative ratio analysis, and analysis of bank credit facilities. Cash flow analysis is a critical step in making all credit rating decisions.

The minimum required financial information includes:

- Counterparty's last two fiscal years audited financial statements.
- Counterparty's most recent public filings including Forms 10-K, 10-Q and 8-K.
- Credit agency ratings and trend if available, e.g., Moody's, S&P, and/or Fitch.
- Other documents relevant to the transaction.

C. Risk Rating

Each Counterparty shall be assigned an Internal Risk Rating based upon the results of the credit analysis. Each Internal Risk Rating shall be associated with a default probability. This Internal Risk Rating shall closely correspond to the ratings scales used by S&P and Moody's credit risk ratings between AAA and B. The Credit Department shall utilize a rating system based on the numbers 1 through 6, with 1 being the strongest credit position (comparable to an "AAA" rating) and 6 the weakest (comparable to a "B" rating).

D. Credit Enhancements

The following credit enhancements may be used to establish a credit limit with a counterparty: Parent Company (Corporate) Guarantees; Letters of Credit; collateral; margin accounts; deposits; and/or accelerated or prepayments. The issuing institution of a letter of credit must have a minimum of an "A-" rating from S&P and/or A3 from Moody's. The General Manager, Enterprise Credit Risk must approve all forms of credit enhancements. In coordination with the Legal Department, the Credit Department will be responsible for the negotiation of all such arrangements.

E. Parent Support

There may be instances where a parent company cannot or will not issue a parent guarantee for a subsidiary. In these instances, if the subsidiary's published financial information does not meet a minimum ratings requirement for open credit, then a qualitative analysis shall be performed to determine an appropriate course of action. The subsidiary's rating may not be equal to the rating of its parent. The RPC shall approve any exceptions to this.

F. Credit Limits

A Credit Limit is an internal limit, representing the maximum acceptable credit risk determined by the Credit Department, based on the appropriate Credit Line Approval Limits, as defined below. The Credit Limit is the maximum amount of credit that is allocated on an aggregate basis to the various trading and marketing functions within Cinergy (e.g. Houston, London and Cincinnati). Each counterparty will have an overall Credit Limit, which may be allocated between

trading units by the Credit Department. Credit Limits shall be compared, on a consolidated basis, with their corresponding consolidated credit exposure.

Credit limits are assigned based on the Internal Risk Rating, with supporting documentation resulting from the financial and qualitative analysis. The following limits are the maximum limits that can be approved with out further approval of the Credit Subcommittee of the RPC.

Credit Line Approval Limits

<u>Position</u>	<u>AAA 1 Rating</u>	<u>AA 2 Rating</u>	<u>A 3 Rating</u>	<u>BBB 4 Rating</u>	<u>BB 5 Rating</u>	<u>B 6 Rating</u>
Credit Manager/ Sr. Analyst	\$20 million	\$15 million	\$10 million	\$10 million	\$1 million	----
GM, Enterprise Credit	\$40 million	\$30 million	\$25 million	\$15 million	\$2 million	----
VP–Global Risk Mgt.	\$50 million	\$40 million	\$35 million	\$20 million	\$5 million	\$1 million
Sr. VP & CRO	\$60 million	\$50 million	\$40 million	\$30 million	\$10 million	\$2 million
RPC	(1)	(1)	(1)	(1)	(1)	(1)

(1) The RPC must approve all credit limits exceeding the authority of the Sr. VP and CRO.

(2)

Risk originators shall identify and advise the Credit Department of potential prospects for inclusion on the pre-approved list on a timely basis to allow adequate time for the required credit analysis.

Trading sleeves should be avoided unless executed with approved counterparties and only when the exposure associated with the sleeve will not cause a credit limit overrun.

G. Grouping of Counterparties

Counterparties sharing a common parent or affiliation shall be assigned a consolidated family credit limit based upon the Credit Line Approval Limits. Individual credit limits shall be assigned to each counterparty within the group, with adjustments among the counterparties as required. The consolidated credit limit for all Cinergy entities extending credit to these counterparties shall not exceed the established aggregate consolidated limit. Family exposures shall be reported daily as part of the Credit Exception Report.

H. Limit Exceptions

It is anticipated that market movements and economic events may result in exposures nearing or exceeding assigned limits. Exceptions to limits may be granted, but only after a formal credit assessment and an approval in compliance with the Credit Line Approval Limits table on the previous page.

It is also noted that exposures may subsequently exceed the credit limit when the limit is reduced by the Credit Department due to a degradation of credit rating/repayment ability or other factors. Once a limit has been breached, no additional transactions shall be authorized with the counterparty without specific authorization from the Credit Department.

The Credit Department will identify, track and report on all credit limit violations to the responsible trader; Executive Vice President of Trading EMBU Chief Financial Officer; EMBU President; Vice President – Global Risk Management; and the Senior Vice President and Chief

Risk Officer. If the head of the respective trading unit believes that the internal rating or credit limit allocated is in error, overly restrictive or otherwise in need of a change, a written appeal may be sent to the General Manager-Enterprise Credit Risk. A final decision shall be made by the Risk Policy Committee. However, this does not eliminate a credit violation that may have occurred prior to the appeal.

I. Counterparty Credit Files

A physical Credit File will be maintained for all active counterparties. These files will contain; at a minimum, the counterparty's most recent audited financial statements or those of a parent (if applicable); recent public filings including Forms 10-K, 10-Q and 8-K, as appropriate; documentation of Consolidated Credit Limit approved, and other documents relevant to the transaction. The documentation of the approved credit limit is resident in the trading system. Due to market place dynamics and allocations of credit limits between the various Cinergy trading locations, companies' credit limits may be changed numerous times throughout the year by the Credit Department. If the reallocation of credit limits is within the Consolidated Credit Limit documented in the Credit File, no additional documentation needs to be made within the Credit File. If a counterparty's credit limit is increased in the trade system above the Consolidated Credit Limit documented in the Credit File, then the appropriate level of approval (See Section III F. of the Credit Policy) shall be documented in the Credit File.

IV. CREDIT EXPOSURE MONITORING AND REPORTING

A. Exposure Measurement Methodology

The methodology for calculating credit risk shall include billed and unbilled sales, net of purchases if appropriate, and the mark-to-market value (MtM) of forward positions. The credit limits established will incorporate the following two credit risk components:

1. Accrued Receivables - equal to payments contractually owed to Cinergy or one of its subsidiaries or affiliates for services performed to date, both billed and unbilled. This number may be netted with purchases if netting language is present in the contract or a separate Netting Agreement.
2. Current Replacement Cost (MtM)-equal to the current aggregate mark-to-market exposure of all physical and financial transactions with a counterparty, which upon the event of default would create an economic loss from replacing the positions in the market.

B. Exposure Aggregation and Netting

The netting of exposures shall be limited to transactions with counterparties where there netting agreements in place or in the underlying agreement. Exposures will be reflected in Credit Department reports at "gross" or "net" exposures as appropriate. All netting agreements require the review and approval of the Credit and Legal Departments.

C. Exposure Control

Credit exposure shall be monitored daily on both a counterparty and consolidated basis. Counterparties that have credit exposures in excess of their approved credit limits shall be contacted and given the option of posting acceptable collateral to continue trading. Collateral

may be in the form of cash, parent guarantee, margining, prepayment or letter of credit from an approved bank in an acceptable format. If acceptable collateral is not posted promptly, trading shall be halted with that counterparty and all traders notified immediately by e-mail.

D. Reports

Credit Exposure Report – this report shall be run daily. The traders are able to access credit limit, exposure and available credit by counterparty. In addition, the Credit Department shall notify all traders by-email of the counterparties who have exceeded or are within 20% of their credit limit and identify ways to mitigate the exposure.

Credit Exceptions Report -- this report shall be produced daily and e-mailed to all risk originators, EMBU Director of Trading Controls and the Vice President – Global Risk Management. This report informs management and risk originators of any credit limit exceptions and steps being taken to address such exceptions.

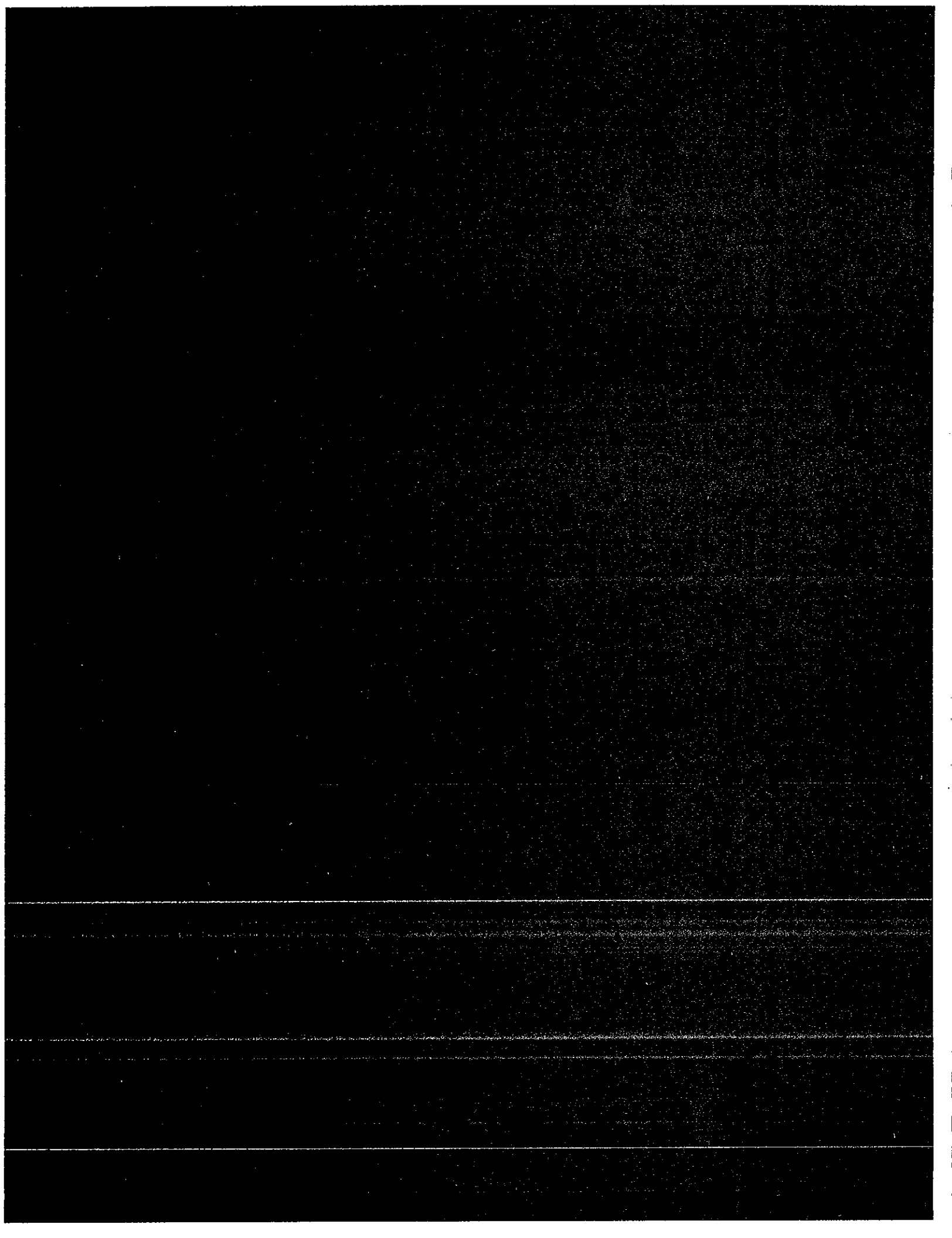
Credit Watch Report – this report shall be produced and distributed daily by e-mail to Senior Management to inform them of Cinergy's current exposures to counterparties that the Credit Department have identified as being at risk for default.

V. Credit Reserve

The Credit Department is responsible for the Credit Reserve calculation. The credit reserve model's objectives are to measure the expected and unexpected portfolio credit losses, to determine the economic capital reserve to support the credit risk of the portfolio, and to highlight the assets that contribute the most risk within the portfolio. The Credit Reserve is calculated to show the effects on the credit exposure and changes in the forward curve. This is completed monthly and reported to the Vice President – Global Risk Management.

VI. Counterparty Lists

An Approved List of Counterparties noting approved credit limits and forward trading restrictions shall be posted on a common directory, which may be accessed by the risk originators. These lists shall be maintained by the Credit Department. Under no circumstances shall a trade be executed with a counterparty that has a zero limit or does not appear on the Approved List of Counterparties unless the Credit Department has approved the trade prior to execution.



CG&E Case No. 03-218-GA-GCR
Liberty Consulting Group
Management/Performance Audit
Initial Data Request Set No. 1
Request Date: February 2, 2004
Response Due Date: Feb.27, 2004
Response Provided On:

LIBERTY-DR-01-060

REQUEST:

60. Provide copies of contracts and agreements for any and all asset management, portfolio administration or similar types or arrangements between CG&E and any other entity for the last 10 years. Indicate which were in effect during the Audit Period and their current status.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET

See attached agreement between CG&E and Mirant, which was originally to be effective from December 1, 2001 through October 31, 2003. CM&T assumed this agreement from Mirant beginning December 1, 2002 through October 31, 2003, due to Mirant's declining credit worthiness. The current agreement with CM&T for the period November 1, 2003 through October 31, 2004 is also attached although it's effective dates are outside the audit period.

Witness Responsible: James P. Henning
Title: Manager, Gas Commercial Operations

CONFIDENTIAL PROPRIETARY
TRADE SECRET

AGREEMENT BETWEEN

MIRANT AMERICAS ENERGY MARKETING, LP

AND

THE CINCINNATI GAS & ELECTRIC COMPANY

FOR

PORTFOLIO MANAGEMENT SERVICE AND
THE PURCHASE OF NATURAL GAS

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**AGREEMENT BETWEEN
MIRANT AMERICAS ENERGY MARKETING, LP
AND
THE CINCINNATI GAS & ELECTRIC COMPANY
FOR
PORTFOLIO MANAGEMENT SERVICE AND
THE PURCHASE OF NATURAL GAS
Hereinafter referred to as the ("Agreement")**

This Agreement is executed and entered into effective as of the 1st day of December 2001 (the "Effective Date"), by and between **MIRANT AMERICAS ENERGY MARKETING, LP** ("Mirant"), a Delaware Limited Partnership, with its principal place of business being 1155 Perimeter Center West, Atlanta, Georgia 30338-5416 and **THE CINCINNATI GAS & ELECTRIC COMPANY** ("CG&E"), an Ohio Corporation, with its principal place of business being, 139 East Fourth Street, Cincinnati, Ohio 45201. Mirant and CG&E are also referred to herein individually as a "Party" and jointly as the "Parties."

WITNESSETH

WHEREAS, CG&E has certain Firm Natural Gas transportation and storage rights, and Gas Supplier Contracts (hereinafter referred to collectively as the "Asset Portfolio") and Gas supply inventories to provide a secure and reliable source of Natural Gas supply for delivery to CG&E; and

WHEREAS, CG&E desires to retain Mirant to manage its Asset Portfolio under the terms and conditions of this Agreement in order to optimize the use of such Asset Portfolio; and

WHEREAS, in order to accomplish the results described above, Mirant is prepared to provide to CG&E services substantially the same as those embedded in such Asset Portfolio;

NOW, THEREFORE, in consideration of the mutual covenants and benefits to be derived hereunder, CG&E and Mirant agree as follows:

**ARTICLE I
Definitions**

Agreement shall mean this document and all attachments and all executed exhibits and confirmations hereto, as each of the same may be amended from time to time.

ANR shall mean ANR Pipeline Company.

Asset Portfolio shall mean CG&E's Firm Natural Gas transportation and storage rights and Gas Supplier Contracts as set forth in Exhibit A.

Baseload Gas shall mean the minimum daily volume of Gas, which CG&E commits to purchase each Day of a given Month.

Basis shall mean the physical delivery price difference between Henry Hub and the reference Delivery Point(s).

British Thermal Unit or **Btu** shall mean the quantity of heat required to raise the temperature of one pound of water one degree Fahrenheit.

Business Day shall mean any day Monday through Friday, exclusive of any federal banking holidays.

Capacity Release(s) and or **Release(s)** shall jointly mean those contract rights released to Mirant directly as specifically set forth in Article VII of this Agreement.

CGT shall mean Columbia Gulf Transmission Company.

CG&E's City Gate shall mean any interconnection between the facilities of a Transport Provider and the facilities of CG&E.

Day shall mean a period of twenty-four (24) consecutive hours commencing at 10:00 a.m. Eastern Clock Time and ending at 10:00 a.m. Eastern Clock Time on the following day.

Dekatherm or **Dth** shall mean one million Btus.

Delivery Point(s) shall mean the specific point(s) on a Transport Provider's pipeline system at which CG&E has the right to take delivery of Gas and transfer title pursuant to the nomination process.

Eastern Clock Time or ECT shall mean Eastern Standard Time adjusted for Daylight Savings Time.

Event of Default shall mean any occurrence or nonoccurrence specified in this Agreement that allows either Party to terminate this Agreement or require the defaulting Party to cure, or any material breach of this Agreement.

FERC shall mean the Federal Energy Regulatory Commission.

Firm, as applied to a service, shall mean that either Party may interrupt its performance only to the extent caused by an applicable *Force Majeure* event.

Gas and/or Natural Gas shall mean natural gas (including plant residue), manufactured gas and/or synthetic gas that meets the quality specifications set forth in each Transport Provider's FERC Gas Tariff.

Gas Supplier Contracts shall mean those contracts listed on Exhibit A.

KOT shall mean KO Transmission Company.

MDQ shall mean Maximum Daily Quantity.

MMBtu shall mean one million (1,000,000) British Thermal Units.

Month shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.

Pipeline Reservation Charges shall mean the fixed charges as set forth in the applicable Transport Provider Tariff or Storage Provider Tariff.

Receipt Point(s) shall mean any point or points on a Transport Provider's pipeline system at which CG&E has the right to receive Gas, such point(s) to be designated by CG&E from time to time.

SCQ shall mean seasonal contract quantity.

Storage Accounts shall mean the accountings performed by Mirant for each of the Storage Facilities in which Gas transferred to Mirant by CG&E is stored, into which CG&E designates Gas to be injected or out of which CG&E designates Gas to be withdrawn. Such accountings shall reflect both the initial CG&E storage inventory transfer as of December 1, 2001 and all subsequent injections and withdrawals requested by CG&E whether or not such injections or withdrawals actually occur, and the actual storage inventory.

Storage Agreements shall mean those Agreements for Storage Services as defined in the Asset Portfolio and listed on Exhibit A.

Storage Facilities shall mean, collectively, the storage facilities covered by the Storage Agreements.

Storage Provider means any provider of storage services, including, but not limited to, a provider of storage services under the Storage Agreements.

Storage Services shall mean, collectively, the pipeline storage services provided according to a Tariff, covered by the Storage Agreements listed in Exhibit A.

Tariff shall mean the applicable FERC approved Tariff of any Transport or Storage Provider or the applicable Public Utilities Commission of Ohio approved Tariff of CG&E.

TCO shall mean Columbia Gas Transmission Corporation.

TGP shall mean Tennessee Gas Pipeline Company.

TGT shall mean Texas Gas Transmission Corporation.

Title Transfer Point shall mean CG&E's City Gate.

Total Termination Payment will be the sum of the Termination Payments for all transactions terminated pursuant to Article XIX. The Total Termination Payment is a reasonable pre-estimate of the loss suffered and is not intended as a penalty.

Transport Provider shall mean any pipeline transporter of Gas listed in Exhibit A.

Variable Costs shall mean the fuel and commodity charges as set in the applicable pipeline Tariff.

ARTICLE II Term

The Agreement shall be in effect beginning on December 1, 2001 and ending on October 31, 2003, unless terminated sooner pursuant to the provisions of this Agreement.

ARTICLE III Management Fee

A. Mirant agrees to pay CG&E, in the form of a Management Fee, Three Hundred Eighty-Nine Thousand Three Hundred Thirty Six (\$389,336) dollars per Month starting December 1, 2001 and continuing through October 31, 2003. The Management Fee shall be applied as a credit to Mirant's monthly invoice, as described in Article XI, to CG&E for the total gas cost less Pipeline Reservation Charges.

B. It is understood that CG&E's Asset Portfolio may change during the Term of this Agreement due to CG&E's customer choice program and due to certain assets within the Asset Portfolio expiring on or prior to November 1, 2002, and CG&E's bona fide system operational requirements.

C. It is not the intent of this Article III to reduce or enhance the economic value to the Parties, but to allow CG&E to alter the Asset Portfolio based on system operational requirements. Any change to the Asset Portfolio will be made by CG&E based upon

system operational requirements and the Management Fee paid by Mirant will be adjusted as follows:

1. Reduction to Asset Portfolio:

Any reduction in the Asset Portfolio, excluding Gas Supplier Contracts, listed in Exhibit A will result in Mirant charging CG&E for the amount of transportation or storage lost by reducing the Management Fee, starting November, 2002 and continuing through the remaining Term of this Agreement, according to the following schedule:

Asset	Charge per Dth of Decrease	Charge per SCQ of Decrease
KOT FT	\$.01/Dth of MDQ	
TGP FT-A	\$.05/Dth of MDQ	
ANR FTS-1	\$.04/Dth of MDQ	
CGT FTS-1	\$.06/Dth of MDQ	
TCO SST	\$.05/Dth of MDQ	
CGT FTS-2	\$.03/Dth of MDQ	
TGT FT	\$.12/Dth of MDQ	
TGT NNS Nominated	\$.12/Dth of MDQ	
TGT Storage NNS Unnominated SCQ		\$.30/SCQ
TCO FSS Storage SCQ		\$.30/SCQ

Storage Example

TGT NNS Unnominated SCQ decreases by 100,000 Dth with 1 year remaining in the Term of this Agreement:

$100,000 \text{ Dth} \times \$.30 = \$30,000 / 12 \text{ Months} = \$2,500$. Therefore, the monthly Management Fee is reduced by \$2,500 per Month beginning November, 2002 through October, 2003.

Transport Example

TGP FT-A MDQ is decreased from 45,000 Dth/day to 40,000 Dth/day on November 1, 2002:

$5,000 \text{ Dth} \times \$.05 \times 151 \text{ Days per winter season} = \$37,750 / 12 \text{ Months} = \$3,146 \text{ per month}$. Therefore, the monthly Management Fee is reduced by \$3,146 per Month beginning November, 2002 through October, 2003.

2. Addition to Asset Portfolio:

Any addition to the Asset Portfolio, excluding Gas Supplier Contracts, listed in Exhibit A will result in Mirant paying CG&E, in the form of an increase in the Management Fee on the monthly invoice, for the amount of transportation or storage added starting November, 2002 and continuing through the remaining Term of this Agreement, according to the following schedule:

Asset	Payment per Dth of Increase
TGP FT-A	(TCO Basis - \$.05, -500 Leg Basis) – (Variable Costs from TGP Zone 1 to TGP Zone 2)
ANR FTS-1	(TCO Basis - \$.04, -ANR SE Basis) – (Variable Costs from ANR SE to ML3)
TGT FT	(TCO Basis - TGT SL Basis) – (Variable Costs from TGT Zone SL to TGT Zone 4)
TGT NNS Nominated	(TCO Basis - TGT SL Basis) – (Variable Costs from TGT Zone SL to TGT Zone 4)
CGT FTS-1	(TCO Basis - CGT Mainline Basis) – (Variable Costs from CGT Mainline to TCO)
CGT FTS-2	(CGT Mainline Basis - CGT Onshore Basis) – (Variable Costs from CGT Onshore to CGT Mainline)

a. Price quotations for each Basis point referenced above will be obtained via the following independent "Natural Gas Brokers": TFS Energy LLC, Natsource LLC, and Amerex LLC. The Parties shall obtain mid-market term quotes as of the Business Day immediately prior the first day of the Month after the addition becomes effective for Mirant and continuing through the remaining Term of the Agreement.

b. The arithmetical average of the physical basis quotes received from the Natural gas brokers will be inserted into the applicable formulas in the table above and utilized for purposes of calculating the increase to the monthly Management Fee.

c. The calculated value based on the schedule stated above for any additions to the Asset Portfolio cannot result in a "decrease" of the monthly Management Fee.

d. Any change in the Asset Portfolio, other than those stated above, will be evaluated by Mirant at the time and under the conditions of the requested change. Any increase in storage will be evaluated by Mirant at the time of the request. If Mirant makes an offer to increase the Management Fee based upon such evaluation, then the Parties shall attempt to mutually agree on the amount of such increase.

e. Anything in this Agreement to the contrary notwithstanding, the formula set forth in Article III, Section 2, shall apply to CG&E pipeline transportation capacity between the amount of capacity released to Mirant on December 1, 2001 and any Day thereafter on which additional capacity is released excluding KO Transmission capacity released to Mirant, and 540,000 Dth/day. For any capacity greater than 540,000 Dth/day, the Parties shall attempt to mutually agree upon the value of the capacity. Should the Parties fail to reach mutual agreement, Mirant shall have no payment obligations for such additional capacity nor shall CG&E be required to release the additional capacity to Mirant. CG&E shall have the right to utilize this additional capacity including the release of such capacity to a party other than Mirant.

ARTICLE IV

Firm Sales Delivery Services

Mirant shall provide Gas deliveries to CG&E's City Gate to meet CG&E's Gas sales customers hourly and daily Natural Gas requirements, up to the maximum hourly and daily quantity level of the interstate pipeline transportation and storage capacity and withdrawal rights released to Mirant hereunder and Firm Gas Supplier Contract entitlements assigned to Mirant hereunder. Mirant shall comply with CG&E's operational requirements regarding Natural Gas deliveries to CG&E's City Gate as stated in Exhibit B. It is the intention of the Parties that Mirant shall plan for and make physical deliveries of Gas as set forth in this Article IV with the same degree of reliability of service that CG&E provided to its Gas sales customers prior to the Effective Date of this Agreement. Any quantities of Natural Gas required by CG&E in excess of CG&E's contract entitlements with the interstate pipelines and, if applicable, Firm Gas Suppliers will be provided on a commercially reasonable basis to CG&E's City Gate by Mirant at mutually agreed upon prices as described in Article V.

ARTICLE V

Gas Supply Purchases

A. CG&E will identify the daily quantity of Gas that it will purchase, and the interstate pipeline transportation, storage rights, Gas Supply inventory and Gas supplies to determine the delivered cost of Gas at CG&E's City Gate. This determination of Gas quantities and costs will be referred to as Virtual Dispatching and may differ substantially from the actual dispatching determined by Mirant. CG&E will pay Mirant for all Gas purchased for CG&E's City Gate delivery and/or for interstate pipeline storage injection based on the Virtual Dispatching. CG&E's Virtual Dispatch of Gas will be based on: (i) CG&E's City Gate operational requirements; and, (ii) the least cost route to CG&E's City Gate, and the contractual and Tariff limits of CG&E's interstate pipeline contracts and Gas Supplier Contracts.

B. CG&E will notify Mirant, on or before 1:00 p.m. ECT, one (1) Business Day prior to the New York Mercantile Exchange (NYMEX) settlement for each applicable Month during the Term of this Agreement, the Baseload Gas supply that CG&E commits to purchase throughout the next Month from Mirant and/or from the Gas Supplier Contracts assigned to Mirant. It is understood that CG&E will be invoiced according to CG&E's Virtual Dispatching. However, Mirant will decide, in its sole discretion, the actual dispatching of Gas to serve CG&E's City Gate operational requirements.

C. CG&E will determine and notify Mirant, on or before 1:00 p.m. ECT, one (1) Business Day prior to the NYMEX settlement for each applicable Month during the term of this Agreement, the volume of Baseload Gas, not to exceed the Baseload Gas included in existing Gas Suppliers Contracts, that will be priced at the *Inside FERC* First of the Month Index Price and the *Gas Daily* Index Price for each of the interstate pipelines transportation contracts CG&E will utilize to determine the price of the Baseload Gas.

D. CG&E will notify Mirant, on or before 1:00 p.m. ECT, one (1) Business Day prior to the NYMEX settlement for each applicable Gas Month during the Term of this Agreement, the price it will pay (either the appropriate *Inside FERC* First of the Month Index price or *Gas Daily* Index Midpoint price), for all Natural Gas purchases above Baseload Gas, hereinafter referred to as Swing Gas. The Virtual Dispatching of Swing Gas will be determined daily. CG&E will notify Mirant before 8:30 a.m. ECT of the Virtual Dispatch of Swing Gas for the following Gas Day.

E. CG&E will keep Mirant "whole" for any Swing Gas that CG&E has designated to be purchased utilizing the *Inside FERC* First of the Month Index price or, if applicable, Fixed Price, but that is not Virtually Dispatched by CG&E. Keeping Mirant whole, requires CG&E to pay the difference between *Inside FERC* First of the Month Index price (or Fixed Price) and the applicable *Gas Daily* Index Price for the Gas Day to the extent that CG&E did not Virtually Dispatch the Swing Gas (priced at *Inside FERC* First of the Month Index price), when the *Gas Daily* Index price is less than the first of the Month Index price.

F. Gas supply purchases made by CG&E for the 2001-2002 Winter Season (November, 2001 through March, 2002) are identified in the Firm Gas Supplier Contracts that will be assigned to Mirant under this Agreement. CG&E will identify any price-hedging that has been previously contracted for and is included within the Firm Gas Supplier Contracts assigned to Mirant. Any additional Gas supply purchases required by CG&E during the 2001-02 Winter Season shall be acquired through Mirant based upon mutually agreed upon terms and conditions. If CG&E and Mirant cannot agree on the terms and conditions for the required additional gas supply purchases, then CG&E shall have the right to purchase the additional Gas from another party besides Mirant. If the additional supply acquired by CG&E from a Party other than Mirant is associated with a specific receipt point on a Transport Provider listed in Exhibit A (e.g., TGT – Receipt Point – Transok), then Mirant will allow CG&E access to the specific receipt point on the Transport Provider listed in Exhibit A and Mirant shall transport this additional gas supply to CG&E's city gate.

G. Gas supply purchases made by CG&E for the 2002 Summer Season (April, 2002 through October, 2002) may be acquired through Mirant based on market prices for *Inside FERC* First of the Month Index price and/or *Gas Daily* Index price, or another Natural Gas pricing mechanism that is mutually agreeable to CG&E and Mirant. CG&E will determine prior to the beginning of each Summer Season Month the amount of Gas that will be priced at *Inside FERC* First of the Month Index price and the *Gas Daily* Index price. Any price-hedging required by CG&E for Gas delivery prior to November 1, 2002, other than those price-hedging transactions entered into by CG&E and its Firm Gas Suppliers prior to the effective date of this Agreement, will be performed by Mirant. CG&E will determine the Natural Gas price-hedging strategies for its Gas supply purchases. CG&E will coordinate with Mirant the type of price-hedging tools to be used (e.g., fixed price, collars and caps), the amount of Gas supply to be hedged, and the term of the price hedged. Mirant will provide, if available, documentation supporting the cost of price hedging tools purchased by Mirant for CG&E.

H. For deliveries commencing on and subsequent to November 1, 2002, CG&E will have the option to purchase Gas from suppliers other than Mirant. If CG&E chooses to purchase Gas from other suppliers, CG&E will have the option to hedge prices through those suppliers. CG&E will notify Mirant prior to September 1, 2002 if it will use other Gas suppliers after October 31, 2002 for the remaining Term of this Agreement. CG&E will assign any and all Gas Supplier Contracts commencing on, or after, November 1, 2002 to Mirant. CG&E will Virtually Dispatch these assigned Gas Supplier Contracts.

I. CG&E will reimburse Mirant for all, then effective, charges applicable to the purchase and transportation of Gas supply volumes to CG&E's City Gate and/or to interstate pipeline storage that CG&E "Virtually Dispatched" as described above. This includes any Gas Supplier Reservation Charges to be paid to CG&E's Gas Suppliers under contract, commodity charges, including but not limited to charges, (priced at *Inside FERC* First of the Month Index price and the *Gas Daily* Index price), any price-hedging authorized by CG&E, and interstate pipeline variable charges, including fuel, based on CG&E's "Virtual Dispatching" of Baseload Gas and Swing Gas supply.

ARTICLE VI Applicable Indices

In the event the indices applicable to pricing for this Agreement are no longer published, the Parties will negotiate in good faith to agree upon a mutually satisfactory replacement Index that is still in publication. Should the Parties not reach a mutually acceptable decision on a replacement publication, then this matter shall be arbitrated according to the provisions in Article XXIII. The effective date of such replacement Index shall be the first Day of the Month for which the original Index was no longer published.

ARTICLE VII
Release of Capacity and Assignment of Contracts

A. CG&E shall release its firm interstate pipeline transportation and storage capacity and assign its Gas Supplier Contracts listed in Exhibit A to Mirant over the Term of this Agreement in exchange for the Management Fee paid by Mirant to CG&E. As security for the performance of Mirant's obligations under this Agreement, Mirant hereby grants to CG&E a first priority security interest in and to any and all rights Mirant has (i) in the Gas Supplier Contracts at such time as they are assigned to Mirant and (ii) the physical Natural Gas inventory stored by Mirant under such Gas Supplier Contracts at any time during the Term of this Agreement (the "Collateral"). Mirant hereby authorizes CG&E, pursuant to Article 9 of the Uniform Commercial Code as it is currently in effect (the "UCC") and any applicable statutes, to take any such action and to make any and all filings necessary for CG&E to perfect its first priority security interest in the Collateral. In addition to any other rights it may have under this Agreement, CG&E shall have all the rights and remedies afforded to it under the UCC for the realization of the security granted herein.

B. CG&E shall continue to evaluate its customer load profile and associated peak hour, peak Day and seasonal design, and shall secure and release to Mirant interstate pipeline transportation and storage capacity that is necessary to serve the design criteria valued as provided in Article III.

C. In regard to CG&E releasing to Mirant CG&E's firm interstate pipeline transportation and storage capacity and assigning to Mirant its Gas Supplier Contracts, CG&E and Mirant agree to the following procedure:

1. CG&E will release all Firm interstate pipeline transportation and storage capacity to Mirant for the Term of this Agreement with provisions that allow CG&E to recall the interstate pipeline capacity on twenty-four (24) hours notice with no reput rights to Mirant in the event of a default by Mirant as described in Article XIX, Mirant not providing CG&E a satisfactory Gas Supply and Transportation Plan as described in Article IX, or termination of this Agreement before the end of the Term.
2. For those Firm interstate pipeline contracts under which CG&E pays maximum Tariff rates, CG&E will enter into a pre-arranged release with Mirant at the pipeline's maximum rate(s). Because the pre-arranged release will be at maximum rate, the release will be posted on the interstate pipeline's Electronic Bulletin Board (EBB) for notice purposes only.

3. For those Firm interstate pipeline contracts under which CG&E pays less than maximum Tariff rate(s), CG&E will do a pre-arranged release with Mirant and post on the interstate pipeline's EBB at the discounted rate for competitive bidding, with the condition that Mirant has the right to match the best bid. When applicable, Mirant will match the best bid received by the interstate pipeline for CG&E released capacity.
4. CG&E shall fully reimburse Mirant for matching the best bids as set forth in the preceding paragraph. CG&E shall also fully reimburse Mirant for all costs and charges associated with CG&E's Firm Supply Contracts, as listed on Exhibit A attributable to Virtual Dispatching by CG&E as described in Article V.
5. Subject to the cooperation of third parties in which Mirant shall use its best efforts to secure the cooperation of such parties, Mirant agrees to return to CG&E all released firm interstate pipeline transportation, storage capacity, storage account balances and assigned Firm Gas Supplier Contracts immediately upon receiving notice from CG&E in event of a default by Mirant as described in Article XIX, Mirant not providing CG&E a satisfactory Gas Supply and Transportation Plan as described in Article IX or termination of this Agreement before the end of the Term.
6. Unless mutually agreed to by the Parties, Mirant will not change the "primary" receipt and delivery points specified in CG&E's Firm interstate pipeline transportation and storage contracts.

D. CG&E shall be entitled to interstate pipeline refunds or credits, if any, that accrued prior to the Effective Date of this Agreement or in connection with the release of capacity to Mirant under this Agreement. For any other refunds or credits that accrue after the Effective Date of this Agreement, CG&E shall be entitled to that portion of such refunds or credits attributable to the Virtual Dispatching of transportation and storage withdrawals and injections by CG&E. CG&E shall pay to Mirant, if refunds or credits are paid to CG&E, or Mirant shall retain, if refunds or credits are paid to it, all other refunds or credits paid by a pipeline pursuant to Mirant's use of the assets under this Agreement. CG&E will be entitled to 100% of interstate pipeline refunds that are attributed to the Pipeline Reservation Charges. The Parties shall make reasonable efforts to make all refunds and credits payable or reflected in the next Month's invoice, as provided for in Article XI.

E. The release to Mirant is intended to represent, as operationally feasible, all of CG&E's transportation and storage assets, except for those services that, under current Tariffs, may not be released or as described in Article III. B. CG&E hereby represents and warrants that it owns or controls all such releasable transportation and storage assets, as listed on Exhibit A. Provided that Mirant is in compliance with this Agreement, CG&E shall not terminate or materially modify or amend any contract or agreement

listed on Exhibit A such that Mirant's ability to render Firm service or realize value hereunder is reduced in any way without prior consultation with Mirant. The Parties shall negotiate appropriate and comparable adjustments if Mirant's ability to render service or realize value is reduced as the result of an action taken by CG&E that modifies or amends any contract or agreement listed on Exhibit A, and if unable to reach agreement, the appropriate adjustments shall be submitted to arbitration pursuant to Article XXIII.

ARTICLE VIII

Daily Nominations

A. CG&E shall provide Mirant daily load forecasts and dispatching priorities by 8:30 a.m. (ECT). This shall include the load requirements for CG&E's north and south systems, as well as the minimum/maximum flow constraints for said north and south systems. Mirant will transmit the nominations and scheduling to the interstate pipelines on which CG&E has released transportation and storage capacity to Mirant. In addition, CG&E shall notify Mirant of all known intra-day changes to firm requirements at CG&E's City Gate. Mirant shall provide CG&E as many intra-day nomination changes as are allowed by Transport Provider's Tariff on which Mirant is the managing authority for CG&E.

B. The price for intra-day nomination changes shall be as agreed upon by the Parties, or as specified in CG&E's Gas Supplier Contracts.

C. Mirant will make all appropriate upstream pipeline/storage nominations to insure Firm deliveries to the CG&E City Gate.

ARTICLE IX

Storage Inventory, Utilization and Refill

A. In connection with CG&E's release to Mirant of its Storage Agreements, as defined in the Asset Portfolio, in accordance with Article VII of this Agreement, the Gas balances shown in CG&E's Storage Account as of December 1, 2001 shall be transferred to Mirant and become the initial CG&E Storage Account Balances. Mirant will manage the transferred physical Natural Gas storage inventories with the various interstate pipelines. It is the intention of the Parties that Mirant shall be required to make and plan for physical deliveries of Gas as set forth in Article IV with the same degree of reliability of service that CG&E provided to its Gas sales customers prior to the Effective Date of this Agreement. CG&E will maintain an inventory ledger of the transferred interstate pipeline storage inventory reflecting CG&E's Virtual Dispatching of storage withdrawals and injections that were designated by CG&E or were the result of no notice service to balance CG&E's City Gate deliveries. Mirant has the obligation to meet CG&E's daily physical load requirements that are currently met with interstate pipeline storage up to the

level of the contractual rights released to Mirant. CG&E will be charged only variable costs associated with the transportation of Gas from storage to CG&E's City Gate, when withdrawing Gas from the Virtual Storage inventory. Mirant grants CG&E the right to receive, pursuant to Article VIII at CG&E's City Gate, equivalent quantities of Gas (less applicable fuel charges) as set forth in the paragraph below. This transfer is a like kind transfer of equal quantities less applicable fuel charges, with no cash sale price. Mirant shall have the option at all times to deliver Firm Gas to CG&E's City Gates in lieu of Gas withdrawn directly from the pipeline storage cavern.

B. CG&E shall have the right to designate quantities of Gas to be injected into, or withdrawn from, storage. CG&E will create a storage injection and withdrawal plan that is within pipeline Tariff constraints and will share this plan with Mirant. It is understood that actual storage injections and withdrawals could differ from the plan, due to no notice injections and withdrawals. Because of these actions, CG&E's plan will be re-evaluated monthly. Mirant has the right, subject to CG&E's right to receive storage withdrawals (which quantities may be supplied from other sources) and limitations contained in the Tariffs, to actually inject, withdraw and sell Gas from the released storage capacity as it sees fit. Mirant will provide to CG&E on a daily basis, if requested by CG&E, the actual quantities held in storage at that specific point in time. Mirant will report to CG&E monthly, by Storage Service, the CG&E Storage Account levels, and the ratchets applicable to such inventories. Mirant will also report monthly, Mirant's Storage Accounts which shall show the actual physical status of the assets, including actual storage inventory levels, injection and withdrawal rights and applicable ratchets. The format for such reports will be agreed upon by both Parties and may be changed, if agreed to in writing by both Parties, from time to time. If the actual Firm deliverability to CG&E's City Gate at any point in time is less than the Firm deliverability based on CG&E's Virtual Balance in storage, then Mirant shall provide, within two (2) Business Days from the request, CG&E with a Gas supply and transportation plan that maintains deliverability to the CG&E City Gate within Transport and/or Storage Provider's then current tariffs based on CG&E's Virtual Balance in storage. If Mirant fails to provide a plan that maintains the Firm deliverability to CG&E's City Gate, then CG&E shall have the right to recall the necessary interstate transportation and storage in Exhibit A until Mirant provides a plan that maintains the Firm deliverability to CG&E's City Gate. Mirant agrees that if CG&E recalls storage capacity, title to CG&E's natural gas stored in that capacity shall also immediately revert to CG&E. Mirant shall provide such Virtual Plan, in writing, to CG&E upon request.

C. Mirant shall manage the actual Natural Gas storage inventories in the Storage Facilities such that the actual Storage Accounts equal the Storage Accounts at the end of the Day on October 31, 2003. Mirant shall transfer such actual inventories back to CG&E effective November 1, 2003. If the actual inventory level in any Storage Facility is less than the Virtual Inventory level in such Storage Facility at the end of the Day on October 31, 2003, then Mirant shall pay CG&E for the volume shortfall as follows:

1. Shortfall less than 10 percent of Virtual Inventory level: Inside FERC First of the Month Index price at Henry Hub for November, 2003 multiplied by the volume shortfall. Any increment beyond the 10 percent volume shortfall, Mirant shall deliver the volume shortfall, in kind, on the applicable Transport/Storage Provider pipeline as follows: (a) for TGT, Mirant will deliver to CG&E's City Gate and (b) for TCO, Mirant will deliver to either the TCO Appalachia (Pool) or the TCO interconnect with CGT at Leach, Kentucky. Mirant shall deliver such volume shortfall during December, 2003 and January, 2004 for twenty (20) Days in each month as specified by CG&E.

Payment for any shortage as described above will be credited to CG&E's October 2003 Gas invoice from Mirant.

D. In the event of a default by Mirant as described in Article XIX or termination of this Agreement before the end of the Term, Mirant shall, upon 24 hours notice by CG&E, transfer to CG&E the actual Gas inventories in the Storage Facilities. If, at the time of such transfer, the actual inventory in any Storage Facility does not equal the Virtual Inventory in such Storage Facility, then the Parties shall compensate for the difference(s) as follows:

1. If the actual inventory exceeds the Virtual Inventory, then, within thirty (30) Days after the transfer, CG&E shall, at its option, exercisable within five (5) Business Days after such transfer, either:
 - a. Deliver to Mirant, an amount of Gas equal to the excess inventory, at a mutually agreeable location; or
 - b. Compensate Mirant for the excess inventory at the following price(s) as applicable on the date of inventory transfer: (i) for TGT storage, the *Gas Daily* "Dominion (delivered)" daily index price (i.e., the *Gas Daily* price applicable at Lebanon, Ohio); and (ii) for TCO storage, the *Gas Daily* "Columbia APP" daily index price.
2. If the Virtual Inventory exceeds the actual inventory, then, within thirty (30) Days after the transfer, Mirant shall, at CG&E's option, exercisable within five (5) Business Days after such transfer, either:
 - a. Deliver to CG&E an amount of Gas equal to the inventory shortfall at a time and location mutually agreed upon by the Parties; or

b. Compensate CG&E for the shortfall in inventory at the greater of CG&E's purchase price for the Virtual Inventory as shown in the applicable Virtual Storage Account, or the following price(s) as applicable on the date of inventory transfer: (i) for TGT storage, the *Gas Daily* "Dominion (delivered)" index price (*i.e.*, the *Gas Daily* price applicable at Lebanon, Ohio); and (ii) for TCO storage, the *Gas Daily* "Columbia APP" daily index price.

Any amount owed by Mirant shall be credited to CG&E's Gas invoice from Mirant for the period in which the transfer of inventories occurs.

E. In the event of a default by CG&E as described in Article XIX or termination of this Agreement before the end of the Term, Mirant shall, upon 24 hours notice by CG&E, transfer to CG&E the actual Gas inventories in the Storage Facilities. If, at the time of such transfer, the actual inventory in any Storage Facility does not equal the Virtual Inventory in such Storage Facility, then the Parties shall compensate for the difference(s) as follows:

1. If the actual inventory exceeds the Virtual Inventory, then, within thirty (30) Days after the transfer, CG&E shall, at Mirant's option, exercisable within five (5) Business Days after such transfer, either:

a. Deliver to Mirant, an amount of Gas equal to the excess inventory, at a mutually agreeable location; or

b. Compensate Mirant for the excess inventory at the following price(s) as applicable on the date of inventory transfer: (i) for TGT storage, the *Gas Daily* "Dominion (delivered)" daily index price (*i.e.*, the *Gas Daily* price applicable at Lebanon, Ohio); and (ii) for TCO storage, the *Gas Daily* "Columbia APP" daily index price.

2. If the Virtual Inventory exceeds the actual inventory, then, within thirty (30) Days after the transfer, Mirant shall, at its option, exercisable within five (5) Business Days after such transfer, either:

a. Deliver to CG&E an amount of Gas equal to the inventory shortfall at a time and location mutually agreed upon by the Parties; or

b. Compensate CG&E for the shortfall in inventory at the greater of CG&E's purchase price for the Virtual Inventory as shown in the applicable Virtual Storage Account, or the following price(s) as applicable on the date of inventory transfer: (i) for TGT storage, the *Gas Daily* "Dominion (delivered)" index price (*i.e.*, the *Gas Daily* price applicable at Lebanon, Ohio); and (ii) for TCO storage, the *Gas Daily* "Columbia APP" daily index price.

Any amount owed by Mirant shall be credited to CG&E's Gas invoice from Mirant for the period in which the transfer of inventories occurs. Any amount owed by CG&E shall

be included in CG&E's Gas invoice from Mirant for the period in which the transfer of inventory occurs.

ARTICLE X **Passage of Title**

Title to the Gas covered by the CG&E Storage Agreements released to Mirant shall pass from CG&E to Mirant on the Day on which the Capacity Release(s) is effective. Title to Gas delivered to CG&E under the provisions of Article IV shall pass from Mirant to CG&E when delivered to the Delivery Point(s). The Party who has title to the Gas at any time shall be deemed to be in control and possession of the Gas, and shall be responsible for (i) any damage or injury caused thereby, and (ii) all charges, expenses, fees, taxes, damages, injuries, and other costs incurred in connection with or attributable to the purchase and handling of Gas, except that CG&E shall fully reimburse Mirant for (i) any ad valorem or similar taxes that would be levied on the volume of the Gas in the CG&E Storage Agreements, if that volume of Gas were actually in storage (i.e., based on the Virtual Storage Accounts) and (ii) any sales tax assessed in connection with the release of the CG&E Storage Agreements to Mirant. Each Party shall indemnify, defend, and hold the other harmless from all such charges, expenses, fees, taxes, damages, injuries, and other costs.

ARTICLE XI **Invoicing Requirements**

A. Each Month, CG&E will prepare a worksheet that will reflect for the preceding Month, its deemed total cost of Gas based on CG&E's hourly and daily dispatching of supply as if it had been done without Mirant managing CG&E's Gas supply assets. This worksheet will be the basis for Mirant's charges for the Gas it delivers to CG&E's City Gate. On or before the thirteenth (13th) day of each Month during the Term of this Agreement, CG&E will provide this worksheet to Mirant for billing purposes. Each Month during the Term of this Agreement, Mirant shall submit to CG&E an invoice no later than the twentieth (20th) day of the month for the preceding Month's activity reflecting the total Gas costs shown on the worksheet. Mirant will invoice CG&E for reimbursement of Pipeline Reservation Charges separately, according to the terms of each Transport or Storage Provider contract. Any charges billed by CG&E's interstate pipelines or Firm Gas Suppliers that are not the result of CG&E's daily dispatching (as reflected on the worksheet) or are not minimum billing or Reservation Charges will be the responsibility of Mirant. Such other charges not caused by CG&E, include, but are not limited to, interstate pipeline overrun charges, imbalance charges and penalties.

B. Attached to its invoice, Mirant will provide CG&E with the appropriate records and documentation for all costs billed by Mirant to CG&E including, but not limited to, interstate pipeline charges, gas supplier charges, and other costs associated with this Agreement so that CG&E may fulfill its regulatory reporting requirements.

ARTICLE XII
Payment

A. CG&E shall pay Mirant all undisputed amounts no later than the twenty-fifth (25th) day of the Month following delivery via wire transfer at the address specified in Article XIII. If CG&E disputes, in good faith, any portion of Mirant's invoice, CG&E shall notify Mirant in writing, prior to the due date of the disputed invoice, the reasons therefore and the Parties shall negotiate in good faith to resolve such dispute. If it is determined that any disputed amount is owed to Mirant, then CG&E shall pay such amount, plus interest, at the rate specified below from the date the payment was originally due.

B. Interest on late payments by either Party shall accrue from the due date until the date of payment at a rate equal to the lower of: (i) the then-effective prime rate of interest published under "Money Rates" in *The Wall Street Journal*, plus two percent (2%) per annum, compounded monthly or, (ii) the maximum applicable lawful interest rate allowed in Ohio.

C. In the event that each Party owes payment under this Agreement to the other in the same Month, the amounts due shall be netted against each other with the result that only the Party owing the greater amount shall make payment and only to the extent of the net amount due, plus any interest due as determined by this Article XII.

ARTICLE XIII
Wiring Instructions

Mirant's and CG&E's designated addresses for all wire transfers related to this Agreement shall be:

Mirant:

Bank of America, N.A.
Account Name: Mirant Americas Energy Marketing, L.P.
ABA #111000012
Account Number 3751003269

CG&E:

PNC Bank, Ohio
Account Name: The Cincinnati Gas & Electric Company
ABA #042000398
Account Number 4060078836

ARTICLE XIV
Contacts and Notices

Mirant's and CG&E's designated contacts for all notices related to this Agreement shall be:

Mirant:

Notices: **Mirant Americas Energy Marketing, LP**
 Attn: Legal Department – Americas
 1155 Perimeter Center West, Suite 130
 Atlanta, GA 30338-5416
 Phone: (678) 579-7505
 Fax: (678) 579-5820

Account Manager **Lou Perrotta**
 Wk Phone: (678) 579-3235
 Hm Phone: (770) 346-9021
 Cell: (404) 915-8706
 Fax: (678) 579-5970
 E-mail: lou.perrotta@mirant.com

Operations **Primary: Doug Mackey**
 Wk Phone: (678) 579-3413
 Hm Phone: (678) 560-5327
 Cellular: (678) 230-5051
 Fax: (800) 204-7899
 E-mail: Doug.Mackey@mirant.com

Secondary: Greg Thompson
 Wk Phone: (678) 579-3438
 Hm Phone: (678) 366-1845
 Cellular: (678) 427-1185
 Fax: (800) 699-6568
 E-mail: Greg.Thompson@mirant.com

CG&E:

Notices: **The Cincinnati Gas & Electric Company**

Attn: Tom Lawson, Manager, Gas Resources
 139 East Fourth Street
 Cincinnati, OH 45202
 Phone: (513) 287-3219
 Fax: (513)-287-3768

Operations: Primary: Doug Vaught
Wk Phone: (513) 287-2559
Cellular: (513) 639-3388
Fax: (513) 287-1223
E-mail: dvaught@cinergy.com

Secondary: Jeff Kern
Wk Phone: (513) 287-2837
Fax: (513) 287-3768
E-mail: jlkern@cinergy.com

ARTICLE XV

Representations and Warranties

A. As a material inducement to entering into this Agreement, Mirant represents and warrants to CG&E as of the date of the execution and delivery of this Agreement as follows:

1. There are no suits, proceedings, judgments, rulings or orders by or before any court or any governmental authority to which Mirant is a party that materially adversely affects (a) its ability to perform its obligations under this Agreement, or (b) the rights of CG&E hereunder.
2. Mirant is duly organized, validly existing, and in good standing under the laws of the State of Delaware, and it has the legal right, power, authority, and is qualified to conduct its business, to execute and deliver this Agreement, and perform its obligations under the same, and all regulatory authorizations have been obtained and/or maintained, as required, for it to legally perform its obligations hereunder.
3. The making and performance by Mirant of this Agreement is within its powers, has been duly authorized by all necessary action on its part, and does not and will not violate any provisions of its incorporation or other formation, as applicable, or any other of its governing documents, nor will the making or performance of this Agreement violate (a) any agreement or instrument to which Mirant is a party or is bound, (b) any material provisions of any judgment, decree, or judicial order applicable to Mirant, (c) any provision of law or any rule, regulation or administrative order presently in effect and applicable to Mirant or its governing documents. To the best of Mirant's knowledge and belief, no consents of third parties, whether private, judicial, or public are required under any agreement or instrument to which Mirant is a party or is bound, provided however, that if, after the execution hereof, any such third party consents are deemed to be necessary in order to effectuate the purposes and intent of this Agreement, then Mirant shall use commercially reasonable efforts to promptly obtain such consents.

4. This Agreement when entered into constitutes a legal, valid and binding act and obligation of Mirant, enforceable against it in accordance with its terms, subject to principles of equity and bankruptcy, insolvency, reorganization and other laws affecting creditors' rights generally.
5. There are no bankruptcy, insolvency, reorganization, receivership or other arrangements or proceedings pending or being contemplated by Mirant, or to its knowledge, threatened against Mirant.

B. As a material inducement to entering into this Agreement, CG&E represents and warrants to Mirant as of the date of the execution and delivery of this Agreement as follows:

1. There are no suits, proceedings, judgments, rulings or orders by or before any court or any governmental authority to which CG&E is a party that materially adversely affects (a) its ability to perform its obligations under this Agreement, or (b) the rights of Mirant hereunder.
2. CG&E is duly organized, validly existing, and in good standing under the laws of the State of Ohio, and it has the legal right, power, authority, and is qualified to conduct its business, to execute and deliver this Agreement, and perform its obligations under the same, and all regulatory authorizations have been obtained and/or maintained, as required, for it to legally perform its obligations hereunder.
3. The making and performance by CG&E of this Agreement is within its powers, has been duly authorized by all necessary action on its part, and does not and will not violate any provisions of its incorporation or other formation, as applicable, or any other of its governing documents, nor will the making or performance of this Agreement violate (a) any agreement or instrument to which CG&E is a party or is bound, (b) any material provisions of any judgment, decree, or judicial order applicable to CG&E, (c) any provision of law or any rule, regulation or administrative order presently in effect and applicable to CG&E or its governing documents. To the best of CG&E's knowledge and belief, no consents of third parties, whether private, judicial or public, are required under any agreement or instrument to which CG&E is a party or is bound, provided however, that if, after the execution hereof, any such third party consents are deemed to be necessary in order to effectuate the purposes and intent of this Agreement, then CG&E shall use commercially reasonable efforts to promptly obtain such consents.
4. This Agreement when entered into constitutes a legal, valid and binding act and obligation of CG&E, enforceable against it in accordance with its terms, subject to principles of equity and bankruptcy, insolvency, reorganization and other laws affecting creditors' rights generally.

5. There are no bankruptcy, insolvency, reorganization, receivership or other arrangements or proceedings pending or being contemplated by CG&E, or to its knowledge, threatened against CG&E.

C. Each Party shall have an on-going obligation to supplement its respective representations and warranties if a material change occurs therein.

ARTICLE XVI **Government Action**

Either Party may terminate this Agreement in the event that the FERC, the Public Utilities Commission of Ohio or any administrative body or court of competent jurisdiction, or a legislative body changes pertinent statutes, regulations or orders so as: (i) to significantly restrict or reduce the value of this Agreement, such significant reduction in value to be determined in the sole judgment of the affected Party, (ii) to require CG&E to assign to its customers portions of the assets included in the Asset Portfolio, or (iii) to significantly and materially modify the nature of the services provided by this Agreement, provided however, that the Parties will endeavor to mutually agree on revisions to the Agreement to comply with such regulatory changes. In the event either Party elects to terminate this Agreement pursuant to this Article XVI such termination shall be effected as set forth in Section C of Article XIX.

ARTICLE XVII ***Force Majeure***

A. This Article XVII is the sole and exclusive excuse for non-performance permitted under this Agreement and all other excuses at law or in equity are WAIVED to the extent permitted by law. Except with regard to a Party's obligation to make payment due and swing under this Agreement, at the time of the Force Majeure event, neither Party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by *Force Majeure*.

B. *Force Majeure* shall mean an event not anticipated as of the Effective Date, which is not within the reasonable control of the Party, or in the case of third party obligations or facilities, the third party claiming suspension, and which by the exercise of due diligence such Party, or third party, is unable to prevent or overcome or to obtain, or cause to be obtained a commercially reasonable substitute performance. Therefore, neither Party will be entitled to the benefit of *Force Majeure* under the following circumstances; (i) the *Force Majeure* event was caused by the acts, omissions, or negligence of each Party, in whole or in part, or to the extent that such *Force Majeure* is the direct result of acts, omissions or the negligence of such Party's affiliates; (ii) to the extent such Party failed to use due diligence, or failed to utilize all reasonable dispatch and reasonable efforts in removing or overcoming such *Force Majeure* to again put itself in a position to carry out all of the obligations that it has assumed; (iii) to the extent such Party's inability to perform was caused by that Party's lack of funds; or (iv) to the extent such Party's inability to perform was caused by a shortage of Gas supply not caused by a

Force Majeure event. "*Force Majeure*" shall include an event of *Force Majeure* occurring with respect to the facilities or services of Mirant's or CG&E's Transport or Storage Provider.

C. *Force Majeure* shall include, but not be limited to, the following; (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs (other than as a result of the negligence or other fault of the Party claiming *Force Majeure*) to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures that cause freezing or failure of wells or lines of pipe; (iii) interruption or curtailment of firm transportation and/or storage by Transport or Storage Providers; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections, wars or terrorism that have a direct result upon obligation of the Party; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction. Mirant and CG&E shall make commercially reasonable efforts to avoid the adverse impacts of a *Force Majeure* and to resolve the event or occurrence once it has occurred in order to resume performance.

D. Notwithstanding anything to the contrary herein, the Parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be entirely within the sole discretion of the Party experiencing such disturbances.

E. The Party for which performance is prevented by *Force Majeure* must provide notice to the other Party. Initial notice may be given orally, if given within twenty-four (24) hours; however, written notification with full particulars of the event or occurrence, including the cause of the event, the expected duration of the event, and the action being taken to eliminate it is required as soon as reasonably possible but in no event longer than two (2) Business Days following the event of the *Force Majeure*. Upon providing notification of *Force Majeure* to the other Party, the affected Party will be relieved of its obligation to make or accept delivery of Gas as applicable to the extent and for the duration of the *Force Majeure*, and neither Party shall be deemed to have failed in such obligations to the other during such occurrence or event.

ARTICLE XVIII Regulatory Compliance

This Agreement shall be subject to all valid and applicable laws of the United States and to the applicable valid rules, regulations or orders of any regulatory agency or governmental authority having jurisdiction over the Parties or this Agreement. The Parties shall be entitled to regard all applicable laws, rules and regulations (federal, state or local) as valid and may act in accordance therewith until such time as the same may be declared invalid by a final, non-appealable judgment of a court of competent jurisdiction. This Agreement and the actions of Mirant and CG&E hereunder are subject to all present and future valid orders, rules, and regulations of any regulatory body having jurisdiction.

Both Mirant and CG&E agree to timely make all regulatory filings that may be needed to effectuate this Agreement and shall promptly provide copies of such filings to the other Party.

ARTICLE XIX

Events of Default, Failure to Perform, Termination and Remedies

A. Unless such act or omission is the result of *Force Majeure* or the sole failure or negligence of CG&E, each of the following acts or omissions shall be deemed an Event of Default by Mirant:

1. The failure of Mirant to comply with the material terms and conditions of the Tariffs or agreements governing use of the Asset Portfolio;
2. The failure of Mirant to pay any undisputed amounts due any Transport or Storage Provider under the Asset Portfolio and such failure continues for a period of five (5) Days;
3. Mirant engages in one or more of the following acts; (a) an assignment or any general arrangement for the benefit of its creditors, (b) the filing of a petition or other commencement, authorization or acquiescence in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors, or (c) the inability of Mirant to pay any debt when due ("Mirant Bankruptcy Default");
4. Any material inaccuracy in any representation or warranty of Mirant set forth in this Agreement, and such inaccuracy is not remedied within fifteen (15) Days of Mirant's receipt of a written notice from CG&E describing the particulars of such inaccuracy in reasonable detail;
5. The failure of Mirant to perform any material covenant, term or condition or obligation in this Agreement, other than the material covenants or obligations addressed in the other subsections of Section A of Article XIX, and such failure is not remedied within ten (10) Days of Mirant's receipt of a written notice from CG&E describing the particulars of such failure in reasonable detail;
6. The failure of Mirant to timely provide adequate assurance when required by Article XXVII;
7. The failure of Mirant to provide Firm sales service as provided in Article IV, provided however, that Mirant shall not be deemed in Default if, (i) Mirant timely pays to CG&E any amount due in accordance with the terms of this Agreement, and (ii) Mirant's failure has not caused material prejudice to CG&E's interest;

8. A material failure by Mirant to provide accurate and timely reports required by this Agreement and such failure is not remedied within five (5) Business Days of Mirant's receipt of a written notice from CG&E describing the particulars of such failure in reasonable detail; and
9. The failure of Mirant to deliver Gas into CG&E's Storage Accounts, provided however, that Mirant shall not be deemed in Default if, (i) Mirant timely pays to CG&E any amount due in accordance with the terms of the Agreement, and (ii) Mirant's failure has not caused substantial prejudice to CG&E's interests.

B. Unless such act or omission is the result of *Force Majeure* or the failure or negligence of Mirant, each of the following acts or omissions shall be deemed an Event of Default by CG&E:

1. The failure of CG&E to comply with the material terms and conditions of the contracts and agreements listed on Exhibit A;
2. The failure of CG&E to pay undisputed amounts due Mirant herein, and such failure continues for a period of five (5) Days;
3. CG&E engages in one or more of the following acts: (a) an assignment or any general arrangement for the benefit of its creditors, (b) the filing of a petition or other commencement, authorization or acquiescence in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors, or (c) the inability of CG&E to pay any debt when due ("CG&E Bankruptcy Default");
4. Any material inaccuracy in any representation or warranty of CG&E set forth in this Agreement, and to the extent such inaccuracy is both intentional and capable of effective redemption, such inaccuracy is not remedied within fifteen (15) Days of CG&E's receipt of a written notice from Mirant describing the particulars of such inaccuracy in reasonable detail.
5. The failure of CG&E to perform any material covenant, term or condition or obligation in this Agreement other than the material covenants or obligations addressed in the other subsections of Section B of Article XIX, and such failure is not remedied within ten (10) Days of CG&E's receipt of a written notice from Mirant describing the particulars of such failure in reasonable detail.
6. The failure of CG&E to timely provide adequate assurance when required by Article XXVII.

7. A material failure by CG&E to provide accurate and timely reports required by this Agreement and such failure is not remedied within five (5) Business Days of CG&E's receipt of a written notice from Mirant describing the particulars of such failure in reasonable detail; and

C. In addition to the remedy for Events of Default by Mirant set forth in Articles VII and IX, the remedies for Events of Default by Mirant or CG&E, as applicable, shall be as follows:

1. If an Event of Default occurs with respect to a Party (the "Defaulting Party"), then the other Party (the "Non-Defaulting Party") shall have the right, in addition to any other remedies available hereunder, to: (a) upon one (1) Business Day's written notice, suspend its performance under this Agreement; (b) withhold any amounts owed to the Defaulting Party, under this Agreement and/or (c) set off any amount owed to the Defaulting Party, under this Agreement or any other agreement between the Parties (whether or not yet due), or against any amounts owing by the Defaulting Party to the Non-Defaulting Party (whether or not yet due).
2. In addition to the provisions of this Article XIX, upon the occurrence of an Event of Default, the Non-Defaulting Party may, for so long as the Event of Default continues, terminate, accelerate, and liquidate all obligations then outstanding or not yet commenced in accordance with the provisions of this Agreement by: (a) providing notice to the Defaulting Party, and (b) establishing an early termination date, which date shall be between one (1) and twenty (20) Business Days following receipt of the notice of early termination, on which all such obligations shall terminate ("Early Termination Date"), provided however, if the Defaulting Party is the subject of a bankruptcy, insolvency, or similar proceeding, all outstanding obligations shall automatically terminate, without notice or right to cure, and without any other action by either Party as if an Early Termination Date had been declared immediately prior to such event. If an Early Termination Date has been designated, the Non-Defaulting Party shall calculate the Total Termination Payment and notify the Defaulting Party of such amount including detailed support for the Total Termination Payment calculation. The failure to give such notice contemplated herein shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party.
3. The Non-Defaulting Party may net the Total Termination Payment against all other amounts owed (whether or not yet due) between the Parties under the Agreement and any other agreements between the Parties. This amount constitutes the "Liquidation Amount" payable by the Defaulting Party within three (3) Business Days or payable by the Non-Defaulting Party on the Payment Date following the Early Termination Date, as applicable. A

disputed amount hereunder shall be paid by the Defaulting Party, subject to refund.

4. The failure of the Non-Defaulting Party to exercise any of its rights or remedies contained in this Article or in Articles VII or IX shall not constitute a waiver of the Event of Default, the requirement for payment, or any of the other rights or remedies of the Non Defaulting Party in connection with the Event of Default.
5. The Non-Defaulting Party's rights under this Agreement are in addition to, and not in limitation or exclusion of, any other rights the Non-Defaulting Party may have (whether by contract, operation of law, or otherwise). Each Party reserves to itself all rights, set offs, counterclaims, and defenses which it is, or may be, entitled to arising from or out of this Agreement or other agreements between the Parties, at law or otherwise.

ARTICLE XX **Indemnification**

A. Mirant shall indemnify CG&E and hold CG&E harmless from all liability engendered by Mirant's use of the released transportation or storage capacity or assigned Gas Supplier Contracts, except to the extent that the liability is the result of CG&E's gross negligence or willful misconduct.

B. CG&E shall indemnify Mirant and hold Mirant harmless from all liability engendered by transportation or storage capacity retained by CG&E, and CG&E's pre-Agreement supply arrangements, except to the extent that the liability is the result of Mirant's gross negligence or willful misconduct.

ARTICLE XXI **Applicable Law**

THE INTERPRETATION AND PERFORMANCE OF THE AGREEMENT SHALL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OHIO, EXCLUDING HOWEVER, ANY CONFLICT OF LAW RULE THAT WOULD APPLY THE LAW OF ANOTHER JURISDICTION.

ARTICLE XXII **Confidentiality**

Unless mutually agreed, the terms of this Agreement, including but not limited to the price paid for Gas, will be kept confidential by Mirant and CG&E, except to the extent that the Party is obligated to disclose such information to the pipeline or supplier affected by this Agreement, or to a regulatory authority for the purpose of effectuating the transportation, storage, and/or sale of the Gas pursuant to this Agreement, or is obligated by law, court or administrative agency of competent jurisdiction, or contract to make such disclosure. If required to be disclosed, the Party subject to the disclosure

requirement shall (i) notify the other Party immediately, and (ii) cooperate to the fullest extent in seeking whatever confidential status may be available to protect any material to be disclosed; provided, however, the Party required to make the disclosure shall not be obligated to subject itself to sanctions to comply with this provision.

ARTICLE XXIII

Arbitration

A. If a dispute arises between the Parties relating to this Agreement, the Parties agree to use the following procedure prior to either Party pursuing other available remedies:

1. A meeting shall be held promptly between the Parties, attended by individuals with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute.
2. If, within thirty (30) Days after such meeting, the Parties have not succeeded in negotiating a resolution of the dispute, any such dispute shall be resolved pursuant to binding arbitration administered by the American Arbitration Association ("AAA") under its commercial arbitration rules, according to the procedures set forth in this Article XXIII and applying the governing law of this Agreement. Either Party may commence an arbitration proceeding hereunder by giving written notice to the other Party specifying the nature of the Dispute in detail and naming the arbitrator for the Party commencing the arbitration. No later than five (5) Business Days after the receipt of the notice, commencing the arbitration proceeding, the other party shall select an arbitrator and notify the party commencing the arbitration. Within ten (10) Days following their selection, the arbitrators selected by Mirant and CG&E shall jointly select a third arbitrator. In the event they are unable to agree upon the third arbitrator, the selection shall be made according to the rules of the AAA. The third arbitrator shall hear and decide all matters relating to the dispute that is subject to arbitration. All arbitrators selected under this Agreement shall have at least eight (8) years of professional experience in the commodity markets and in the business of marketing the applicable Commodity or Commodities, shall not previously have been employed by either Party, and shall not have a direct or indirect interest in either Party or the subject matter of the arbitration. The arbitration hearing shall commence as soon as is practical, but in no event later than thirty (30) Days after the selection of the third arbitrator. If any arbitrator selected should die, resign, or otherwise be unable to perform his or her duties hereunder, a successor arbitrator shall be selected pursuant to the procedures set forth in this Article XXIII. Such arbitration shall be held in neutral locations determined by the Parties prior to the selection of the third arbitrator.

B. The arbitration shall be conducted according to the following; (i) the hearing shall be conducted within ninety (90) Days of a Party's notice, (ii) the hearing shall be conducted on a confidential basis, (iii) at the conclusion of the hearing, each Party will present a suggested resolution to the arbitrator, (iv) the arbitrator may select either suggested resolution or may make his or her own decision, subject to the limitation that the decision must resolve the dispute in a manner consistent with the intent of the Parties as reflected in the terms of this Agreement, (v) the arbitrator shall be bound to follow the substantive state and Federal laws of jurisprudence as well as the applicable rules of evidence in arriving at a decision, (vi) the panel of arbitrators, in consultation with the Parties, shall provide for limited discovery, (vii) the arbitrator shall issue a confidential written opinion containing his or her decision within thirty (30) Days after the hearing, (viii) each Party shall divide equally the cost of the arbitrators and the hearing and each Party shall be responsible for its expenses and those of its counsel and representatives, and (ix) any offer made or the details of any negotiations regarding the dispute prior to arbitration and the cost to the Parties of their representatives and counsel shall not be admissible.

C. **Binding Nature of Proceedings.** EACH PARTY UNDERSTANDS THIS AGREEMENT CONTAINS AN AGREEMENT TO ARBITRATE ANY DISPUTE OR NEED OF INTERPRETATION RELATED TO THIS AGREEMENT. EACH PARTY UNDERSTANDS IT CANNOT BRING A LAWSUIT CONCERNING ANY SUCH DISPUTE. INSTEAD, EACH PARTY AGREES TO SUBMIT ANY SUCH DISPUTE TO AN IMPARTIAL PANEL OF ARBITRATORS IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT. ANY DECISION OF THE ARBITRATOR MAY BE ENFORCED IN ANY COURT OF COMPETENT JURISDICTION BY THE PARTY IN WHOSE FAVOR SUCH DECISION IS MADE. NOTWITHSTANDING THE FOREGOING, A PARTY MAY FILE A LAWSUIT TO OBTAIN INJUNCTIVE RELIEF RELATED TO THE PERFORMANCE OF THE OBLIGATIONS UNDER THIS ARTICLE.

ARTICLE XXIV Limitation of Liability

A. Except as set forth herein, there is no warranty of merchantability or fitness for a particular purpose, and any and all implied warranties are disclaimed. For breach of any provision for which an express remedy or measure of damages is provided, such express remedy or measure of damages shall be the sole and exclusive remedy and all other remedies or damages at law or in equity are waived. If no measure of damages is expressly provided herein, a Party's liability shall be limited to direct actual damages only. The remedies set forth in this Agreement, shall be the exclusive remedies for the Parties.

B. EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED HEREIN, IN NO EVENT WILL EITHER PARTY BE LIABLE UNDER THIS AGREEMENT, WHETHER IN CONTRACT, IN TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY), OR OTHERWISE, FOR INCIDENTAL, CONSEQUENTIAL, SPECIAL, OR PUNITIVE DAMAGES.

ARTICLE XXV **Recording Language**

Each of the Parties hereto (i) consent to the recording of telephone conversations of their respective trading and marketing personnel in connection with this Agreement, and (ii) agrees that any such electronic recordings may be submitted in evidence in any suit, action or other proceedings in relation to this Agreement by either Party.

ARTICLE XXVI **Assignment**

This Agreement may not be assigned by either Party, in whole or in part, without the prior written consent of the other Party, and consent shall not be unreasonably withheld. This Agreement shall be binding upon and inure to the benefit of, and be enforceable by, the parties hereto and their representatives, successors, and assigns.

ARTICLE XXVII **Financial Responsibility**

A. Mirant shall provide to CG&E a twelve (12) month Letter of Credit in the amount of Thirty-Three Million Dollars (\$33,000,000) commencing on December 1, 2001. Mirant shall extend the Letter of Credit for this Agreement through January 31, 2004 by no later than sixty (60) Days prior to November 30, 2002. In return for this Letter of Credit, CG&E agrees to pay Mirant Sixteen Thousand Five Hundred Dollars (\$16,500) per month for each month such Letter of Credit is in effect. Mirant will include the Sixteen Thousand Five Hundred Dollars (\$16,500) in its monthly invoice to CG&E as described in Article XI for the total cost of Gas less Pipeline Reservation Charges. The amount of the Letter of Credit and/or the amount CG&E pays Mirant for the Letter of Credit may be changed by mutual agreement of CG&E and Mirant.

B. Should Standard & Poor's (S&P) and/or Moody's credit rating on CG&E's senior unsecured debt fall below investment grade (currently defined as below S&P's BBB- or Moody's Baa3) at any time during which this Agreement is in effect, satisfactory security may be required of CG&E before further deliveries or receipts are made by Mirant. In the event CG&E shall (i) make an assignment or any general arrangement for the benefit of creditors; (ii) default in the payment or performance of any obligation to Mirant under

this Agreement; (iii) file a petition or otherwise commence, authorize or acquiesce in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iv) otherwise become bankrupt or insolvent (however evidenced); (v) be unable to pay its debts as they fall due; or (vi) fail to give adequate security for or assurance of its ability to perform its further obligations under this Agreement within seventy-two (72) hours of a reasonable request by Mirant, then Mirant shall, upon written notice, have the right to withhold or suspend deliveries or receipts or terminate this Agreement five (5) Days from the date of such notice, or the beginning of the next Month, whichever is earlier, in addition to any and all other remedies available hereunder or pursuant to law.

ARTICLE XXVIII

Audit

Each Party shall have the right, during the Term of this Agreement and for a period of two (2) years after the termination of this Agreement, at its own expense, upon reasonable notice and at reasonable times, to examine the books and records of the other Party, only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment or computation made under the Agreement. This examination right shall not be available with respect to proprietary information not directly relevant to this Agreement. All invoices and billings shall be conclusively presumed final and accurate unless objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. If the audit discloses an error the Party owing payment resulting from such audit shall pay all retroactive adjustments in full and with interest as specified under Article XII within thirty (30) Days of notice and substantiation of such inaccuracy.

ARTICLE XXIX

Offset

Each Party reserves to itself all rights, set-offs, counterclaims, and other defenses which it is or may be entitled to arising from the Agreement.

ARTICLE XXX

Enforceability

All provisions of this Agreement are severable, and the unenforceability or invalidity of any of the provisions of this Agreement shall not affect the validity or enforceability of the remaining provisions of this Agreement.

ARTICLE XXXI
Interpretation of Waivers

No waiver of any provision of this Agreement, or of a breach hereof, shall be effective unless it is in writing, signed by the Party waiving the provision or the breach hereof. No waiver of a breach of this Agreement (whether expressed or implied) shall constitute a waiver of a subsequent breach hereof.

ARTICLE XXXII
Amendment

This Agreement sets forth all understandings between the Parties respecting each obligation subject hereto and any prior contracts, understandings and representations, whether oral or written, are merged into and superseded by this Agreement. This Agreement may be amended only by a written document executed by both Parties.

ARTICLE XXXIII
Third Party Beneficiaries

There is not a third party beneficiary to this Agreement.

ARTICLE XXXIV
Authority

Each Party, as well as the individuals signing this Agreement, represent and warrant that it, he, or she has the power to enter into this Agreement and the authority to bind its respective Party.

ARTICLE XXXV
True Up

Within ninety (90) Days after the Term expiration, or termination for any reason, the Parties will finalize the amounts and prices paid under the Agreement and make any necessary adjustments to volume or amounts owed by one Party to the other Party that are necessary to reflect the actual amounts provided under the Agreement.

ARTICLE XXXVI
Continuing Obligations

Termination of this Agreement does not end continuing obligations of either Party specified therein.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of
the day and year first above written.

MIRANT AMERICAS ENERGY MARKETING, LP

**By: Mirant Americas Development, Inc., its General
Partner**

By: Tim Delay JP
K25

Name: Tim Delay

Title: Vice President,
Account Management

THE CINCINNATI GAS & ELECTRIC COMPANY

By: [Signature]

Name: James L. Turner

Title: Vice President

THE CINCINNATI GAS & ELECTRIC COMPANY
GAS SUPPLIER CONTRACTS

COMPANY NAME	TYPE OF CONTRACT	EFFECTIVE DATE	AMENDED
Anadarko Energy Services Company	Winter Season Term Supply (Base/Swing)	November 1, 2000	November 1, 2001
Aquila Energy Marketing Corporation	Winter Season Term Supply (Base/Swing)	November 1, 2001	
Dynegy Marketing & Trade (Formerly Natural Gas Clearinghouse)	Winter Season Term Supply (Base/Swing)	November 1, 1996	November 1, 1997 November 1, 1998 November 1, 1999 November 1, 2000 November 1, 2001 December 1, 2001
Mirant Americas Energy Marketing, LP (Formerly Southern Company Energy Marketing, L.P.)	Winter Season Term Supply (Base/Swing)	November 1, 1997	November 1, 1998 November 1, 1999 November 1, 2000 November 1, 2001

**The Cincinnati Gas & Electric Company
Summary of Firm Contracts with Interstate Pipelines**

Columbia Gas Transmission (CGT)

CGT SST, Service Agreement No. 39326

Oct.-Mar.	220,514 dth/day	city gate
Apr.-Sep.	110,257 dth/day	city gate

Contract expires on Nov. 1, 2004

CGT FSS, Service Agreement No. 39327

MDWQ	220,514 dth/day	city gate
SCQ	9,416,079 dth	CGT storage

Contract expires on Nov. 1, 2004

Columbia Gulf Transmission (CGulf)

CGulf FTS-2, Service Agreement No. 42788

Nov – Mar	81,760 dth/day	Rayne, La.
Apr – Oct	62,674 dth/day	Rayne, La.

Contract expires on Nov. 1, 2004

CGulf FTS-1, Service Agreement No. 43877

Nov – Mar	113,214 dth/day	Leach, Ky.
Apr – Oct	86,785 dth/day	Leach, Ky.

Contract expires on Nov. 1, 2004

KO Transmission Company (KOT)

KOT FT, Service Agreement No. 001

12 months	184,000 dth/day	1/ city gate
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Contract expires on June 1, 2006

1/ Includes 3,000 dth which was released non-recallable to Interstate Gas Supply from 04/01/99 thru 04/01/02.

Texas Gas Transmission (TGT)

TGT FT, Contract No. T005420

12 months	12,810 dth/day	city gate
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Contract expires on Nov. 1, 2004

**TGT NNS, Contract No.
N000405**

Unnominated – Winter	25,000 dth/day	city gate
Unnominated –April	12,500 dth/day	city gate
Unnominated – October	17,500 dth/day	city gate
Unnom. – Winter SCQ	2,350,000 dth	city gate
Nominated – Winter	71,500 dth/day	city gate
Nominated – Summer	10,982 dth/day	city gate

Contract expires on Nov. 1, 2002

**Summary of Short Term Firm Contracts with Interstate Pipelines
(Short Term = Less Than One Year)**

Tennessee Gas Pipeline (Tenn.)

Tenn. FT-A, Service Package No. 37338

Nov – Mar 45,000 dth/day

North Means,
Ky.

Contract expires on April 1, 2002

ANR Pipeline (ANR)

ANR FTS-1, Contract No.

106398

Nov – Mar 18,000 dth/day

city gate

Contract expires on April 1, 2002

CG&E's Operational Requirements
Regarding Natural Gas Deliveries To The City Gate

- 1) North/South System Flow Limitations** Mirant's interstate pipeline scheduling (nominations) of natural gas deliveries to CG&E's city gate must account for CG&E's physical constraints on its distribution system which is dependent upon CG&E's daily system load requirements. These constraints change hourly with CG&E's load fluctuations.
- 2) Pipeline Storage Limitations** CG&E has contracted for firm interstate pipeline storage with Texas Gas Transmission and Columbia Gas Transmission. The daily and seasonal contract quantities are committed to serve CG&E's firm sales customers throughout the entire heating season (October-April). CG&E must have flexibility to utilize on a daily basis CG&E's pipeline storage capacity and associated volumes to manage weather and load forecasting deviations and daily balancing for gas sales and transportation customers behind the city gate. Pipeline storage has daily, monthly and seasonal operational limitations defined by tariff and contract (i.e., withdraw limits, injection limits, ratchets). Deliveries to and from storage may be altered with intra-day nomination changes to sync scheduled deliveries to the city gate. Except for extreme conditions, pipeline storage inventories should remain above 10% by the end of March in order to provide for system balancing during April. It will be the sole responsibility of Mirant to provide the necessary natural gas deliveries to CG&E each day on Columbia Gas Transmission and Texas Gas Transmission for system balancing.
- 3) Pipeline Storage Refill** During the storage injection period (April through October) natural gas must be nominated on Texas Gas Transmission and Columbia Gas Transmission on a daily basis to refill CG&E's contracted seasonal storage capacity with each pipeline in order to reach design inventory levels of approximately 98% by Nov. 1, and to comply with Columbia Gas Transmission and Texas Gas Transmission tariff limitations on daily and monthly injections into storage.
- 4) Pipeline Nominations** In order for CG&E to confirm and allocate city gate deliveries on a daily basis, Mirant must provide, by fax, to CG&E's Gas Control and Gas Rates & Transportation Departments by 2:00 p.m. E.T. prior to the beginning of the gas day, detailed information of all scheduled deliveries to CG&E's city gate. This information will include the interstate pipelines utilized and their associated contract numbers and scheduled volumes along with a pre-determined allocation if required by the interstate pipeline. Any intra-day nominations for increased or decreased deliveries to CG&E must be reported by fax to CG&E's Gas Control and Gas Rates & Transportation Departments one hour after intra-day nominations are due to the interstate pipeline.

**FIRST AMENDMENT
TO AGREEMENT BETWEEN**

CONFIDENTIAL PROPRIETARY
TRADE SECRET

MIRANT AMERICAS ENERGY MARKETING, LP

AND

THE CINCINNATI GAS & ELECTRIC COMPANY

FOR

**PORTFOLIO MANAGEMENT SERVICE AND
THE PURCHASE OF NATURAL GAS**

CONFIDENTIAL PROPRIETARY
TRADE SECRET

This First Amendment to Agreement between Mirant Americas Energy Marketing, LP ("Mirant"), a Delaware Limited Partnership, with principal place of business at 1155 Perimeter Center West, Atlanta, Georgia 30338-5416 and The Cincinnati Gas & Electric Company ("CG&E"), with principal place of business at 139 East Fourth Street, Cincinnati, Ohio 45201, is executed and entered into this 27th day of September, 2002. Mirant and CG&E are also referred to herein individually as a "Party" and jointly as the "Parties."

WITNESSETH

WHEREAS, the Parties on December 1, 2001 entered into the Agreement Between Mirant Americas Energy Marketing, LP and The Cincinnati Gas & Electric Company for Portfolio Management Service and the Purchase of Natural Gas ("Agreement"); and

WHEREAS, the Parties desire to amend certain terms and conditions of the Agreement, in order to facilitate Mirant's request to avoid posting financial security with CG&E's natural gas suppliers, and to reflect such amended terms and conditions in this First Amendment to Agreement between Mirant and CG&E ("First Amendment");

NOW, THEREFORE, in consideration of the mutual covenants and benefits to be derived hereunder, CG&E and Mirant agree as follows:

ARTICLE I
Assignment of Contracts

A. CG&E shall assign to Mirant the Gas Supplier Contracts to be listed in Exhibit A over the Term of the Agreement, provided that Mirant and the Supplier execute an Assignment and Assumption of Certain Rights and Obligations and Partial Release ("Assignment and Assumption"), in substantially similar form to the Assignment and Assumption in Exhibit B. As security for the performance of Mirant's obligations under the Agreement and this First Amendment, Mirant hereby grants to CG&E a first priority security interest in and to any and all rights Mirant has (i) in the Gas Supplier Contracts at such time as they are assigned to Mirant and (ii) the physical Natural Gas inventory stored by Mirant under such Gas Supplier Contracts at any time during the Term of the Agreement and this First Amendment (the "Collateral"). Mirant hereby authorizes CG&E, pursuant to Article 9 of the Uniform Commercial Code as it is currently in effect (the "UCC") and any applicable statutes, to take any such action and to make any and all filings necessary for CG&E to perfect its first priority security interest in the Collateral. In addition to any other rights it may have under the Agreement and this First Amendment, CG&E shall have all the rights and remedies afforded to it under the UCC for the realization of the security granted herein.

B. If any of the gas suppliers listed in Exhibit A are unwilling to enter into the Assumption and Assignment Agreement, then CG&E shall not be required to assign such Gas Supplier Contract to Mirant.

CONFIDENTIAL PROPRIETARY
TRADE SECRET**ARTICLE II**
Firm Sales Delivery Service

A. For the period from November 1, 2002 through March 31, 2003, Mirant shall nominate and transport daily under the Gas Supplier Contracts only those volumes of gas as reported in CG&E's identification of the daily quantity of Gas that CG&E will purchase, pursuant to Article V of the Agreement, and Mirant shall utilize such volumes for the sole purpose of supplying gas to CG&E. Mirant shall not dispatch any additional volumes of Gas under the Gas Supplier Contracts.

B. If Mirant desires to utilize any unused swing Gas volumes under the Gas Supplier Contracts, beyond the volumes nominated by CG&E, Mirant shall so notify CG&E in writing, specifying the dates and volumes involved, using the form attached as Exhibit C. CG&E shall promptly review Mirant's request and notify Mirant whether CG&E agrees with Mirant's request and specifying the additional financial security that Mirant must supply to CG&E as security for utilizing such unused swing Gas volumes, using the form attached as Exhibit D. If Mirant supplies CG&E with such additional financial security to CG&E's satisfaction, then Mirant can utilize the unused swing volumes within the scope of Mirant's request.

C. CG&E may contact the gas suppliers as often as CG&E deems necessary in order for CG&E to monitor the volumes of gas that Mirant is acquiring under the Gas Supplier Contracts. Mirant agrees to cooperate with CG&E as needed to make arrangements for CG&E to obtain this information directly from the gas suppliers.

ARTICLE III
Storage Inventory, Utilization and Refill

A. For the period from September 28, 2002 through March 31, 2003, if Mirant desires to draw any gas out of storage, other than storage volumes delivered to CG&E's city gate for CG&E, under the service agreements listed in the Agreement and to be listed in Exhibit A that CG&E has with Columbia Gas Transmission Company ("Columbia") pursuant to Columbia's Rate FSS and with Texas Gas Transmission Corporation ("Texas Gas") pursuant to Texas Gas' Rate NNS, Mirant shall so notify CG&E in writing, specifying the dates and volumes involved, using the form attached as Exhibit E. CG&E shall promptly review Mirant's request and notify Mirant whether CG&E agrees with Mirant's request and specifying the additional financial security that Mirant must post with CG&E as security for drawing such gas out of storage, using the form attached as Exhibit F. If Mirant supplies CG&E with such additional financial security to CG&E's satisfaction, then Mirant can draw gas out of storage within the scope of Mirant's request.

ARTICLE V
Entire Agreement/Incorporation of Agreement

A. This First Amendment and the Agreement contain the entire agreement of the Parties with respect to the subject matter contained therein.

CONFIDENTIAL PROPRIETARY
TRADE SECRET

B. All provisions of the Agreement shall continue to apply with full force and effect except as expressly amended herein. The same amount of the management fee set forth in the Agreement shall continue to remain in effect.

IN WITNESS WHEREOF, the Parties have duly executed this First Amendment on the day and year first written above.

MIRANT AMERICAS ENERGY MARKETING, LP

By: Mirant Americas Development, Inc., its General Partner

By: _____

Name: _____

Title: _____

THE CINCINNATI GAS & ELECTRIC COMPANY

By: _____

Name: _____

Title: _____

ASSIGNMENT AGREEMENT

by and among

MIRANT AMERICAS ENERGY MARKETING, LP

as Assignor

and

CINERGY MARKETING & TRADING, LP

as Assignee

and

THE CINCINNATI GAS & ELECTRIC COMPANY

as Counterparty

Dated as of November 1, 2002

ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT, dated as of November 1, 2002, is made and entered into by and among MIRANTAMERICAS ENERGY MARKETING, LP., a limited partnership formed under the laws of Delaware ("Assignor"), CENERGY MARKETING & TRADING, LP, a limited partnership formed under the laws of Delaware ("Assignee"), and THE CINCINNATI GAS & ELECTRIC COMPANY ("Counterparty") (each a "Party" and, collectively, the "Parties").

RECITALS

A. Assignor is the legal and beneficial owner of the Agreement between Mirant Americas Energy Marketing, LP and The Cincinnati Gas & Electric Company for Portfolio Management Service and the Purchase of Natural Gas dated December 1, 2001, and as amended September 27, 2002, a copy of which is attached at Schedule 1.0 (collectively "Portfolio Management Service Agreement").

B. Assignor desires to assign to Assignee, Assignee desires to acquire from Assignor, and Counterparty consents to the assignment, of the Portfolio Agreement on the terms and subject to the conditions hereinafter set forth. Assignee is an Affiliate of Counterparty and, as a result, the consideration flowing to Assignor from Assignee in this Transaction shall be deemed to include all consideration flowing from Counterparty to Assignor in this Transaction.

C. Assignor has had discussions with various other Persons relating to the possible assignment of the Portfolio Agreement and the terms and conditions of this Assignment Agreement represent more favorable terms to Assignor than any terms offered by such other Persons for an assignment of the Portfolio Agreement.

D. The Parties are entering into this Assignment Agreement to evidence their respective rights, duties, obligations and responsibilities in respect of the assignment of the Portfolio Agreement contemplated hereby (the "Transaction").

NOW, THEREFORE, in consideration of the foregoing recitals and the agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, do hereby agree as follows:

ARTICLE 1

DEFINITIONS

Section 1.1 Certain Defined Terms. The following terms when used in this Agreement (or in the Schedules to this Agreement) with initial letters capitalized have the meanings set forth below:

"Affiliate" of a specified Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with the specified Person. For the purposes of this definition, "control," when used with respect to any specified Person, means the possession of the power to

direct the management or policies of the specified Person, directly or indirectly, whether through the ownership of voting securities, partnership or limited liability company interests, by contract or otherwise.

"Agreement" means this Assignment Agreement, together with the Schedules hereto.

"Applicable Laws" means all statutes, rules, regulations, ordinances, orders and codes of any Governmental Authorities.

"Assignee" has the meaning set forth in the introductory paragraph of this Agreement.

"Assignment Effective Time" means 10:00 a.m., Eastern Clock Time, on November 1, 2002.

"Assignor" has the meaning set forth in the introductory paragraph of this Agreement.

"Business Day" means a day other than Saturday, Sunday, a day on which banks are authorized to be closed for business in New York, New York, or a day on which either Assignor or Assignee observes as a holiday.

"Code" means the Internal Revenue Code of 1986, as amended and interpreted as of the date hereof, and all references to Treasury Regulations shall mean such regulations as they exist and are interpreted as of the date hereof.

"Encumbrances" means any and all pledges, claims, liens, security interests, options, warrants, purchase rights, conditional and installment sales agreements, other third party rights or interests, encumbrances and charges of any kind.

"Governmental Authority" means: (a) any federal, state, local, foreign or other government; (b) any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory, custodial, authority or power with respect to taxes; and (c) any court or governmental tribunal; provided, however, that it does not include Assignee, Assignor, any Affiliate thereof, or any of their respective successors in interest (if otherwise a Governmental Authority).

"Knowledge" or similar terms used in this Agreement with respect to a Party means: (a) in the case of Assignor, the extent of the actual knowledge and the knowledge that would have been obtained after reasonable investigation or inquiry by Tim Delay, Steve Brown, Marion Haley and Kenneth Satterly; and (b) in the case of Assignee, the extent of the actual knowledge and the knowledge that would have been obtained after reasonable investigation or inquiry by Douglas Schantz, Randy Bevis and Bruce Sukaly.

"Material Adverse Effect" means any event, circumstance or condition materially impairing a Party's authority, right or ability to consummate the Transaction, or otherwise having a material adverse effect on the business, assets or liabilities (contingent or otherwise) of such Party, but excluding:

(1) any change (or changes taken together) or effect generally affecting the international or any national, regional or local gas storage, transmission or distribution industry as a whole and not adversely affecting the Portfolio Agreement in any manner or degree materially different than other gas contracts like the Portfolio Agreement;

(2) any change (or changes taken together) or effect resulting from changes in the international or any national, regional or local wholesale or retail markets for gas; or

(3) any order or act of any Governmental Authority applicable to providers of gas storage, transmission or distribution services generally that imposes restrictions, regulations or other requirements thereon.

Any determination as to whether any condition or other matter has a Material Adverse Effect shall be made only after taking into account all effective insurance coverages and effective indemnifications with respect to such condition or matter.

"Person" means an individual, partnership, joint venture, corporation, limited liability company, trust, association or unincorporated organization, any Governmental Authority, or any other entity.

"Portfolio Agreement" means the Portfolio Management Service Agreement, all contracts and assets covered by the Portfolio Management Service Agreement, and all Storage Gas.

"Storage Gas" means the natural gas described in Schedule 2.0.

"Transaction" has the meaning set forth in the Recitals to this Assignment Agreement.

Section 1.2 Certain Interpretive Matters. In this Assignment Agreement, unless the context otherwise requires:

(a) the singular number includes the plural number and vice versa;

(b) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Assignment Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity;

(c) reference to any agreement (including this Assignment Agreement), document or instrument means such agreement, document or instrument as

amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof;

(d) reference to any Article, Section or Schedule means such Article, Section or Schedule of or to this Assignment Agreement, and references in any Article, Section, Schedule or definition to any clause means such clause of such Article, Section, Schedule, or definition;

(e) any accounting term used and not otherwise defined in this Assignment Agreement has the meaning assigned to such term in accordance with U.S. generally accepted accounting principles;

(f) "hereunder," "hereof," "hereto" and words of similar import are references to this Assignment Agreement as a whole and not to any particular Section or other provision hereof or thereof;

(g) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding or succeeding such term;

(h) relative to the determination of any period of time, "from" means "from and including," "to" means "to but excluding" and "through" means "through and including;"

(i) reference to any law (including statutes and ordinances) means such law as amended, modified codified or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder; and

(j) any agreement, instrument, insurance policy, statute, regulation, rule or order defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument, insurance policy, statute, regulation, rule or order as from time to time amended, modified, or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes, regulations, rules or orders) by succession of comparable successor statutes, regulations, rules or orders and references to all attachments thereto and instruments incorporated therein.

ARTICLE 2

ASSIGNMENT AND CONSENT

Section 2.1 Assignment and Consent.

(A) Upon the terms contained in this Assignment Agreement, Assignor as legal and beneficial owner and with full title guarantee hereby sells, conveys, assigns, transfers and delivers to Assignee, and Assignee accepts from Assignor, all of Assignor's right, title, and interest in and to the Portfolio Agreement free from any Encumbrance and the natural gas included in the Storage Gas described in Schedule 2.0 free from any

Encumbrance. Counterparty on the Portfolio Agreement hereby consents to the assignment to Assignee. The assignment shall be effective on the Assignment Effective Time.

(B) Assignor shall pay, perform or retain, or shall have the right to, and Assignee shall have no responsibility or liability for or rights to: (i) all accounts payable, liabilities, obligations (including those arising from indemnities) and commitments of Assignor under the Portfolio Agreement for the period prior to the Assignment Effective Time, including, without limitation, amounts payable to Counterparty or third parties after the Assignment Effective Time with respect to the sale, purchase, storage or transportation of gas or the performance of services under the Portfolio Agreement for the period prior to the Assignment Effective Time (the items in (B)(i) are the "Excluded Liabilities") and (ii) accounts receivable, rights, benefits, credits and sales proceeds of Assignor under the Portfolio Agreement for the period prior to the Assignment Effective Time including, without limitation, amounts receivable after the Assignment Effective Time with respect to the sale, purchase, storage or transportation of gas or the provision of services under the Portfolio Agreement for the period prior to the Assignment Effective Time (the items in (B)(ii) are the "Retained Rights"), and

(C) Assignee shall assume, pay or perform, or shall have the right to, and Assignor shall have no responsibility or liability for or rights to: (i) all accounts payable, liabilities, obligations (including those arising from indemnities) and commitments of Assignor under the Portfolio Agreement for the period after the Assignment Effective Time excluding Excluded Liabilities but including, without limitation, amounts payable to Counterparty or third parties with respect to the sale, purchase, storage or transportation of gas or the provision of services under the Portfolio Agreement after the Assignment Effective Time (the items in (C)(i) are the "Assumed Liabilities") and (ii) accounts receivable, rights, benefits, credits and sales proceeds of Assignor under the Portfolio Agreement for the period after the Assignment Effective Time, including, without limitation, amounts receivable after the Assignment Effective Time with respect to the sale, purchase, storage or transportation of gas or the provision of services under the Portfolio Agreement for the period after the Assignment Effective Time (the items in (C)(ii) are the "Acquired Rights").

ARTICLE 3

CONSIDERATION/RELEASE OF OBLIGATIONS AND LETTER OF CREDIT

Section 3.1 Consideration.

(A) Assignee shall not make any payment to Assignor as part of the consideration for this Assignment Agreement.

(B) The consideration for this Transaction includes the following: as of the Assignment Effective Time, Counterparty hereby: (i) transfers and assigns to Assignor all right, title and interest in any financial security, including but not limited to, all of Counterparty's right, title and interest in Irrevocable Standby Letter of Credit No. LC870-132017 in the amount of \$40 million dollars issued by Wachovia Bank, N.A., issued on

behalf of Assignor to Counterparty under the Portfolio Agreement; and (ii) Counterparty agrees to promptly cancel any security interest under Article 9 of the Uniform Commercial Code obtained by Counterparty under the Portfolio Agreement. Counterparty agrees to submit by 2:00 p.m. Eastern Clock Time on November 4, 2002 a written request to Wachovia Bank, N.A. to revoke Counterparty's interest in Irrevocable Standby Letter of Credit No. LC870-132017 in the amount of \$40 million dollars issued by Wachovia Bank, N.A.

(C) Assignor acknowledges that the consideration it is receiving under this Assignment Agreement: (i) is good and valuable consideration; (ii) is greater than consideration that has been offered to Assignor by other Persons for an assignment of the Portfolio Agreement; and (iii) Counterparty's revocation of the Irrevocable Standby Letter of Credit No. LC870-132017 in the amount of \$40 million dollars issued by Wachovia Bank, N.A., will benefit Assignor by freeing up \$40 million dollars on Assignor's line of credit with its lenders, that Assignor had previously committed as security for such letter of credit.

Section 3.2 Reduction in Portfolio Agreement Management Fee.

Assignee and Counterparty agree that, as part of the consideration for this Transaction, they will enter into good faith negotiations, to be completed by November 30, 2002, relating to a reduction in the monthly Management Fee contained in Article III(A) of the Portfolio Agreement for portfolio management services rendered after the Assignment Effective Time, based on factors to include, but not be limited to: current market conditions, the limited time remaining on the Portfolio Agreement, and the extent to which Assignee can utilize the assets covered by the Portfolio Agreement.

Section 3.3. Execution of Documents.

The Parties agree to promptly take any action necessary, including providing any required notice to interstate pipelines, and to execute any documents or instruments reasonably required by any Party, to transfer full title to the Portfolio Agreement and all assets covered by the Portfolio Agreement, as reasonably requested of any Party.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF ASSIGNOR

Assignor represents and warrants to Assignee and Counterparty, on the date of this Agreement, and the Assignment Effective Time, as follows:

Section 4.1 Organization and Existence. Assignor is a limited partnership duly formed and validly existing under the laws of Delaware.

Section 4.2 Execution and Delivery. Assignor has all requisite power and authority to execute and deliver, and to perform its obligations under, this Agreement and to consummate the Transaction. The execution, delivery and performance by Assignor of this Agreement and the consummation of the Transaction have been duly and validly

authorized by all necessary action required on the part of Assignor, and no other proceedings on the part of Assignor are necessary to authorize this Agreement or to consummate the Transaction. Assuming Assignee's due authorization, execution and delivery of this Agreement, this Agreement constitutes the valid and legally binding obligations of Assignor, enforceable against Assignor in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application relating to or affecting the enforcement of creditors' rights and by general equitable principles.

Section 4.3 Ownership and Enforceability. (a) Assignor owns, as legal and beneficial owner, the Portfolio Agreement free and clear of any Encumbrances. Upon consummation of the Transaction, Assignor shall have transferred to Assignee all of Assignor's outstanding legal and beneficial interests in and to the Portfolio Agreement being assigned to Assignee. On the Assignment Effective Time, Assignor has good and marketable title to the assigned Portfolio Agreement, free and clear of any agreement or understanding with respect to their use or possession and free and clear of all liens, claims, encumbrances or security interests of any kind or character, except liens for current Taxes not yet due and payable.

(b) To Assignor's Knowledge, the Portfolio Agreement is in full force and effect in accordance with its terms and there exists no default, under the Portfolio Agreement.

(c) To Assignor's Knowledge, Schedule 1.0 contains a complete and accurate copy of the Portfolio Agreement.

(d) To Assignor's Knowledge, the Portfolio Agreement is in full force and effect and is valid and enforceable in all material respects against Counterparty in accordance with its terms. Assignor has performed all material obligations required to be performed by it prior to the applicable Assignment Effective Time including with respect to any gas supply, storage and transportation contracts being managed, and Assignor is not (with or without the lapse of time or the giving of notice, or both) in breach or default in any material respect thereunder. Assignor has not received any notice of the intention of Counterparty to terminate the Portfolio Agreement.

(e) To Assignor's Knowledge, Counterparty is, and at all times has been, in compliance in all material respects with all material terms and requirements of the Portfolio Agreement.

(f) To Assignor's Knowledge, Assignor has not given to or received from any other person any written notice regarding any actual, alleged, possible or potential violation or breach of or default under the Portfolio Agreement.

(g) To Assignor's Knowledge, Assignor has paid when due all obligations due and owing prior to the Assignment Effective Time under the Portfolio Agreement.

(h) There are no renegotiations of, attempts to renegotiate or outstanding rights to renegotiate any material amounts paid or payable to Assignor under the Portfolio

Agreement with Counterparty and, to Assignor's Knowledge, Counterparty has not made written demand for such renegotiation.

(i) All Taxes (as hereinafter defined) due or to become due by reason of the Portfolio Agreement with respect to the period prior to the applicable Assignment Effective Time have been or will be paid when due, other than Taxes that are the subject of a good faith dispute on the part of Assignor. With respect to any Taxes that are not due and, therefore, have not been paid prior to the Assignment Effective Time, adequate provisions therefore, as at the date hereof, have been or will be made by Assignor. There are no Tax liens upon the Portfolio Agreement, except liens for Taxes not yet due and payable. All federal, state, and local tax reports and returns, including, without limitation, income tax returns, withholding tax returns, goods and services and retail sales tax returns, required to be filed by or on behalf of Assignor prior to the applicable Assignment Effective Time with any government or any Governmental Entity have been or will be duly prepared and filed when due, and were and will be true, correct and complete in all material respects. To Assignor's Knowledge, there is no examination or proceeding pending by any authority or agency relating to the assessment or collection of any Taxes, or any interest or penalties thereon, due from or remittable by Assignor, nor does Assignor know of any basis for any such assessment. For purposes of this Agreement, "Tax" or "Taxes" shall mean all present and future taxes, including, without limitation, income, capital stock, gross receipts, net proceeds, value added, goods and services, turnover, sales, use, real estate transfer, real property, personal property (tangible and intangible), stamp, leasing, lease, user, excise, franchise, transfer, fuel, vehicle sales, excess profits, occupational and interest equalization, unitary, severance, withholding, employment and other taxes, duties, assessments, imposts and charges (including, without limitation, the recapture of any tax items such as investment tax credits), together with all fines, interest, penalties and additions imposed on or in respect of, or in lieu of, or for non-collection of such amounts with respect to such amounts, which are due or claimed to be due by any federal, state or local taxing authorities or which are payable with respect to the Portfolio Agreement.

(j) This Agreement constitutes the valid and legally binding obligations of Assignor, enforceable against Assignor in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application relating to or affecting the enforcement of creditors' rights and by general equitable principles. Assignor has not filed any proceeding in bankruptcy and is not insolvent as of the Assignment Effective Time.

Section 4.4 No Violation. Neither the execution or delivery by Assignor of this Assignment Agreement, nor Assignor's compliance with any provision hereof, nor Assignor's consummation of the Transaction:

(a) violates, or conflicts with, or results in a breach of any provisions of the Certificate of Limited Partnership or Limited Partnership Agreement of Assignor;

(b) results in a default (or gives rise to any right of termination, cancellation or acceleration) under, or conflicts with any of the terms, conditions or provisions of, the Portfolio Agreement;

(c) violates any law, rule, regulation, order, writ, injunction, or decree, applicable to Assignor, except where such violations, individually or in the aggregate, would not result in a Material Adverse Effect on Assignor, and will not affect the validity or enforceability of this Agreement or the validity of the Transaction; or

(d) requires the consent or approval of, filing with, or notice to any Person which, if not obtained, would prevent Assignor from performing its obligations hereunder.

Section 4.5 Litigation. There is no claim, action, proceeding or investigation pending or, to Assignor's Knowledge, threatened against or relating to Assignor or its Affiliates before any court, arbitrator or Governmental Authority, or any judgment, decree or order of any court, arbitrator or Governmental Authority, which would, individually or in the aggregate, reasonably be expected to result, or has resulted, in:

(a) the institution of legal proceedings to prohibit or restrain the performance of this Assignment Agreement or the consummation of the Transaction by Assignor;

(b) a claim against Assignee or its Affiliates for damages as a result of Assignor entering into this Assignment Agreement or the consummation by Assignor of the Transaction; or

(c) a material impairment of Assignor's ability to perform its obligations under this Assignment Agreement.

To Assignor's Knowledge, there are no pending actions, suits, proceedings or investigations, at law or in equity (collectively, a "Proceeding") that has been commenced by or against Assignor that relates to the Portfolio Agreement. To Assignor's Knowledge, (1) no such Proceeding is or has been threatened in writing, and (2) no event has occurred or circumstance exists that could reasonably be expected to give rise to or serve as a basis for the commencement of any such Proceeding. There is no order of a court or governmental agency to which the Portfolio Agreement is subject.

Section 4.6 Brokers. All negotiations relating to this Assignment Agreement or the Transaction for the benefit of Assignor have been carried on by Assignor or its Affiliates in such a manner as not to give rise to any valid claim against Assignee (by reason of Assignor's actions) for any brokerage commission, finder's fee, financial advisory fee or other like payment to any Person.

Section 4.7 Consents and Approvals. No consent, approval, authorization, or permit of, or filing with or notification to, any Person is required for or in connection with the execution and delivery of this Assignment Agreement by Assignor or for or in connection with the consummation of the Transaction and performance of the terms and conditions contemplated hereby by Assignor.

Section 4.8 Storage Gas.

All Storage Gas consists of gas assigned to Assignor by Counterparty under the Portfolio Agreement and any additions or deletions thereto pursuant to Counterparty's Virtual Inventory records, of a quality of natural gas usable and sellable in the ordinary course of business and in the volumes and locations as set forth in Schedule 2.0.

Section 4.9 Disclaimer of Representations and Warranties. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS ASSIGNMENT AGREEMENT, ASSIGNOR UNDERSTANDS AND AGREES THAT ASSIGNEE EXPRESSLY DISCLAIMS AND NEGATES ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, AT COMMON LAW, STATUTORY, OR OTHERWISE AS TO (i) LIABILITIES, OR (ii) ANY MATTER OF ANY KIND WHATSOEVER RELATING TO THIS TRANSACTION. ASSIGNOR FURTHER AGREES THAT NO INFORMATION OR MATERIAL PROVIDED BY OR COMMUNICATION MADE BY ASSIGNEE OR ANY REPRESENTATIVE OF ASSIGNEE WILL CONSTITUTE, CREATE OR OTHERWISE CAUSE TO EXIST ANY REPRESENTATION OR WARRANTY DISCLAIMED BY THE FOREGOING.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF ASSIGNEE

Assignee represents and warrants to Assignor, on the date of this Assignment Agreement, and the Assignment Effective Time, as follows:

Section 5.1 Organization and Existence. Assignee is a limited partnership duly formed and validly existing under the laws of Delaware.

Section 5.2 Execution, Delivery and Enforceability. Assignee has all requisite power and authority to execute and deliver, and to perform its obligations under, this Assignment Agreement and to consummate the Transaction. The execution, delivery and performance by Assignee of this Assignment Agreement and the consummation of the Transaction have been duly and validly authorized by all necessary action required on the part of Assignee, and no other proceedings on the part of Assignee are necessary to authorize this Assignment Agreement or to consummate the Transaction. This Assignment Agreement constitutes the valid and legally binding obligations of Assignee, enforceable against Assignee in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application relating to or affecting the enforcement of creditors' rights and by general equitable principles.

Section 5.3 No Violation. Neither the execution or delivery by Assignee of this Assignment Agreement, nor Assignee's compliance with any provision hereof, nor Assignee's consummation of the Transaction:

(a) violates, or conflicts with, or results in a breach of any provisions of the limited partnership agreement of Assignee;

(b) results in a default (or gives rise to any right of termination, cancellation or acceleration) under or conflicts with any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license or agreement or other instrument or obligation to which Assignee is a party or by which Assignee may be bound, except for such defaults (or rights of termination or acceleration) as to which requisite waivers or consents have been obtained, or which would not, individually or in the aggregate, result in a Material Adverse Effect on Assignee;

(c) violates any law, rule, regulation, order, writ, injunction, or decree, applicable to Assignee or any of its assets, except where such violations, individually or in the aggregate, would not result in a Material Adverse Effect on Assignee and will not affect the validity or enforceability of this Assignment Agreement or the validity of the Transaction; or

(d) requires the consent or approval of, filing with, or notice to any Person which, if not obtained, would prevent Assignee from performing its obligations hereunder.

Section 5.4 Litigation. To Assignee's Knowledge, there is no claim, action, proceeding or investigation pending or, to Assignee's Knowledge, threatened against or relating to Assignee or its Affiliates before any court, arbitrator or Governmental Authority, or any judgment, decree or order of any court, arbitrator or Governmental Authority, which would, individually or in the aggregate, reasonably be expected to result, or has resulted, in:

(a) the institution of legal proceedings to prohibit or restrain the performance of this Assignment Agreement or the consummation of the Transaction by Assignee;

(b) a claim against Assignor or its Affiliates for damages as a result of Assignee entering into this Assignment Agreement or the consummation by Assignee of the Transaction; or

(c) a material impairment of Assignee's ability to perform its obligations under this Assignment Agreement.

Section 5.5 Brokers. All negotiations relating to this Assignment Agreement or the Transaction for the benefit of Assignee have been carried on by Assignee or its Affiliates in such a manner as not to give rise to any valid claim against Assignor (by reason of Assignee's actions) for any brokerage commission, finder's fee or other like payment to any Person.

Section 5.6 Disclaimer of Representations and Warranties. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS ASSIGNMENT AGREEMENT, ASSIGNEE UNDERSTANDS AND AGREES THAT ASSIGNOR EXPRESSLY DISCLAIMS AND NEGATES ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, AT COMMON LAW, STATUTORY, OR OTHERWISE AS TO (i) LIABILITIES, OR (ii) ANY MATTER OF ANY KIND WHATSOEVER RELATING TO, THE TRANSACTION. ASSIGNEE FURTHER AGREES THAT NO INFORMATION OR MATERIAL PROVIDED BY OR COMMUNICATION MADE BY ASSIGNOR OR ANY REPRESENTATIVE OF ASSIGNOR WILL CONSTITUTE, CREATE OR OTHERWISE CAUSE TO EXIST ANY REPRESENTATION OR WARRANTY DISCLAIMED BY THE FOREGOING.

Section 5.7 Consents and Approvals. No consent, approval, authorization, or permit of, or filing with or notification to, any Person is required for or in connection with the execution and delivery of this Assignment Agreement by Assignee for or in connection with the consummation of the Transaction and performance of the terms and conditions contemplated hereby by Assignee.

ARTICLE 6

COVENANTS OF EACH PARTY

Section 6.1 Expenses. Except as otherwise provided in any other provision of this Assignment Agreement, all costs and expenses incurred in connection with this Assignment Agreement and the Transaction shall be paid by the Party incurring such expenses.

Section 6.2 Further Assurances. From time to time after the date hereof, without further consideration, Assignor will execute and deliver such documents to Assignee as Assignee may reasonably request in order to vest more effectively in Assignee title to the assigned Portfolio Agreement. From time to time after the date hereof, Assignee will execute and deliver such documents to Assignor as Assignor may reasonably request in order to consummate more effectively the assignment of the assigned Portfolio Agreement pursuant to this Assignment Agreement.

Section 6.3 Announcements. The Parties shall issue no press releases and make no public statements with respect to this Assignment Agreement or the Transaction, except as may be required by Applicable Law or stock exchange rules.

Section 6.4 Assignor's Contract Files. In lieu of providing Assignee with the originals or copies of Assignor's contract files, accounting records, and gas control records with regard to the Portfolio Agreement, Assignor will provide Assignee with files and records pertaining to the Portfolio Agreement that Assignee may reasonably need from time to time.

ARTICLE 7

TRUE-UP OF PHYSICAL VERSUS VIRTUAL STORAGE GAS

Section 7.1 Storage Inventory Transfer and True-up. Assignor hereby transfers and conveys the Storage Gas to Assignee and shall perform a true-up relating to the Storage Gas versus Virtual Inventory, through Columbia Gas Transmission and Texas Gas Transmission, by means of the process described below.

(a) Storage Inventory Transfer and True-up for CG&E's FSS Rate Schedule with Columbia Gas Transmission. The Storage Inventory Transfer and True-up for CG&E's FSS Rate Schedule with Columbia Gas Transmission will be a three-step process as follows. The first step shall occur as of the Assignment Effective Time and, in order to complete such first step, Assignor hereby transfers and conveys to Assignee by means of an inventory transfer, all right, title and interest to all Storage Gas, including but not limited to the estimated physical gas storage inventory balance of not less than 8,656,881 Dth covered by CG&E's FSS Rate Schedule with Columbia Gas Transmission. The second step shall occur on or before November 11, 2002 and shall consist of Assignor by means of inventory transfer, transferring to Assignee all right, title and interest to the difference between the estimated physical gas storage inventory balance transferred on the Assignment Effective Time and the actual physical gas storage inventory balance under such FSS Rate Schedule as of November 1, 2002, as reported by Columbia Gas Transmission. On or before November 12, 2002, Assignee shall notify Assignor of the difference between Counterparty's Virtual Inventory Storage Balance under such FSS Rate Schedule as set forth in Schedule 2.0 on the Effective Date of the Assignment Agreement, immediately prior to the inventory transfer on the Assignment Effective Time, and the sum of the estimated physical gas storage inventory balance and the actual physical gas storage inventory true-up as transferred herein. The third step shall occur on or before November 15, 2002 and shall consist of Assignor transferring to Assignee gas equal to this difference described herein to cover any shortfall between the FSS Virtual Inventory Storage Balance under such FSS Rate Schedule as set forth in Schedule 2.0 and the sum of the estimated and actual true-up of the FSS physical gas storage inventory balance actually transferred to Assignee as identified herein. If Assignor fails to perform such inventory transfer to Assignee on or before November 15, 2002 to cover such shortfall, then Assignor shall pay Assignee for such shortfall on or before November 19, 2002 for any shortfall relating to the FSS Virtual Inventory Storage Balance as follows: Assignor shall pay Assignee for the inventory shortfall based on the *Gas Daily* Midpoint rate per MMBtu for "Columbia Gas, Appalachia," as published for flow on November 15, 2002, plus the applicable fuel and variable commodity charges under Columbia Gas Transmission's FSS and SST Rate Schedules, times the volume of such shortfall; and

(b) Storage Inventory Transfer and True-up for CG&E's NNS Rate Schedule with Texas Gas Transmission. The storage inventory transfer and true-up for CG&E's NNS Rate Schedule with Texas Gas Transmission will be a three-step process as follows. The first step shall occur on or before the Assignment Effective Time, and, in order to

complete such first step, Assignor shall transfer and convey to Counterparty by means of an inventory transfer, all right, title and interest to all Storage Gas, including but not limited to the estimated physical gas storage inventory balance of not less than 2,299,025 Dth covered by CG&E's NNS Rate Schedule with Texas Gas Transmission. The second step shall occur on or before November 11, 2002 and, in order to complete such second step, Assignor shall transfer to Counterparty all right, title and interest to the difference between the estimated physical gas storage inventory balance transferred on the Assignment Effective Time and the actual physical gas storage inventory balance under such NNS Rate Schedule as of November 1, 2002, as reported by Texas Gas Transmission. Counterparty shall subsequently transfer and convey such gas to Assignee, pursuant to the Portfolio Agreement. On or before November 12, 2002, Assignee shall notify Assignor of the difference between the NNS Virtual Inventory Storage Balance under such NNS Rate Schedule as set forth in Schedule 2.0 and the sum of the estimated physical gas storage inventory balance and the actual physical gas storage inventory true-up as transferred herein. In order to complete the third step, Assignor shall pay Assignee for such difference on or before November 19, 2002 for any shortfall relating to the NNS Virtual Inventory Storage Balance described herein as follows: Assignor shall pay Assignee for the inventory shortfall based on the *Gas Daily* Midpoint rate per MMBtu for "Dominion, South Point," as published for flow on November 15, 2002, times the volume of such shortfall.

Section 7.2 Financial Responsibility. On or before November 5, 2002, Assignor shall wire transfer cash or supply a letter of credit in the amount of \$1.4 million dollars pursuant to wire transfer instructions to be provided by Assignee, as security for Assignor's obligations under Section 7.1. If Assignor fails to make such wire transfer or to supply a letter of credit, Counterparty shall withhold an amount to cover such shortfall from its payment due to Assignor under the Portfolio Agreement in November, 2002 for portfolio management services rendered prior to the Assignment Effective Time, and Counterparty shall transfer such withheld amount to Assignee. If Assignor fails to make any payment to interstate pipelines required under the Portfolio Agreement for interstate pipeline services rendered by such interstate pipeline on or before the Assignment Effective Time, Counterparty shall withhold an amount to cover such payment from Counterparty's payment due to Assignor under the Portfolio Agreement in November, 2002 for portfolio management services rendered prior to the Assignment Effective Time, provided that Counterparty pays Assignor on or before November 20, 2002 for the applicable interstate pipeline demand charges.

ARTICLE 8

INDEMNIFICATION

Section 8.1 Exclusivity. Except for intentional fraud and willful misconduct, the rights and remedies of Assignor and the Assignor Indemnified Parties, on the one hand, and Assignee and the Assignee Indemnified Parties, on the other hand, for money damages under this Article 8 are, solely as between Assignor and the Assignor Indemnified Parties on the one hand, and Assignee and the Assignee Indemnified Parties on the other hand, exclusive and in lieu of any and all other rights and remedies for money damages which each of Assignor and the Assignor Indemnified Parties on the one

hand, and Assignee and the Assignee Indemnified Parties on the other hand, may have under this Assignment Agreement or under Applicable Laws with respect to any Indemnifiable Claim, whether at common law or in equity. Notwithstanding the foregoing, a Party may bring an action to enforce this Article 8.

Section 8.2 Indemnification by Assignor.

(a) **Assignee Claims.** Assignor will indemnify, defend and hold harmless Assignee and its Affiliates, and each of their officers, directors, employees, attorneys, agents and successors and assigns (collectively, the "Assignee Indemnified Parties"), from and against any and all demands, suits, penalties, fines, liens, judgments, obligations, damages, claims, losses, liabilities, payments, costs and expenses, including reasonable legal, accounting and other expenses in connection therewith and costs and expenses incurred in connection with investigations and settlement proceedings ("Losses"), which arise out of, are in connection with, or relate to, the following (collectively, "Assignee Claims"):

- (i) any breach or violation of any covenant, obligation or agreement of Assignor set forth in this Assignment Agreement;
- (ii) any breach or inaccuracy of the representations or warranties made, as of the date of this Assignment Agreement or the Assignment Effective Time, by Assignor; or
- (iii) the assigned Portfolio Agreement, other than the Assumed Liabilities.

(b) **Assignor Limitations on Indemnification Obligation.** As between the Parties, the Assignee Indemnified Parties will not be entitled to any punitive, incidental, indirect, special or consequential damages resulting from or arising out of any Assignee Claims, including damages for lost revenues, income, or profits, or diminution in value of the Portfolio Agreement.

Section 8.3 Indemnification by Assignee.

(a) **Assignor Claims.** Assignee will indemnify, defend and hold harmless Assignor and its Affiliates and each of their officers, directors, employees, attorneys, agents and successors and assigns (collectively, the "Assignor Indemnified Parties"), from and against any and all Losses which arise out of, are in connection with, or relate to, the following (collectively, "Assignor Claims"):

- (i) any breach or violation of any covenant, obligation or agreement of Assignee set forth in this Assignment Agreement;
- (ii) any breach or inaccuracy of any of the representations or warranties made, as of the date of this Assignment Agreement or the Assignment Effective Time by Assignee; or

(iii) the Assumed Liabilities with respect to the assigned Portfolio Agreement.

(b) **Assignee Limitations on Indemnification Obligation.** As between the Parties, the Assignor Indemnified Parties will not be entitled to any punitive, incidental, indirect, special or consequential damages resulting from or arising out of any Assignor Claims, including damages for lost revenues, income, or profits.

Section 8.4 Time Limitation for Indemnification. The expiration, termination or extinguishment of any covenant, agreement, representation or warranty, shall not affect the Parties' respective obligations under Section 8.2 or 8.3 if the Assignor Indemnified Party or Assignee Indemnified Party, as the case may be, provided the Assignor or the Assignee, as the case may be, with written notice of the claim or event for which indemnification is sought under Section 8.2 or 8.3 on or before December 31, 2003.

ARTICLE 9

GENERAL PROVISIONS

Section 9.1 Survival of Representations, Warranties, Covenants and Agreements. The representations, warranties, covenants and agreements of Assignor and Assignee contained in this Assignment Agreement shall survive for a period of four years after the date hereof and thereafter shall terminate and be of no further force or effect; provided, however, that any claims first asserted in writing within the applicable period (whether or not the amount of any such claim has become ascertainable within such period) shall not thereafter be time barred other than by any applicable statute of limitations.

Section 9.2 Entire Document; Modification or Amendment. This Assignment Agreement (including the Schedules to this Agreement) contains the entire agreement between the Parties with respect to the Transaction, and supersedes all negotiations, representations, warranties, commitments, offers, contracts and writings prior to the execution date of this Assignment Agreement, written or oral. No modification or amendment of any provision of this Assignment Agreement shall be effective unless made in writing and duly signed by the Parties referring specifically to this Assignment Agreement.

Section 9.3 Schedules

All Schedules hereto which are referred to herein are hereby made a part hereof and incorporated herein by such reference. Each Schedule to this Assignment Agreement shall be deemed to include and incorporate all disclosures made on the other Schedules to this Assignment Agreement. Certain information set forth in the Schedules is included solely for informational purposes, is not an admission of liability with respect to the matters covered by the information, and may not be required to be disclosed pursuant to

this Assignment Agreement. The specification of any dollar amount in the representations and warranties contained in this Assignment Agreement or the inclusion of any specific item in the Schedules is not intended to imply that such amounts (or higher or lower amounts) are or are not material, and no Party shall use the fact of the setting of such amounts or the fact of the inclusion of any such item in the Schedules in any dispute or controversy between the Parties as to whether any obligation, item, or matter not described herein or included in a Schedule is or is not material for purposes of this Assignment Agreement.

Section 9.4 Counterparts. This Assignment Agreement may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument.

Section 9.5 Severability. Whenever possible, each provision of this Assignment Agreement shall be interpreted in such manner as to be valid, binding and enforceable under Applicable Laws, but if any provision of this Assignment Agreement is held to be invalid, void (or voidable) or unenforceable under Applicable Laws, such provision shall be ineffective only to the extent held to be invalid, void (or voidable) or unenforceable, without affecting the remainder of such provision or the remaining provisions of this Assignment Agreement. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the Parties shall negotiate in good faith to modify this Assignment Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the Transaction is fulfilled to the extent possible. To the extent permitted by Applicable Laws, the Parties waive any provision of Applicable Law that renders any provision hereof prohibited or unenforceable in any respect.

Section 9.6 Captions. The captions of the various Articles, Sections, and Schedules of this Assignment Agreement have been inserted only for convenience of reference and do not modify, explain, enlarge or restrict any of the provisions of this Assignment Agreement.

Section 9.7 Governing Law. This Assignment Agreement shall be governed by, and construed in accordance with, the law of the State of Ohio without regard to principles of conflicts of law.

Section 9.8 Notices. All notices, requests, demands and other communications under this Assignment Agreement must be in writing and must be delivered in person or sent by certified mail, postage prepaid, by overnight delivery, or by facsimile and properly addressed as follows:

If to Assignor:

Mirant Americas Energy Marketing, L.P.
1155 Perimeter Center West
Atlanta, Georgia 30338
Attention: Tim Delay
Facsimile: (678) 579-5815

With a copy to:

Mirant Corporation
1155 Perimeter Center West
Atlanta, Georgia 30338
Attention: Kenneth R. Satterly
Facsimile: (678) 579-5889

If to Assignee:

Cinergy Marketing & Trading, LP
1100 Louisiana, Suite 4900
Houston, Texas 77002
Attention: Contract Administration
Facsimile: (713)-890-3129

With a copy to:

Cinergy Marketing & Trading, LP
1100 Louisiana, Suite 4900
Houston, Texas 77002
Attention: General Counsel
Facsimile: (713) 393-6903

Any Party may from time to time change its address for the purpose of notices to that Party by a similar notice specifying a new address, but no such change is effective until it is actually received by the Party sought to be charged with its contents. Notices which are addressed as provided in this Section 9.8 given by overnight delivery or mail shall be effective (a) upon delivery, if delivered personally or by overnight delivery, (b) five days following deposit in the United States mail, postage prepaid, if delivered by mail, or (c) at such time as delivery is refused by the addressee upon presentation. Notices which are addressed as provided in this Section 9.8 given by facsimile shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. All notices by facsimile shall be confirmed promptly by the sender after transmission in writing by certified mail or overnight delivery.

Section 9.9 No Third Party Beneficiaries. Except as may be specifically set forth in this Assignment Agreement, nothing in this Assignment Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Assignment Agreement on any Persons other than the Parties and their respective permitted successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third Persons to any Party, nor give any third Persons any right of subrogation or action against any Party.

Section 9.10 No Relationship. Nothing in this Assignment Agreement creates or is intended to create an association, trust, partnership, joint venture or any other entity or similar legal relationship between or among the Parties, or impose a trust, partnership or fiduciary duty, obligation, or liability on or with respect to any Party. No Party is or shall act as or be the agent or representative of another Party.

Section 9.11 Construction of Agreement. This Assignment Agreement and any documents or instruments delivered pursuant hereto shall be construed without regard to the identity of the Person who drafted the various provisions of the same. Each and every provision of this Assignment Agreement and such other documents and instruments shall be construed as though the Parties participated equally in the drafting of the same. Consequently, the Parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting party shall not be applicable either to this Assignment Agreement or such other documents and instruments.

Section 9.12 Waiver of Compliance. To the extent permitted by Applicable Laws, any failure of any of the Parties to comply with any obligation, covenant, agreement or condition set forth herein may be waived by the Party entitled to the benefit thereof only by a written instrument signed by such Party, but any such waiver shall not operate as a waiver of, or estoppel with respect to, any prior or subsequent failure to comply therewith. The failure of a Party to this Assignment Agreement to assert any of its rights under this Assignment Agreement or otherwise shall not constitute a waiver of such rights.

Section 9.13 Consents Not Unreasonably Withheld. Wherever the consent or approval of any Party is required under this Assignment Agreement, such consent or approval shall not be unreasonably withheld, delayed or conditioned unless such consent or approval is to be given by such Party at the sole or absolute discretion of such Party or is otherwise similarly qualified.

Section 9.14 Time of Essence. Time is of the essence in this Assignment Agreement. If the date specified in this Assignment Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date which is not a Business Day), then the date for giving such notice or taking such action (and the expiration date of such period during which notice is required to be given or action taken) shall be the next day which is a Business Day.

CONFIDENTIAL PROPRIETARY
TRADE SECRET

ARTICLE 10

FINANCIAL RESPONSIBILITY

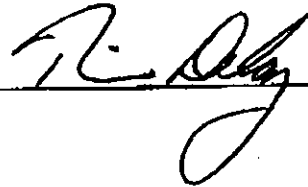
Assignee shall provide a parental guaranty or other assurance of financial responsibility identified by Counterparty, as required by Counterparty in its sole discretion and in the form acceptable and satisfactory to Counterparty guaranteeing the financial performance of Assignee pursuant to the Portfolio Agreement.

IN WITNESS WHEREOF, the Parties have executed this Assignment Agreement as of the date first above written.

MIRANT AMERICAS ENERGY
MARKETING, LP

By: Mirant Americas Development, Inc.,
its general partner

By _____
Name:
Title:


Name: Michael J. Lynn
Title: President

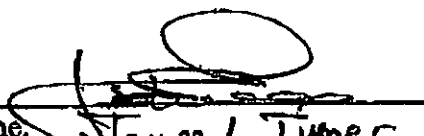
CINERGY MARKETING & TRADING,
LP

By _____

Name: Michael J. Lynn
Title: President

THE CINCINNATI GAS & ELECTRIC
COMPANY

By _____
Name:
Title:


Name: James L. Turner
Title: Vice President

ARTICLE 10

FINANCIAL RESPONSIBILITY

Assignee shall provide a parental guaranty or other assurance of financial responsibility identified by Counterparty, as required by Counterparty in its sole discretion and in the form acceptable and satisfactory to Counterparty guaranteeing the financial performance of Assignee pursuant to the Portfolio Agreement.

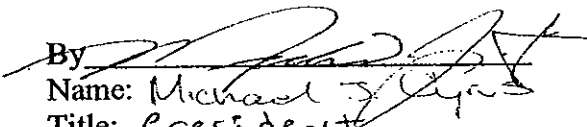
IN WITNESS WHEREOF, the Parties have executed this Assignment Agreement as of the date first above written.

MIRANT AMERICAS ENERGY
MARKETING, LP

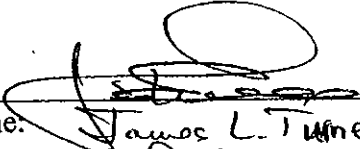
By: Mirant Americas Development, Inc.,
Its general partner

By _____
Name:
Title:

CINERGY MARKETING & TRADING,
LP

By 
Name: Michael J. Ryan
Title: President

THE CINCINNATI GAS & ELECTRIC
COMPANY

By 
Name: James L. Turner
Title: Vice President

Schedule 1.0

CONFIDENTIAL PROPRIETARY
TRADE SECRET

Schedule 2.0

CONFIDENTIAL PROPRIETARY
TRADE SECRET

**SECOND AMENDMENT
TO AGREEMENT BETWEEN
CINERGY MARKETING & TRADING, LP
AND
THE CINCINNATI GAS & ELECTRIC COMPANY
FOR
PORTFOLIO MANAGEMENT SERVICE AND
THE PURCHASE OF NATURAL GAS**

This Second Amendment to Agreement between Cinergy Marketing & Trading, LP ("CM&T"), a Delaware Limited Partnership, with principal place of business at 1100 Louisiana, Suite 4900, Houston, Texas 77002, and The Cincinnati Gas & Electric Company ("CG&E"), with principal place of business at 139 East Fourth Street, Cincinnati, Ohio 45201, is effective as of this 1st day of December, 2002 ("Effective Date"). CM&T and CG&E are also referred to herein individually as a "Party" and jointly as the "Parties."

WITNESSETH

WHEREAS, CG&E entered into an Agreement Between Mirant Americas Energy Marketing, LP ("Mirant") and The Cincinnati Gas & Electric Company for Portfolio Management Service and the Purchase of Natural Gas, effective December 1, 2001 ("Agreement"), and on September 27, 2002 entered into the First Amendment to Agreement ("First Amendment")(collectively "Agreements"); and

WHEREAS, CM&T, Mirant and CG&E entered into an Assignment Agreement by and among Mirant Americas Energy Marketing, LP as Assignor and Cinergy Marketing & Trading, LP as Assignee and The Cincinnati Gas & Electric Company as Counterparty dated as of November 1, 2002, whereby Mirant assigned its interest in the Agreements to CM&T ("Assignment Agreement"); and

WHEREAS, the Parties desire to further amend certain terms and conditions of the Agreements ("Second Amendment");

NOW, THEREFORE, in consideration of the mutual covenants and benefits to be derived hereunder, CG&E and CM&T agree as follows:

ARTICLE I **Cancellation of First Amendment**

1.0 The First Amendment is cancelled.

ARTICLE II **Transition Period**

2.0 The Parties acknowledge that CM&T was prevented from providing portfolio management services to CG&E for November 2002 ("Transition Period") due to the Parties' inability to transition CG&E's Asset Portfolio to CM&T in sufficient time to allow CM&T to do so. As a result, CG&E has performed all scheduling and dispatching for itself for November 2002.

2.1 CG&E shall pay, perform or retain, or shall have the right to, and CM&T shall have no responsibility or liability for or rights to: (i) all accounts payable, liabilities, obligations (including those arising from indemnities) and commitments of CG&E relating to the Asset Portfolio for the period from November 1, 2002 through November 30, 2002, including, without limitation, amounts payable to Mirant or third parties after November 30, 2002 with respect to the sale, purchase, storage or transportation of gas or the performance of services relating to the Asset Portfolio for the period between

November 1, 2002 and November 30, 2002 and (ii) accounts receivable, rights, benefits, credits and sales proceeds of CG&E relating to the Asset Portfolio for the period between November 1, 2002 and November 30, 2002, including, without limitation, amounts receivable after November 30, 2002 with respect to the sale, purchase, storage or transportation of gas or the provision of services relating to the Asset Portfolio for the period between November 1, 2002 and November 30, 2002.

2.2 CM&T shall not be required to pay an asset management fee to CG&E during the Transition Period.

ARTICLE III

Revised Asset Management Fee

3.0 The Management Fee in Article III(A) of the Agreement is amended to \$40,000 per month beginning December 1, 2002 and continuing through October 31, 2003.

ARTICLE IV

True-Up of Physical versus Virtual Storage Gas

4.0 The Parties agree to true-up the physical versus virtual storage gas with each other such that CM&T's opening inventory balance for the physical gas in storage as of December 1, 2002 will be the same volume as reflected in CG&E's virtual storage account as of December 1, 2002. CM&T received a cash payment from Mirant in the amount of \$209,165.58 pursuant to step three of the true-up provision of Section 7.1 of the Assignment Agreement, representing payment for the step three inventory shortfall of 505 MMBtu of gas, based on the *Gas Daily* Midpoint rate per MMBtu for "Columbia Gas, Appalachia," and 50,134 MMBtu of gas, based on the *Gas Daily* Midpoint rate per MMBtu for "Dominion, South Point" as published for flow on November 15, 2002. In order to accomplish the true-up under this Second Amendment: (i) to the extent that CG&E physically injects or withdraws gas from storage during November 2002, such injections and withdrawals shall also be reflected in CG&E's virtual storage account; (ii) CM&T shall wire transfer to CG&E \$209,165.58 on or before December 16, 2002; and (iii) CG&E hereby sells CM&T and CM&T hereby purchases 505 MMBtu of gas from CG&E's Columbia Gas storage gas and 50,134 MMBtu of gas from CG&E's Texas Gas storage gas as of November 15, 2002, at the same index prices described above.

ARTICLE V

Right to Elect Alternative Pricing

5.0 To the extent that any of the underlying gas supply contracts in the Asset Portfolio provide CG&E with the right to elect any alternative pricing arrangements with the gas supplier, CG&E may elect to utilize such alternative pricing arrangements in its virtual dispatch instructions to CM&T under the Agreement and CM&T shall supply gas to CG&E in accordance with such alternative pricing instructions.

ARTICLE VI

Financial Responsibility

AGREEMENT BETWEEN

CINERGY MARKETING & TRADING, LP

AND

THE CINCINNATI GAS & ELECTRIC COMPANY

FOR

PORTFOLIO MANAGEMENT SERVICE AND
THE PURCHASE OF NATURAL GAS

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**AGREEMENT BETWEEN
CINERGY MARKETING & TRADING, LP
AND
THE CINCINNATI GAS & ELECTRIC COMPANY
FOR
PORTFOLIO MANAGEMENT SERVICE AND
THE PURCHASE OF NATURAL GAS
Hereinafter referred to as the ("Agreement")**

This Agreement is executed and entered into effective as of the 6th day of October, 2003 (the "Effective Date"), by and between **CINERGY MARKETING & TRADING, LP** ("CM&T" or "Asset Manager"), a Delaware limited partnership, with its principal place of business being 1100 Louisiana, Suite 4900, Houston, Texas 77002 and **THE CINCINNATI GAS & ELECTRIC COMPANY** ("CG&E"), an Ohio Corporation, with its principal place of business being, 139 East Fourth Street, Cincinnati, Ohio 45201. CM&T and CG&E are also referred to herein individually as a "Party" and jointly as the "Parties."

WITNESSETH

WHEREAS, CG&E has certain Firm Natural Gas transportation and storage rights, and Gas Supplier Contracts (hereinafter referred to collectively as the "Asset Portfolio") and Gas supply inventories to provide a secure and reliable source of Natural Gas supply for delivery to CG&E; and

WHEREAS, CG&E desires to retain CM&T to manage its Asset Portfolio under the terms and conditions of this Agreement in order to optimize the use of such Asset Portfolio; and

WHEREAS, in order to accomplish the results described above, CM&T is prepared to provide to CG&E services substantially the same as those embedded in such Asset Portfolio;

NOW, THEREFORE, in consideration of the mutual covenants and benefits to be derived hereunder, CG&E and CM&T agree as follows:

**ARTICLE I
Definitions**

Agreement shall mean this document and all attachments and all executed exhibits and confirmations hereto, as each of the same may be amended from time to time.

Asset Portfolio shall mean CG&E's Firm Natural Gas transportation and storage rights and Gas Supplier Contracts as set forth in Exhibit C.

Baseload Gas shall mean the minimum daily volume of Gas, which CG&E commits to purchase each Day of a given Month.

Basis shall mean the physical delivery price difference between Henry Hub and the reference Delivery Point(s).

British Thermal Unit or **Btu** shall mean the quantity of heat required to raise the temperature of one pound of water one degree Fahrenheit.

Business Day shall mean any day Monday through Friday, exclusive of any federal banking holidays.

Capacity Release(s) and or **Release(s)** shall jointly mean those contract rights released to CM&T directly as specifically set forth in Article VII of this Agreement.

CGT shall mean Columbia Gulf Transmission Company.

CG&E's City Gate shall mean any interconnection between the facilities of a Transport Provider and the facilities of CG&E.

Day shall mean a period of twenty-four (24) consecutive hours commencing at 10:00 a.m. Eastern Clock Time and ending at 10:00 a.m. Eastern Clock Time on the following day.

Dekatherm or **Dth** shall mean one million Btus.

Delivery Point(s) shall mean the specific point(s) on a Transport Provider's pipeline system at which CG&E has the right to take delivery of Gas and transfer title pursuant to the nomination process.

Eastern Clock Time or ECT shall mean Eastern Standard Time adjusted for Daylight Savings Time.

Event of Default shall mean any occurrence or nonoccurrence specified in this Agreement that allows either Party to terminate this Agreement or require the defaulting Party to cure, or any material breach of this Agreement.

FERC shall mean the Federal Energy Regulatory Commission.

Firm, as applied to a service, shall mean that either Party may interrupt its performance only to the extent caused by an applicable *Force Majeure* event.

Gas and/or Natural Gas shall mean natural gas that meets the quality specifications set forth in each Transport Provider's FERC Gas Tariff.

Gas Supplier Contracts shall mean those contracts listed on Exhibit C.

KOT shall mean KO Transmission Company.

MDQ shall mean Maximum Daily Quantity.

MMBtu shall mean one million (1,000,000) British Thermal Units.

Month shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.

Pipeline Reservation Charges shall mean the fixed charges as set forth in the applicable Transport Provider Tariff or Storage Provider Tariff.

Receipt Point(s) shall mean any point or points on a Transport Provider's pipeline system at which CG&E has the right to receive Gas, such point(s) to be designated by CG&E from time to time.

SCQ shall mean seasonal contract quantity.

Storage Accounts shall mean the accountings performed by CM&T for each of the Storage Facilities in which Gas transferred to CM&T by CG&E is stored, into which CG&E designates Gas to be injected or out of which CG&E designates Gas to be withdrawn. Such accountings shall reflect both CG&E's initial storage inventory as of October 31, 2003 and all subsequent injections and withdrawals requested by CG&E whether or not such injections or withdrawals actually occur, and the actual storage inventory.

Storage Agreements shall mean those Agreements for Storage Services as defined in the Asset Portfolio and listed on Exhibit C.

Storage Facilities shall mean, collectively, the storage facilities covered by the Storage Agreements.

Storage Provider means any provider of storage services, including, but not limited to, a provider of storage services under the Storage Agreements.

Storage Services shall mean, collectively, the pipeline storage services provided according to a Tariff, covered by the Storage Agreements listed in Exhibit C.

Tariff shall mean the applicable FERC approved Tariff of any Transport or Storage Provider or the applicable Public Utilities Commission of Ohio approved Tariff of CG&E.

TCO shall mean Columbia Gas Transmission Corporation.

TGP shall mean Tennessee Gas Pipeline Company.

TGT shall mean Texas Gas Transmission Corporation.

Title Transfer Point shall mean CG&E's City Gate.

Total Termination Payment will be the sum of the Termination Payments for all transactions terminated pursuant to Article XIX. The Total Termination Payment is a reasonable pre-estimate of the loss suffered and is not intended as a penalty.

Transport Provider shall mean any pipeline transporter of Gas listed in Exhibit C.

Variable Costs shall mean the fuel and commodity charges as set in the applicable pipeline Tariff.

ARTICLE II

Term

The Agreement shall be in effect beginning on November 1, 2003 and ending on October 31, 2004, unless terminated sooner pursuant to the provisions of this Agreement.

ARTICLE III

Management Fee

A. CM&T agrees to pay CG&E, in the form of a Management Fee, One Hundred Four Thousand Nine dollars (\$104,009.00) per Month starting November 1, 2003 and continuing through October 31, 2004. The Management Fee shall be applied as a credit to CM&T's monthly invoice, as described in Article XI.

B. It is understood that CG&E's Asset Portfolio may change during the Term of this Agreement due to CG&E's customer choice program and due to certain assets within the Asset Portfolio expiring on or prior to November 1, 2004, and CG&E's bona fide system operational requirements.

C. Reduction or Addition to Asset Portfolio on or after November 1, 2003:

If, during the Term of this Agreement, CG&E has any addition or reduction to the Asset Portfolio as currently listed in Exhibit C, CG&E and CM&T shall make good faith efforts to mutually agree on the amount of increase or reduction to the monthly Management Fee payable to CG&E by CM&T. If the Parties are unable to agree, they shall resolve the matter by following the arbitration procedure in Article XXIII of this Agreement.

ARTICLE IV

Firm Sales Delivery Services

CM&T shall provide Gas deliveries to CG&E's City Gate to meet CG&E's Gas sales customers hourly and daily Natural Gas requirements, up to the maximum hourly and daily quantity level of the interstate pipeline transportation and storage capacity and withdrawal rights released to CM&T hereunder and Firm Gas Supplier Contract entitlements assigned to CM&T hereunder. CM&T shall comply with CG&E's operational requirements regarding Natural Gas deliveries to CG&E's City Gate as stated in Exhibit B. It is the intention of the Parties that CM&T shall plan for and make physical deliveries of Gas as set forth in this Article IV with the same degree of reliability of service that CG&E provided to its Gas sales customers prior to the Effective Date of this Agreement. Any quantities of Natural Gas required by CG&E in excess of CG&E's contract entitlements with the interstate pipelines and, if applicable, Firm Gas Suppliers may be provided on a commercially reasonable basis to CG&E's City Gate by CM&T at mutually agreed upon prices as described in Article V.

ARTICLE V

Gas Supply Purchases

A. CG&E will identify the daily quantity of Gas that it will purchase, and the interstate pipeline transportation, storage rights, Gas Supply inventory and Gas supplies to determine the delivered cost of Gas at CG&E's City Gate. This determination of Gas quantities and costs will be referred to as "Virtual Dispatching" and may differ substantially from the actual dispatching determined by CM&T. CG&E will pay CM&T for all Gas purchased for CG&E's City Gate delivery and/or for interstate pipeline storage injection based on the Virtual Dispatching. CG&E's Virtual Dispatch of Gas will be based on the optimal mix of operational and cost considerations and the contractual and Tariff limits of CG&E's interstate pipeline contracts and Gas Supplier Contracts.

B. CG&E will notify CM&T, on or before 1:00 p.m. ECT, one (1) Business Day prior to the New York Mercantile Exchange (NYMEX) settlement for each applicable Month during the Term of this Agreement, the Baseload Gas supply that CG&E commits to purchase throughout the next Month from CM&T and/or from the Gas Supplier Contracts assigned to CM&T. It is understood that CG&E will be invoiced according to CG&E's Virtual Dispatching. However, CM&T will decide, in its sole discretion, the actual dispatching of Gas to serve CG&E's City Gate operational requirements.

C. CG&E will determine and notify CM&T, on or before 1:00 p.m. ECT, one (1) Business Day prior to the NYMEX settlement for each applicable Month during the term of this Agreement, of the volume of Baseload Gas, not to exceed the Baseload Gas included in existing Gas Supplier Contracts, that will be purchased and the corresponding price of such Baseload Gas, as provided for in the Gas Supplier Contracts.

D. CG&E will notify CM&T, on or before 1:00 p.m. ECT, one (1) Business Day prior to the NYMEX settlement for each applicable Month during the Term of this Agreement, of which price option it will pay under the Gas Supplier Contract(s) (either the appropriate *Inside FERC* First of the Month Index price or *Gas Daily Index* Midpoint price), for all Natural Gas purchases above Baseload Gas, hereinafter referred to as "Swing Gas." The Virtual Dispatching of Swing Gas will be determined daily. CG&E will notify CM&T before 8:30 a.m. ECT of the Virtual Dispatch of Swing Gas for the following Gas Day.

E. CG&E will keep CM&T "whole" for any Swing Gas that CG&E has designated to be purchased utilizing the *Inside FERC* First of the Month Index price or, if applicable, Fixed Price, but that is not Virtually Dispatched by CG&E. Keeping CM&T whole, requires CG&E to pay the difference between *Inside FERC* First of the Month Index price (or Fixed Price) and the applicable *Gas Daily Index* Price for the Gas Day to the extent that CG&E did not Virtually Dispatch the Swing Gas (priced at *Inside FERC* First of the Month Index price), when the *Gas Daily Index* price is less than the first of the Month Index price.

F. Gas supply purchases made by CG&E for the 2003-2004 Winter Season (November, 2003 through March, 2004) are identified in the Firm Gas Supplier Contracts that will be assigned to CM&T under this Agreement. CG&E will identify any price-hedging that has been previously contracted for and is included within the Firm Gas Supplier Contracts assigned to CM&T. Any additional Gas supply purchases required by CG&E during the 2003-04 Winter Season shall be acquired through CM&T based upon mutually agreed upon terms and conditions. If CG&E and CM&T cannot agree on the terms and conditions for the required additional Gas supply purchases, then CG&E shall have the right to purchase the additional Gas from another party besides CM&T. If the additional supply acquired by CG&E from a Party other than CM&T is associated with a specific receipt point on a Transport Provider (e.g., TGT – Receipt Point – Transok), then CM&T will allow CG&E access to the specific receipt point on the Transport Provider and CM&T shall transport this additional Gas supply to CG&E's city gate, and charge CG&E for such transportation service in accordance with this Agreement.

G. Gas supply purchases made by CG&E for the 2004 Summer Season (April, 2004 through October, 2004) may be acquired under the Gas Supplier Contract(s) or through CM&T, or any other Gas suppliers, based on agreed upon prices for *Inside FERC* First of the Month Index price and/or *Gas Daily Index* price, or another Natural Gas pricing mechanism that is agreed to. CG&E will advise CMT prior to the beginning of each

Summer Season Month the amount of Gas agreed to be purchased, from whom such Gas will be purchased and the pricing terms.

H. If CG&E chooses to purchase Gas from other suppliers, CG&E will have the option to hedge prices through those suppliers. CG&E will assign all Gas Supplier Contracts commencing on, or after, November 1, 2003 to CM&T until the end of this Agreement. CG&E will Virtually Dispatch these assigned Gas Supplier Contracts.

I. CG&E will reimburse CM&T for all, then effective, charges applicable to the purchase and transportation of Gas supply volumes to CG&E's City Gate and/or to interstate pipeline storage that CG&E "Virtually Dispatched" as described above. Such charges shall include any amounts to be paid to CG&E's Gas Suppliers under contract, including but not limited to Gas Supplier Reservation Charges, commodity charges, any price-hedging costs and charges where such hedging was pre-authorized by CG&E, interstate pipeline variable charges, including but not limited to fuel, and any other charges which would be incurred by CM&T as CG&E's assignee pursuant to the Gas Supplier Contracts, transportation agreements, storage agreements and any other agreements to which CG&E is a party required to deliver Gas based on CG&E's "Virtual Dispatching" of Baseload Gas and Swing Gas supply.

ARTICLE VI **Applicable Indices**

In the event the indices applicable to pricing for this Agreement are no longer published, the Parties will negotiate in good faith to agree upon a mutually satisfactory replacement Index that is still in publication. Should the Parties not reach a mutually acceptable decision on a replacement publication, then this matter shall be arbitrated according to the provisions in Article XXIII. The effective date of such replacement Index shall be the first Day of the Month for which the original Index was no longer published.

ARTICLE VII **Release of Capacity and Assignment of Contracts**

A. CG&E shall release its firm interstate pipeline transportation and storage capacity and assign its Gas Supplier Contracts to CM&T over the Term of this Agreement in exchange for the Management Fee paid by CM&T to CG&E. As security for the performance of CM&T's obligations under this Agreement, CM&T hereby grants to CG&E a first priority security interest in and to any and all rights CM&T has (i) in the Gas Supplier Contracts at such time as they are assigned to CM&T and (ii) the physical Natural Gas inventory stored by CM&T under such Gas Supplier Contracts at any time during the Term of this Agreement (the "Collateral"). CM&T hereby authorizes CG&E, pursuant to Article 9 of the Uniform Commercial Code as it is currently in effect (the "UCC") and any applicable statutes, to take any such action and to make any and all filings necessary for CG&E to perfect its first priority security interest in the Collateral.

In addition to any other rights it may have under this Agreement, CG&E shall have all the rights and remedies afforded to it under the UCC for the realization of the security granted herein.

B. CG&E shall continue to evaluate its customer load profile and associated peak hour, peak day and seasonal design, and shall secure and release to CM&T interstate pipeline transportation and storage capacity that is necessary to serve the design criteria valued as provided in Article III.

C. In regard to CG&E releasing to CM&T CG&E's firm interstate pipeline transportation and storage capacity and assigning to CM&T its Gas Supplier Contracts, CG&E and CM&T agree to the following procedure:

1. CG&E will release all Firm interstate pipeline transportation and storage capacity to CM&T for the Term of this Agreement with provisions that allow CG&E to recall the interstate pipeline capacity on twenty-four (24) hours notice with no reput rights to CM&T in the event of a default by CM&T as described in Article XIX, CM&T not providing CG&E a satisfactory Gas Supply and Transportation Plan as described in Article IX, or termination of this Agreement before the end of the Term.
2. For those Firm interstate pipeline contracts under which CG&E pays maximum Tariff rates, CG&E will enter into a pre-arranged release with CM&T at the pipeline's maximum rate(s). Because the pre-arranged release will be at maximum rate, the release will be posted on the interstate pipeline's Electronic Bulletin Board (EBB) for notice purposes only.
3. For those Firm interstate pipeline contracts under which CG&E pays less than maximum Tariff rate(s), CG&E will do a pre-arranged release with CM&T and post on the interstate pipeline's EBB at the discounted rate for competitive bidding, with the condition that CM&T has the right to match the best bid. When applicable, CM&T will match the best bid received by the interstate pipeline for CG&E released capacity.
4. CG&E shall fully reimburse CM&T for matching the best bids as set forth in the preceding paragraph. CG&E shall also fully reimburse CM&T for all costs and charges associated with CG&E's Firm Supply Contracts, as listed on Exhibit C attributable to Virtual Dispatching by CG&E as described in Article V.
5. Subject to the cooperation of third parties in which CM&T shall use its best efforts to secure the cooperation of such parties, CM&T agrees to return to CG&E all released firm interstate pipeline transportation, storage capacity, storage account balances and assigned Firm Gas Supplier Contracts immediately upon receiving notice from CG&E in event of a default by

CM&T as described in Article XIX, CM&T not providing CG&E a satisfactory Gas Supply and Transportation Plan as described in Article IX or termination of this Agreement before the end of the Term.

6. Unless mutually agreed to by the Parties, CM&T will not change the "primary" receipt and delivery points specified in CG&E's Firm interstate pipeline transportation and storage contracts.

D. CG&E shall be entitled to interstate pipeline refunds or credits, if any, that accrued prior to the Effective Date of this Agreement or in connection with the release of capacity to CM&T under this Agreement. For any other refunds or credits that accrue after the Effective Date of this Agreement, CG&E shall be entitled to that portion of such refunds or credits attributable to the Virtual Dispatching of transportation and storage withdrawals and injections by CG&E. CG&E shall pay to CM&T, if refunds or credits are paid to CG&E, or CM&T shall retain, if refunds or credits are paid to it, all other refunds or credits paid by a pipeline pursuant to CM&T's use of the assets under this Agreement. CG&E will be entitled to 100% of interstate pipeline refunds that are attributed to the Pipeline Reservation Charges. The Parties shall make reasonable efforts to make all refunds and credits payable or reflected in the next Month's invoice, as provided for in Article XI.

E. The release to CM&T is intended to represent, as operationally feasible, all of CG&E's transportation and storage assets, except for those services that, under current Tariffs, may not be released or as described in Article III. B. CG&E hereby represents and warrants that it owns or controls all such releasable transportation and storage assets, as listed on Exhibit C. Provided that CM&T is in compliance with this Agreement, CG&E shall not terminate or materially modify or amend any contract or agreement listed on Exhibit C such that CM&T's ability to render Firm service or realize value hereunder is reduced in any way without prior consultation with CM&T. The Parties shall negotiate appropriate and comparable adjustments if CM&T's ability to render service or realize value is reduced as the result of an action taken by CG&E that modifies or amends any contract or agreement listed on Exhibit C, and if unable to reach agreement, the appropriate adjustments shall be submitted to arbitration pursuant to Article XXIII.

ARTICLE VIII

Daily Nominations

A. CG&E shall provide CM&T daily load forecasts and dispatching priorities by 8:30 a.m. (ECT). This shall include the load requirements for CG&E's north and south systems, as well as the minimum/maximum flow constraints for said north and south systems. CM&T will transmit the nominations and scheduling to the interstate pipelines on which CG&E has released transportation and storage capacity to CM&T. In addition, CG&E shall notify CM&T of all known intra-day changes to firm requirements at CG&E's City Gate. CM&T shall provide CG&E as many intra-day nomination changes

as are allowed by Transport Provider's Tariff on which CM&T is the managing authority for CG&E.

B. The price for intra-day nomination changes shall be as agreed upon by the Parties, or as specified in CG&E's Gas Supplier Contracts.

C. CM&T will make all appropriate upstream pipeline/storage nominations to insure Firm deliveries to the CG&E City Gate.

ARTICLE IX

Storage Inventory, Utilization and Refill

A. In connection with CG&E's release to CM&T of its Storage Agreements, as defined in the Asset Portfolio, in accordance with Article VII of this Agreement, the actual Gas balances shown in CG&E's Storage Account as of October 31, 2003 shall become the initial actual CG&E Storage Account Balances for the beginning of this Agreement. The Parties agree that CM&T shall not utilize the cash-out procedure set forth in Article IX of the current asset management agreement schedule to expire on October 31, 2003, but rather that the virtual storage inventory under the current asset management agreement on October 31, 2003 shall be used as the initial virtual storage inventory for the beginning of this Agreement. CM&T will manage the storage inventories with the various interstate pipelines. It is the intention of the Parties that CM&T shall be required to make and plan for physical deliveries of Gas as set forth in Article IV with the same degree of reliability of service that CG&E provided to its Gas sales customers prior to the Effective Date of this Agreement. CG&E will maintain an inventory ledger of the interstate pipeline storage inventory reflecting CG&E's Virtual Dispatching of storage withdrawals and injections that were designated by CG&E or were the result of no notice service to balance CG&E's City Gate deliveries. CM&T has the obligation to meet CG&E's daily physical load requirements that are currently met with interstate pipeline storage up to the level of the contractual rights released to CM&T.

B. CG&E shall have the right to designate quantities of Gas to be injected into, or withdrawn from, storage. CG&E will create a storage injection and withdrawal plan that is within pipeline Tariff constraints and will share this plan with CM&T. It is understood that actual storage injections and withdrawals could differ from the plan, due to no notice injections and withdrawals. Because of these actions, CG&E's plan will be re-evaluated monthly. Subject to CG&E's right to receive storage withdrawals and limitations contained in the Tariffs, CM&T has the right to actually inject, withdraw and sell Gas from the released storage capacity as it sees fit. CM&T shall have the option at all times to deliver Firm Gas to CG&E's City Gates in lieu of Gas withdrawn directly from pipeline storage. CM&T shall not charge CG&E a gas commodity charge for the gas that CG&E designates to be withdrawn from storage as specified in its daily virtual dispatch, regardless of whether CM&T supplies the gas by using storage withdrawals or supplies Firm Gas in lieu of storage withdrawals. CG&E will be charged only variable costs

associated with the transportation of Gas from storage to CG&E's City Gate, when withdrawing Gas from the virtual storage inventory. CM&T will provide to CG&E on a daily basis, if requested by CG&E, a report of the actual quantities held in storage at that specific point in time. CM&T will report to CG&E monthly, by Storage Service, the CG&E Storage Account levels, and the ratchets applicable to such inventories. CM&T will also report monthly, CM&T's Storage Accounts which shall show the actual physical status of the assets, including actual storage inventory levels, injection and withdrawal rights and applicable ratchets. The format for such reports will be agreed upon by both Parties and may be changed, if agreed to in writing by both Parties, from time to time. If the actual Firm deliverability to CG&E's City Gate at any point in time is less than the Firm deliverability based on CG&E's virtual balance in storage, then CM&T shall provide, within two (2) Business Days from the request, CG&E with a Gas supply and transportation plan that maintains deliverability to the CG&E City Gate within Transport and/or Storage Provider's then current tariffs based on CG&E's virtual balance in storage. If CM&T fails to provide a plan that maintains the Firm deliverability to CG&E's City Gate, then CG&E shall have the right to recall the necessary interstate transportation and storage in Exhibit C until CM&T provides a plan that maintains the Firm deliverability to CG&E's City Gate. CM&T agrees that if CG&E recalls storage capacity, title to CG&E's Natural Gas stored in that capacity shall also immediately revert to CG&E. CM&T shall provide such virtual plan, in writing, to CG&E upon request.

C. CM&T shall attempt to manage the actual Natural Gas storage inventories in the Storage Facilities such that the actual Storage Accounts equal the virtual Storage Accounts at the end of the Day on October 31, 2004. CM&T shall transfer such actual inventories back to CG&E effective the beginning of the Gas day on November 1, 2004. If CM&T continues as the Asset Manager under a new asset management agreement for a new term that commences on November 1, 2004, then the initial virtual Storage Account for the beginning of the new agreement shall be the virtual storage inventory in the Storage Account as of October 31, 2004, and CM&T shall not utilize the following cash-out procedure. If CM&T does not continue as the asset manager for a new term commencing November 1, 2004 and if the actual inventory level in any Storage Facility is less than the virtual storage inventory level in such Storage Facility at the end of the Day on October 31, 2004, then CM&T shall pay CG&E for the volume shortfall as follows:

1. Shortfall less than 10 percent of virtual storage inventory level: first of the month index published in Inside FERC Natural Gas Report, "Prices of Spot Gas Delivered to Pipelines", Columbia Gulf Transmission Co., Onshore Louisiana Index, for November, 2004, plus Columbia Gulf and Columbia Gas Transmission pipelines' commodity transportation costs, plus fuel, to CG&E's city gate; multiplied by the volume shortfall. Any increment beyond the 10 percent volume shortfall, CM&T shall deliver the volume shortfall, in kind, on the applicable Transport/Storage Provider pipeline as follows: (a) for TGT, CM&T will deliver to CG&E's City Gate and (b) for TCO, CM&T will

deliver to either the TCO Appalachia (Pool) or the TCO interconnect with CGT at Leach, Kentucky. CM&T shall deliver such volume shortfall during December, 2004 and January, 2005 for twenty (20) Days in each month as specified by CG&E.

Payment for any shortage as described above will be credited to CG&E's October 2004 Gas invoice from CM&T.

D. In the event of a default by CM&T as described in Article XIX or termination of this Agreement before the end of the Term, CM&T shall, upon 24 hours notice by CG&E, transfer to CG&E the actual Gas inventories in the Storage Facilities. If, at the time of such transfer, the actual inventory in any Storage Facility does not equal the virtual storage inventory in such Storage Facility, then the Parties shall compensate for the difference(s) as follows:

1. If the actual inventory exceeds the virtual storage inventory, then, within thirty (30) Days after the transfer, CG&E shall, at its option, exercisable within five (5) Business Days after such transfer, either:
 - a. Deliver to CM&T, an amount of Gas equal to the excess inventory, at a mutually agreeable location; or
 - b. Compensate CM&T for the excess inventory at the following price(s) as applicable on the date of inventory transfer: (i) for TGT storage, the *Gas Daily* "Dominion (delivered)" daily index price (i.e., the *Gas Daily* price applicable at Lebanon, Ohio); and (ii) for TCO storage, the *Gas Daily* "Columbia APP" daily index price.
2. If the virtual storage inventory exceeds the actual storage inventory, then, within thirty (30) Days after the transfer, CM&T shall, at CG&E's option, exercisable within five (5) Business Days after such transfer, either:
 - a. Deliver to CG&E an amount of Gas equal to the inventory shortfall at a time and location mutually agreed upon by the Parties; or
 - b. Compensate CG&E for the shortfall in inventory at the greater of CG&E's purchase price for the virtual storage inventory as shown in the applicable virtual Storage Account, or the following price(s) as applicable on the date of inventory transfer: (i) for TGT storage, the *Gas Daily* "Dominion (delivered)" index price (i.e., the *Gas Daily* price applicable at Lebanon, Ohio); and (ii) for TCO storage, the *Gas Daily* "Columbia APP" daily index price.

Any amount owed by CM&T shall be credited to CG&E's Gas invoice from CM&T for the period in which the transfer of inventories occurs.

E. In the event of a default by CG&E as described in Article XIX or termination of this Agreement before the end of the Term, CM&T shall, upon 24 hours notice by CG&E, transfer to CG&E the actual Gas inventories in the Storage Facilities. If, at the time of such transfer, the actual inventory in any Storage Facility does not equal the virtual storage inventory in such Storage Facility, then the Parties shall compensate for the difference(s) as follows:

1. If the actual inventory exceeds the virtual storage inventory, then, within thirty (30) Days after the transfer, CG&E shall, at CM&T's option, exercisable within five (5) Business Days after such transfer, either:
 - a. Deliver to CM&T, an amount of Gas equal to the excess inventory, at a mutually agreeable location; or
 - b. Compensate CM&T for the excess inventory at the following price(s) as applicable on the date of inventory transfer: (i) for TGT storage, the *Gas Daily* "Dominion (delivered)" daily index price (i.e., the *Gas Daily* price applicable at Lebanon, Ohio); and (ii) for TCO storage, the *Gas Daily* "Columbia APP" daily index price.
2. If the virtual storage inventory exceeds the actual inventory, then, within thirty (30) Days after the transfer, CM&T shall, at its option, exercisable within five (5) Business Days after such transfer, either:
 - a. Deliver to CG&E an amount of Gas equal to the inventory shortfall at a time and location mutually agreed upon by the Parties; or
 - b. Compensate CG&E for the shortfall in inventory at the greater of CG&E's purchase price for the virtual storage inventory as shown in the applicable virtual Storage Account, or the following price(s) as applicable on the date of inventory transfer: (i) for TGT storage, the *Gas Daily* "Dominion (delivered)" index price (i.e., the *Gas Daily* price applicable at Lebanon, Ohio); and (ii) for TCO storage, the *Gas Daily* "Columbia APP" daily index price.

Any amount owed by CM&T shall be credited to CG&E's Gas invoice from CM&T for the period in which the transfer of inventories occurs. Any amount owed by CG&E shall be included in CG&E's Gas invoice from CM&T for the period in which the transfer of inventory occurs.

ARTICLE X Passage of Title

Title to the Gas covered by the CG&E Storage Agreements released to CM&T shall pass from CG&E to CM&T on the Day on which the Capacity Release(s) is effective. Title to Gas delivered to CG&E under the provisions of Article IV shall pass

from CM&T to CG&E when delivered to the Delivery Point(s). The Party who has title to the Gas at any time shall be deemed to be in control and possession of the Gas, and shall be responsible for (i) any damage or injury caused thereby, and (ii) all charges, expenses, fees, taxes, damages, injuries, and other costs incurred in connection with or attributable to the purchase and handling of Gas, except that CG&E shall fully reimburse CM&T for (i) any ad valorem or similar taxes that would be levied on the volume of the Gas in the CG&E Storage Agreements, if that volume of Gas were actually in storage (i.e., based on the virtual Storage Accounts) and (ii) any sales tax assessed in connection with the release of the CG&E Storage Agreements to CM&T. Each Party shall indemnify, defend, and hold the other harmless from all such charges, expenses, fees, taxes, damages, injuries, and other costs.

ARTICLE XI

Invoicing Requirements

A. Each Month, CG&E will prepare a worksheet that will reflect for the preceding Month, its deemed total cost of Gas based on CG&E's hourly and daily dispatching of supply as if it had been done without CM&T managing CG&E's Gas supply assets. This worksheet will be the basis for CM&T's charges for the Gas it delivers to CG&E's City Gate. On or before the thirteenth (13th) day of each Month during the Term of this Agreement, CG&E will provide this worksheet to CM&T for billing purposes. Each Month during the Term of this Agreement, CM&T shall submit to CG&E an invoice no later than the twentieth (20th) day of the month for the preceding Month's activity reflecting the total Gas costs shown on the worksheet. CM&T will invoice CG&E for reimbursement of Pipeline Reservation Charges separately, according to the terms of each Transport or Storage Provider contract. Any charges billed by CG&E's interstate pipelines or Firm Gas Suppliers that are not the result of CG&E's daily dispatching (as reflected on the worksheet) or are not minimum billing or Reservation Charges will be the responsibility of CM&T. CM&T will be responsible for any imbalance or other penalty charges incurred as a result of CM&T's action or inaction, and CG&E will be responsible for any imbalance or other penalty charges incurred as a result of CG&E's action or inaction.

B. Attached to its invoice, CM&T will provide CG&E with the appropriate records and documentation for all costs billed by CM&T to CG&E including, but not limited to, all charges as described in Article V.I., and any other costs associated with this Agreement so that CG&E may fulfill its regulatory reporting requirements.

ARTICLE XII

Payment

A. CG&E shall pay CM&T all undisputed amounts no later than the twenty-fifth (25th) day of the Month following delivery via wire transfer at the address specified in Article XIII. If CG&E disputes, in good faith, any portion of CM&T's invoice, CG&E shall notify CM&T in writing, prior to the due date of the disputed invoice, the reasons therefore and the Parties shall negotiate in good faith to resolve such dispute. If it is

determined that any disputed amount is owed to CM&T, than CG&E shall pay such amount, plus interest, at the rate specified below from the date the payment was originally due.

B. Interest on late payments by either Party shall accrue from the due date until the date of payment at a rate equal to the lower of: (i) the then-effective prime rate of interest published under "Money Rates" in *The Wall Street Journal*, plus two percent (2%) per annum, compounded monthly or, (ii) the maximum applicable lawful interest rate allowed in Ohio.

C. In the event that each Party owes payment under this Agreement to the other in the same Month, the amounts due shall be netted against each other with the result that only the Party owing the greater amount shall make payment and only to the extent of the net amount due, plus any interest due as determined by this Article XII.

ARTICLE XIII

Wiring Instructions

CM&T's and CG&E's designated addresses for all wire transfers related to this Agreement shall be:

CM&T:
Bank One, NE, Chicago, IL
Account Name: Cinergy Marketing & Trading, LP
ABA # 071000013
Account Number 55-59340

CG&E:
PNC Bank, Ohio
Account Name: The Cincinnati Gas & Electric Company
ABA #042000398
Account Number 4060078836

ARTICLE XIV

Contacts and Notices

CM&T's and CG&E's designated contacts for all notices related to this Agreement shall be:

CM&T:

Notices: **Attention : Chris Fischer, Director, Origination**
 1100 Louisiana, Suite 4900
 Houston, TX 77002

Phone (713) 393 6846
Fax (713) 890 3137

Account Manager Chris Fischer, Director, Origination

Wk Phone: (713) 393 6846
Hm Phone: 281) 359 9130
Cell: (713) 817 0528
Fax: (713) 890 3137
E-mail: chris.fischer@cinergy.com

Operations Primary: Greg Trefz
Wk Phone: 713 393 6962
Hm Phone: (713) 880 0515
Cellular: (713) 598 1157
Fax: (713) 393 6913
E-mail: greg.trefz@cinergy.com

Secondary: Noel Bartlo
Wk Phone: (713) 393 6966
Hm Phone: (713) 983 0651
Cellular: (713) 208 7574
Fax: (713) 393 6913
E-mail: noel.bartlo@cinergy.com

CG&E:

Notices: The Cincinnati Gas & Electric Company

Attn: Jim Henning, Manager, Gas Commercial Operations
139 East Fourth Street
Cincinnati, OH 45202
Phone: (513) 287-4078
Fax: (513)-287-2938

Operations: Primary: Doug Vaught
Wk Phone: (513) 287-2559
Cellular: (513) 639-3388
Hm Phone: (513) 367-6180
Fax: (513) 287-1223
E-mail: dvaught@cinergy.com

Secondary: Jeff Kern
Wk Phone: (513) 287-2837
Hm Phone: (859) 586-1603
Fax: (513) 287-3768

E-mail: jlkern@cinergy.com

ARTICLE XV
Representations and Warranties

A. As a material inducement to entering into this Agreement, CM&T represents and warrants to CG&E as of the date of the execution and delivery of this Agreement as follows:

1. There are no suits, proceedings, judgments, rulings or orders by or before any court or any governmental authority to which CM&T is a party that materially adversely affects (a) its ability to perform its obligations under this Agreement, or (b) the rights of CG&E hereunder.
2. CM&T is duly organized, validly existing, and in good standing under the laws of the State of Delaware, and it has the legal right, power, authority, and is qualified to conduct its business, to execute and deliver this Agreement, and perform its obligations under the same, and all regulatory authorizations have been obtained and/or maintained, as required, for it to legally perform its obligations hereunder.
3. The making and performance by CM&T of this Agreement is within its powers, has been duly authorized by all necessary action on its part, and does not and will not violate any provisions of its incorporation or other formation, as applicable, or any other of its governing documents, nor will the making or performance of this Agreement violate (a) any agreement or instrument to which CM&T is a party or is bound, (b) any material provisions of any judgment, decree, or judicial order applicable to CM&T, (c) any provision of law or any rule, regulation or administrative order presently in effect and applicable to CM&T or its governing documents. To the best of CM&T's knowledge and belief, no consents of third parties, whether private, judicial, or public are required under any agreement or instrument to which CM&T is a party or is bound, provided however, that if, after the execution hereof, any such third party consents are deemed to be necessary in order to effectuate the purposes and intent of this Agreement, then CM&T shall use commercially reasonable efforts to promptly obtain such consents.
4. This Agreement when entered into constitutes a legal, valid and binding act and obligation of CM&T, enforceable against it in accordance with its terms, subject to principles of equity and bankruptcy, insolvency, reorganization and other laws affecting creditors' rights generally.
5. There are no bankruptcy, insolvency, reorganization, receivership or other arrangements or proceedings pending or being contemplated by CM&T, or to its knowledge, threatened against CM&T.

B. As a material inducement to entering into this Agreement, CG&E represents and warrants to CM&T as of the date of the execution and delivery of this Agreement as follows:

1. There are no suits, proceedings, judgments, rulings or orders by or before any court or any governmental authority to which CG&E is a party that materially adversely affects (a) its ability to perform its obligations under this Agreement, or (b) the rights of CM&T hereunder.
2. CG&E is duly organized, validly existing, and in good standing under the laws of the State of Ohio, and it has the legal right, power, authority, and is qualified to conduct its business, to execute and deliver this Agreement, and perform its obligations under the same, and all regulatory authorizations have been obtained and/or maintained, as required, for it to legally perform its obligations hereunder.
3. The making and performance by CG&E of this Agreement is within its powers, has been duly authorized by all necessary action on its part, and does not and will not violate any provisions of its incorporation or other formation, as applicable, or any other of its governing documents, nor will the making or performance of this Agreement violate (a) any agreement or instrument to which CG&E is a party or is bound, (b) any material provisions of any judgment, decree, or judicial order applicable to CG&E, (c) any provision of law or any rule, regulation or administrative order presently in effect and applicable to CG&E or its governing documents. To the best of CG&E's knowledge and belief, no consents of third parties, whether private, judicial or public, are required under any agreement or instrument to which CG&E is a party or is bound, provided however, that if, after the execution hereof, any such third party consents are deemed to be necessary in order to effectuate the purposes and intent of this Agreement, then CG&E shall use commercially reasonable efforts to promptly obtain such consents.
4. This Agreement when entered into constitutes a legal, valid and binding act and obligation of CG&E, enforceable against it in accordance with its terms, subject to principles of equity and bankruptcy, insolvency, reorganization and other laws affecting creditors' rights generally.
5. There are no bankruptcy, insolvency, reorganization, receivership or other arrangements or proceedings pending or being contemplated by CG&E, or to its knowledge, threatened against CG&E.

C. Each Party shall have an on-going obligation to supplement its respective representations and warranties if a material change occurs therein.

ARTICLE XVI Government Action

Either Party may terminate this Agreement in the event that the FERC, the Public Utilities Commission of Ohio or any administrative body or court of competent jurisdiction, or a legislative body changes pertinent statutes, regulations or orders so as: (i) to significantly restrict or reduce the value of this Agreement, such significant reduction in value to be determined in the sole judgment of the affected Party, (ii) to require CG&E to assign to its customers portions of the assets included in the Asset Portfolio, or (iii) to significantly and materially modify the nature of the services provided by this Agreement, provided however, that the Parties will endeavor to mutually agree on revisions to the Agreement to comply with such regulatory changes. In the event either Party elects to terminate this Agreement pursuant to this Article XVI such termination shall be effected as set forth in Section C of Article XIX.

ARTICLE XVII *Force Majeure*

A. This Article XVII is the sole and exclusive excuse for non-performance permitted under this Agreement and all other excuses at law or in equity are WAIVED to the extent permitted by law. Except with regard to a Party's obligation to make payment due under this Agreement, at the time of the Force Majeure event, neither Party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by *Force Majeure*.

B. *Force Majeure* shall mean an event not anticipated as of the Effective Date, which is not within the reasonable control of the Party, or in the case of third party obligations or facilities, the third party claiming suspension, and which by the exercise of due diligence such Party, or third party, is unable to prevent or overcome or to obtain, or cause to be obtained a commercially reasonable substitute performance. Therefore, neither Party will be entitled to the benefit of *Force Majeure* under the following circumstances; (i) the *Force Majeure* event was caused by the acts, omissions, or negligence of each Party, in whole or in part, or to the extent that such *Force Majeure* is the direct result of acts, omissions or the negligence of such Party's affiliates; (ii) to the extent such Party failed to use due diligence, or failed to utilize all reasonable dispatch and reasonable efforts in removing or overcoming such *Force Majeure* to again put itself in a position to carry out all of the obligations that it has assumed; (iii) to the extent such Party's inability to perform was caused by that Party's lack of funds; or (iv) to the extent such Party's inability to perform was caused by a shortage of Gas supply not caused by a *Force Majeure* event. "*Force Majeure*" shall include an event of *Force Majeure* occurring with respect to the facilities or services of CM&T's or CG&E's Transport or Storage Provider.

C. *Force Majeure* shall include, but not be limited to, the following; (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm

warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs (other than as a result of the negligence or other fault of the Party claiming *Force Majeure*) to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures that cause freezing or failure of wells or lines of pipe; (iii) interruption or curtailment of firm transportation and/or storage by Transport or Storage Providers; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections, wars or terrorism that have a direct result upon obligation of the Party; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction. CM&T and CG&E shall make commercially reasonable efforts to avoid the adverse impacts of a *Force Majeure* and to resolve the event or occurrence once it has occurred in order to resume performance.

D. Notwithstanding anything to the contrary herein, the Parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be entirely within the sole discretion of the Party experiencing such disturbances.

E. The Party for which performance is prevented by *Force Majeure* must provide notice to the other Party. Initial notice may be given orally, if given within twenty-four (24) hours; however, written notification with full particulars of the event or occurrence, including the cause of the event, the expected duration of the event, and the action being taken to eliminate it is required as soon as reasonably possible but in no event longer than two (2) Business Days following the event of the *Force Majeure*. Upon providing notification of *Force Majeure* to the other Party, the affected Party will be relieved of its obligation to make or accept delivery of Gas as applicable to the extent and for the duration of the *Force Majeure*, and neither Party shall be deemed to have failed in such obligations to the other during such occurrence or event.

ARTICLE XVIII Regulatory Compliance

This Agreement shall be subject to all valid and applicable laws of the United States and to the applicable valid rules, regulations or orders of any regulatory agency or governmental authority having jurisdiction over the Parties or this Agreement. The Parties shall be entitled to regard all applicable laws, rules and regulations (federal, state or local) as valid and may act in accordance therewith until such time as the same may be declared invalid by a final, non-appealable judgment of a court of competent jurisdiction. This Agreement and the actions of CM&T and CG&E hereunder are subject to all present and future valid orders, rules, and regulations of any regulatory body having jurisdiction. Both CM&T and CG&E agree to timely make all regulatory filings that may be needed to effectuate this Agreement and shall promptly provide copies of such filings to the other Party.

ARTICLE XIX

Events of Default, Failure to Perform, Termination and Remedies

A. Unless such act or omission is the result of *Force Majeure* or the sole failure or negligence of CG&E, each of the following acts or omissions shall be deemed an Event of Default by CM&T:

1. The failure of CM&T to comply with the material terms and conditions of the Tariffs or agreements governing use of the Asset Portfolio;
2. The failure of CM&T to pay any undisputed amounts due any Transport or Storage Provider under the Asset Portfolio and such failure continues for a period of five (5) Days;
3. CM&T engages in one or more of the following acts; (a) an assignment or any general arrangement for the benefit of its creditors, (b) the filing of a petition or other commencement, authorization or acquiescence in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors, or (c) the inability of CM&T to pay any debt when due ("CM&T Bankruptcy Default");
4. Any material inaccuracy in any representation or warranty of CM&T set forth in this Agreement, and such inaccuracy is not remedied with-in fifteen (15) Days of CM&T's receipt of a written notice from CG&E describing the particulars of such inaccuracy in reasonable detail;
5. The failure of CM&T to perform any material covenant, term or condition or obligation in this Agreement, other than the material covenants or obligations addressed in the other subsections of Section A of Article XIX, and such failure is not remedied within ten (10) Days of CM&T's receipt of a written notice from CG&E describing the particulars of such failure in reasonable detail;
6. The failure of CM&T to timely provide adequate assurance when required by Article XXVII;
7. The failure of CM&T to provide Firm sales service as provided in Article IV, provided however, that CM&T shall not be deemed in Default if, (i) CM&T timely pays to CG&E any amount due in accordance with the terms of this Agreement, and (ii) CM&T's failure has not caused material prejudice to CG&E's interest;
8. A material failure by CM&T to provide accurate and timely reports required by this Agreement and such failure is not remedied within five (5) Business

Days of CM&T's receipt of a written notice from CG&E describing the particulars of such failure in reasonable detail; and

9. The failure of CM&T to deliver Gas into CG&E's Storage Accounts, provided however, that CM&T shall not be deemed in Default if, (i) CM&T timely pays to CG&E any amount due in accordance with the terms of the Agreement, and (ii) CM&T's failure has not caused substantial prejudice to CG&E's interests.

B. Unless such act or omission is the result of *Force Majeure* or the failure or negligence of CM&T, each of the following acts or omissions shall be deemed an Event of Default by CG&E:

1. The failure of CG&E to comply with the material terms and conditions of the contracts and agreements listed on Exhibit C;
2. The failure of CG&E to pay undisputed amounts due CM&T herein, and such failure continues for a period of five (5) Days;
3. CG&E engages in one or more of the following acts: (a) an assignment or any general arrangement for the benefit of its creditors, (b) the filing of a petition or other commencement, authorization or acquiescence in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors, or (c) the inability of CG&E to pay any debt when due ("CG&E Bankruptcy Default");
4. Any material inaccuracy in any representation or warranty of CG&E set forth in this Agreement, and to the extent such inaccuracy is both intentional and capable of effective redemption, such inaccuracy is not remedied within fifteen (15) Days of CG&E's receipt of a written notice from CM&T describing the particulars of such inaccuracy in reasonable detail.
5. The failure of CG&E to perform any material covenant, term or condition or obligation in this Agreement other than the material covenants or obligations addressed in the other subsections of Section B of Article XIX, and such failure is not remedied within ten (10) Days of CG&E's receipt of a written notice from CM&T describing the particulars of such failure in reasonable detail.
6. The failure of CG&E to timely provide adequate assurance when required by Article XXVII.
7. A material failure by CG&E to provide accurate and timely reports required by this Agreement and such failure is not remedied within five (5) Business

Days of CG&E's receipt of a written notice from CM&T describing the particulars of such failure in reasonable detail; and

C. In addition to the remedy for Events of Default by CM&T or CG&E, as set forth in Articles VII and IX, the remedies for Events of Default by CM&T or CG&E, as applicable, shall be as follows:

1. If an Event of Default occurs with respect to a Party (the "Defaulting Party"), then the other Party (the "Non-Defaulting Party") shall have the right, in addition to any other remedies available hereunder, to: (a) upon one (1) Business Day's written notice, suspend its performance under this Agreement; (b) withhold any amounts owed to the Defaulting Party, under this Agreement and/or (c) set off any amount owed to the Defaulting Party, under this Agreement or any other agreement between the Parties (whether or not yet due), or against any amounts owing by the Defaulting Party to the Non-Defaulting Party (whether or not yet due).
2. In addition to the provisions of this Article XIX, upon the occurrence of an Event of Default, the Non-Defaulting Party may, for so long as the Event of Default continues, terminate, accelerate, and liquidate all obligations then outstanding or not yet commenced in accordance with the provisions of this Agreement by: (a) providing notice to the Defaulting Party, and (b) establishing an early termination date, which date shall be between one (1) and twenty (20) Business Days following receipt of the notice of early termination, on which all such obligations shall terminate ("Early Termination Date"), provided however, if the Defaulting Party is the subject of a bankruptcy, insolvency, or similar proceeding, all outstanding obligations shall automatically terminate, without notice or right to cure, and without any other action by either Party as if an Early Termination Date had been declared immediately prior to such event. If an Early Termination Date has been designated, the Non-Defaulting Party shall calculate the Total Termination Payment and notify the Defaulting Party of such amount including detailed support for the Total Termination Payment calculation. The failure to give such notice contemplated herein shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party.
3. The Non-Defaulting Party may net the Total Termination Payment against all other amounts owed (whether or not yet due) between the Parties under the Agreement and any other agreements between the Parties. This amount constitutes the "Liquidation Amount" payable by the Defaulting Party within three (3) Business Days or payable by the Non-Defaulting Party on the Payment Date following the Early Termination Date, as applicable. A disputed amount hereunder shall be paid by the Defaulting Party, subject to refund.

4. The failure of the Non-Defaulting Party to exercise any of its rights or remedies contained in this Article or in Articles VII or IX shall not constitute a waiver of the Event of Default, the requirement for payment, or any of the other rights or remedies of the Non-Defaulting Party in connection with the Event of Default.
5. The Non-Defaulting Party's rights under this Agreement are in addition to, and not in limitation or exclusion of, any other rights the Non-Defaulting Party may have (whether by contract, operation of law, or otherwise). Each Party reserves to itself all rights, set offs, counterclaims, and defenses which it is, or may be, entitled to arising from or out of this Agreement or other agreements between the Parties, at law or otherwise.

ARTICLE XX **Indemnification**

A. CM&T shall indemnify CG&E and hold CG&E harmless from all liability engendered by CM&T's use of the released transportation or storage capacity or assigned Gas Supplier Contracts, except to the extent that the liability is the result of CG&E's gross negligence or willful misconduct.

B. CG&E shall indemnify CM&T and hold CM&T harmless from all liability engendered by transportation or storage capacity retained by CG&E, and CG&E's pre-Agreement supply arrangements, except to the extent that the liability is the result of CM&T's gross negligence or willful misconduct.

ARTICLE XXI **Applicable Law**

THE INTERPRETATION AND PERFORMANCE OF THE AGREEMENT SHALL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OHIO, EXCLUDING HOWEVER, ANY CONFLICT OF LAW RULE THAT WOULD APPLY THE LAW OF ANOTHER JURISDICTION.

ARTICLE XXII **Confidentiality**

Unless mutually agreed, the terms of this Agreement, including but not limited to the price paid for Gas, will be kept confidential by CM&T and CG&E, except to the extent that the Party is obligated to disclose such information to the pipeline or supplier affected by this Agreement, or to a regulatory authority for the purpose of effectuating the transportation, storage, and/or sale of the Gas pursuant to this Agreement, or is obligated by law, court or administrative agency of competent jurisdiction, or contract to make such disclosure. If required to be disclosed, the Party subject to the disclosure requirement shall (i) notify the other Party immediately, and (ii) cooperate to the fullest

extent in seeking whatever confidential status may be available to protect any material to be disclosed; provided, however, the Party required to make the disclosure shall not be obligated to subject itself to sanctions to comply with this provision.

ARTICLE XXIII
Arbitration

A. If a dispute arises between the Parties relating to this Agreement, the Parties agree to use the following procedure prior to either Party pursuing other available remedies:

1. A meeting shall be held promptly between the Parties, attended by individuals with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute.
2. If, within thirty (30) Days after such meeting, the Parties have not succeeded in negotiating a resolution of the dispute, any such dispute shall be resolved pursuant to binding arbitration administered by the American Arbitration Association ("AAA") under its commercial arbitration rules, according to the procedures set forth in this Article XXIII and applying the governing law of this Agreement. Either Party may commence an arbitration proceeding hereunder by giving written notice to the other Party specifying the nature of the Dispute in detail and naming the arbitrator for the Party commencing the arbitration. No later than five (5) Business Days after the receipt of the notice, commencing the arbitration proceeding, the other party shall select an arbitrator and notify the party commencing the arbitration. Within ten (10) Days following their selection, the arbitrators selected by CM&T and CG&E shall jointly select a third arbitrator. In the event they are unable to agree upon the third arbitrator, the selection shall be made according to the rules of the AAA. The third arbitrator shall hear and decide all matters relating to the dispute that is subject to arbitration. All arbitrators selected under this Agreement shall have at least eight (8) years of professional experience in the commodity markets and in the business of marketing the applicable Commodity or Commodities, shall not previously have been employed by either Party, and shall not have a direct or indirect interest in either Party or the subject matter of the arbitration. The arbitration hearing shall commence as soon as is practical, but in no event later than thirty (30) Days after the selection of the third arbitrator. If any arbitrator selected should die, resign, or otherwise be unable to perform his or her duties hereunder, a successor arbitrator shall be selected pursuant to the procedures set forth in this Article XXIII. Such arbitration shall be held in neutral locations determined by the Parties prior to the selection of the third arbitrator.

B. The arbitration shall be conducted according to the following; (i) the hearing shall be conducted within ninety (90) Days of a Party's notice, (ii) the hearing shall be conducted on a confidential basis, (iii) at the conclusion of the hearing, each Party will present a

suggested resolution to the arbitrator, (iv) the arbitrator may select either suggested resolution or may make his or her own decision, subject to the limitation that the decision must resolve the dispute in a manner consistent with the intent of the Parties as reflected in the terms of this Agreement, (v) the arbitrator shall be bound to follow the substantive state and Federal laws of jurisprudence as well as the applicable rules of evidence in arriving at a decision, (vi) the panel of arbitrators, in consultation with the Parties, shall provide for limited discovery, (vii) the arbitrator shall issue a confidential written opinion containing his or her decision within thirty (30) Days after the hearing, (viii) each Party shall divide equally the cost of the arbitrators and the hearing and each Party shall be responsible for its expenses and those of its counsel and representatives, and (ix) any offer made or the details of any negotiations regarding the dispute prior to arbitration and the cost to the Parties of their representatives and counsel shall not be admissible.

C. **Binding Nature of Proceedings.** EACH PARTY UNDERSTANDS THIS AGREEMENT CONTAINS AN AGREEMENT TO ARBITRATE ANY DISPUTE OR NEED OF INTERPRETATION RELATED TO THIS AGREEMENT. EACH PARTY UNDERSTANDS IT CANNOT BRING A LAWSUIT CONCERNING ANY SUCH DISPUTE. INSTEAD, EACH PARTY AGREES TO SUBMIT ANY SUCH DISPUTE TO AN IMPARTIAL PANEL OF ARBITRATORS IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT. ANY DECISION OF THE ARBITRATOR MAY BE ENFORCED IN ANY COURT OF COMPETENT JURISDICTION BY THE PARTY IN WHOSE FAVOR SUCH DECISION IS MADE. NOTWITHSTANDING THE FOREGOING, A PARTY MAY FILE A LAWSUIT TO OBTAIN INJUNCTIVE RELIEF RELATED TO THE PERFORMANCE OF THE OBLIGATIONS UNDER THIS ARTICLE.

ARTICLE XXIV Limitation of Liability

A. Except as set forth herein, there is no warranty of merchantability or fitness for a particular purpose, and any and all implied warranties are disclaimed. For breach of any provision for which an express remedy or measure of damages is provided, such express remedy or measure of damages shall be the sole and exclusive remedy and all other remedies or damages at law or in equity are waived. If no measure of damages is expressly provided herein, a Party's liability shall be limited to direct actual damages only. The remedies set forth in this Agreement, shall be the exclusive remedies for the Parties.

B. EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED HEREIN, IN NO EVENT WILL EITHER PARTY BE LIABLE UNDER THIS AGREEMENT, WHETHER IN CONTRACT, IN TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY), OR OTHERWISE, FOR INCIDENTAL, CONSEQUENTIAL, SPECIAL, OR PUNITIVE DAMAGES.

ARTICLE XXV
Recording Language

Each of the Parties hereto (i) consent to the recording of telephone conversations of their respective trading and marketing personnel in connection with this Agreement, and (ii) agrees that any such electronic recordings may be submitted in evidence in any suit, action or other proceedings in relation to this Agreement by either Party.

ARTICLE XXVI
Assignment

This Agreement may not be assigned by either Party, in whole or in part, without the prior written consent of the other Party, and consent shall not be unreasonably withheld. This Agreement shall be binding upon and inure to the benefit of, and be enforceable by, the parties hereto and their representatives, successors, and assigns.

ARTICLE XXVII
Financial Responsibility

A. During the Term of this Agreement, CM&T shall provide to CG&E a parental guaranty or other assurance of financial responsibility in the amount and form in the sole discretion of CG&E, guaranteeing the financial performance of CM&T pursuant to this Agreement. CG&E shall identify the amount of the Asset Manager's financial responsibility by the monetary valuation of Storage Gas as calculated and updated by CG&E from time to time during throughout the term of this Agreement. CM&T shall provide such financial assurance to CG&E's satisfaction prior to CG&E's transfer of its Natural Gas assets to CM&T.

ARTICLE XXVIII
Audit

Each Party shall have the right, during the Term of this Agreement and for a period of two (2) years after the termination of this Agreement, at its own expense, upon reasonable notice and at reasonable times, to examine the books and records of the other Party, only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment or computation made under the Agreement. This examination right shall not be available with respect to proprietary information not directly relevant to this Agreement. All invoices and billings shall be conclusively presumed final and accurate unless objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. If the audit discloses an error the Party owing payment resulting from such audit shall pay all retroactive adjustments in full and with interest as specified under Article XII within thirty (30) Days of notice and substantiation of such inaccuracy.

ARTICLE XXIX
Offset

Each Party reserves to itself all rights, set-offs, counterclaims, and other defenses which it is or may be entitled to arising from the Agreement.

ARTICLE XXX
Enforceability

All provisions of this Agreement are severable, and the unenforceability or invalidity of any of the provisions of this Agreement shall not affect the validity or enforceability of the remaining provisions of this Agreement.

ARTICLE XXXI
Interpretation of Waivers

No waiver of any provision of this Agreement, or of a breach hereof, shall be effective unless it is in writing, signed by the Party waiving the provision or the breach hereof. No waiver of a breach of this Agreement (whether expressed or implied) shall constitute a waiver of a subsequent breach hereof.

ARTICLE XXXII
Amendment

This Agreement sets forth all understandings between the Parties respecting each obligation subject hereto and any prior contracts, understandings and representations, whether oral or written, are merged into and superseded by this Agreement. This Agreement may be amended only by a written document executed by both Parties.

ARTICLE XXXIII
Third Party Beneficiaries

There is not a third party beneficiary to this Agreement.

ARTICLE XXXIV

Authority

Each Party, as well as the individuals signing this Agreement, represent and warrant that it, he, or she has the power to enter into this Agreement and the authority to bind its respective Party.

ARTICLE XXXV

True Up

Within ninety (90) Days after the Term expiration, or termination for any reason, the Parties will finalize the amounts and prices paid under the Agreement and make any necessary adjustments to volume or amounts owed by one Party to the other Party that are necessary to reflect the actual amounts provided under the Agreement.

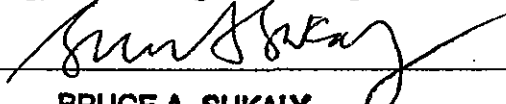
ARTICLE XXXVI

Continuing Obligations

Termination of this Agreement does not end continuing obligations of either Party specified therein.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the day and year first above written.

Cinergy Marketing & Trading, LP

By:  *MPF CMS*
Name: BRUCE A. SUKALY
 SR. VICE PRESIDENT
Title: NATURAL GAS TRADING &
 ORIGINATION

THE CINCINNATI GAS & ELECTRIC COMPANY

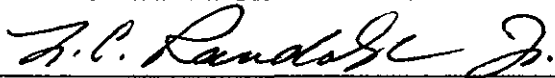
By:  *AA JPH*
Name: L. C. Randolph, Jr.
Title: Vice President, Gas Operations

Exhibit A

**CG&E
Estimated Storage Balance
As of October 31, 2003**

Replacement Cost			
	<u>Dth</u>	<u>Price *</u>	<u>Value</u>
CG&E			
Columbia Gas FSS	9,227,757	\$5.93	\$54,720,599.01
Texas Gas NNS	2,350,000	\$5.93	\$13,935,500.00
Total CG&E			
Total Replacement Cost			<u><u>\$68,656,099.01</u></u>

* Future prices based on NYMEX closing price on August 13, 2003

Exhibit B
Page 1 of 2

CG&E's Operational Requirements
Regarding Natural Gas Deliveries To The City Gate

- 1) North/South System Flow Limitations CM&T's interstate pipeline scheduling (nominations) of Natural Gas deliveries to CG&E's city gate must account for CG&E's physical constraints on its distribution system which is dependent upon CG&E's daily system load requirements. These constraints change hourly with CG&E's load fluctuations.
- 2) Pipeline Storage Limitations CG&E has contracted for firm interstate pipeline storage with Texas Gas Transmission and Columbia Gas Transmission. The daily and seasonal contract quantities are committed to serve CG&E's firm sales customers throughout the entire heating season (October-April). CG&E must have flexibility to utilize on a daily basis CG&E's pipeline storage capacity and associated volumes to manage weather and load forecasting deviations and daily balancing for Gas sales and transportation customers behind the city gate. Pipeline storage has daily, monthly and seasonal operational limitations defined by tariff and contract (i.e., withdraw limits, injection limits, ratchets). Deliveries to and from storage may be altered with intra-day nomination changes to sync scheduled deliveries to the city gate. Except for extreme conditions, pipeline storage inventories should remain above 10% by the end of March in order to provide for system balancing during April. It will be the sole responsibility of CM&T to provide the necessary Natural Gas deliveries to CG&E each day on Columbia Gas Transmission and Texas Gas Transmission for system balancing.
- 3) Pipeline Storage Refill During the storage injection period (April through October) Natural Gas must be nominated on Texas Gas Transmission and Columbia Gas Transmission on a daily basis to refill CG&E's contracted seasonal storage capacity with each pipeline in order to reach design inventory levels of approximately 98% by Nov. 1, and to comply with Columbia Gas Transmission and Texas Gas Transmission tariff limitations on daily and monthly injections into storage.
- 4) Pipeline Nominations In order for CG&E to confirm and allocate city gate deliveries on a daily basis, CM&T must provide, by fax, to CG&E's Gas Control and Gas Rates & Transportation Departments by 2:00 p.m. E.T. prior to the beginning of the Gas day, detailed information of all scheduled deliveries to CG&E's city gate. This information will include the interstate pipelines utilized and their associated contract numbers and scheduled volumes along with a pre-determined allocation if required by the interstate pipeline. Any intra-day nominations for increased or decreased deliveries to CG&E must be reported by fax to CG&E's Gas Control and Gas Rates & Transportation Departments one hour after intra-day nominations are due to the interstate pipeline.

Exhibit B
Page 2 of 2

5) Columbia Gas
Storage/Transportation Capacity
(SST)

CG&E's Gas Control Department must be notified immediately by fax when CG&E's SST capacity with Columbia Gas Transmission is released to third parties or used to deliver Gas by CM&T to other markets. Any capacity releases to other markets reduce the amount of Gas that would be available to be injected into or withdrawn from storage to CG&E's city gate.

6) Peak Hourly Rate

Because of interstate pipelines limiting daily volumes on standard FT and IT contracts to 1/24 hourly flow rates, CG&E contracts on various interstate pipelines for transportation agreements that allow 1/16 hourly flow rates in order to meet peak hour load requirements. CG&E must have available to its city gate those interstate pipeline contracts that allow for 1/16 hourly flow rates during peak winter periods.

7) Nominations for South End of
System

When nominating Gas for delivery to the south end of CG&E's system three pipelines can be utilized, Tennessee Gas Pipeline, Columbia Gas Transmission and Columbia Gulf Transmission. On a daily basis, CG&E's Gas Control Department will determine and include in its daily dispatching priorities the minimum volume of flowing Gas on Columbia Gas Transmission and/or Columbia Gulf Transmission to CG&E's city gate.

Exhibit C

Gas Supplier Contracts (effective for 2003-2004 Winter Season)

Anadarko Energy Services Company
Chevron Texaco
Occidental Energy Marketing, Inc.
OneOk Energy Marketing & Trading
BP Energy Company
Cinergy Marketing & Trading, LLC

Firm Contracts with Interstate Pipelines

Columbia Gulf:

FTS-2	Agreement No. 42788	Nov-Mar	81,760 dth/day	expires 11/1/04
		Apr-Oct	62,674 dth/day	
FTS-1	Agreement No. 43877	Nov-Mar	113,214 dth/day	expires 11/1/04
		Apr-Oct	86,786 dth/day	

Columbia Gas:

SST	Agreement No. 39326	Oct-Mar	220,514 dth/day	expires 11/1/04
		Apr-Sep	110,257 dth/day	
FSS	Agreement No. 39327	MDWQ	220,514 dth/day	expires 11/1/04
		SCQ	9,416,079 dth/day	

Texas Gas Transmission:

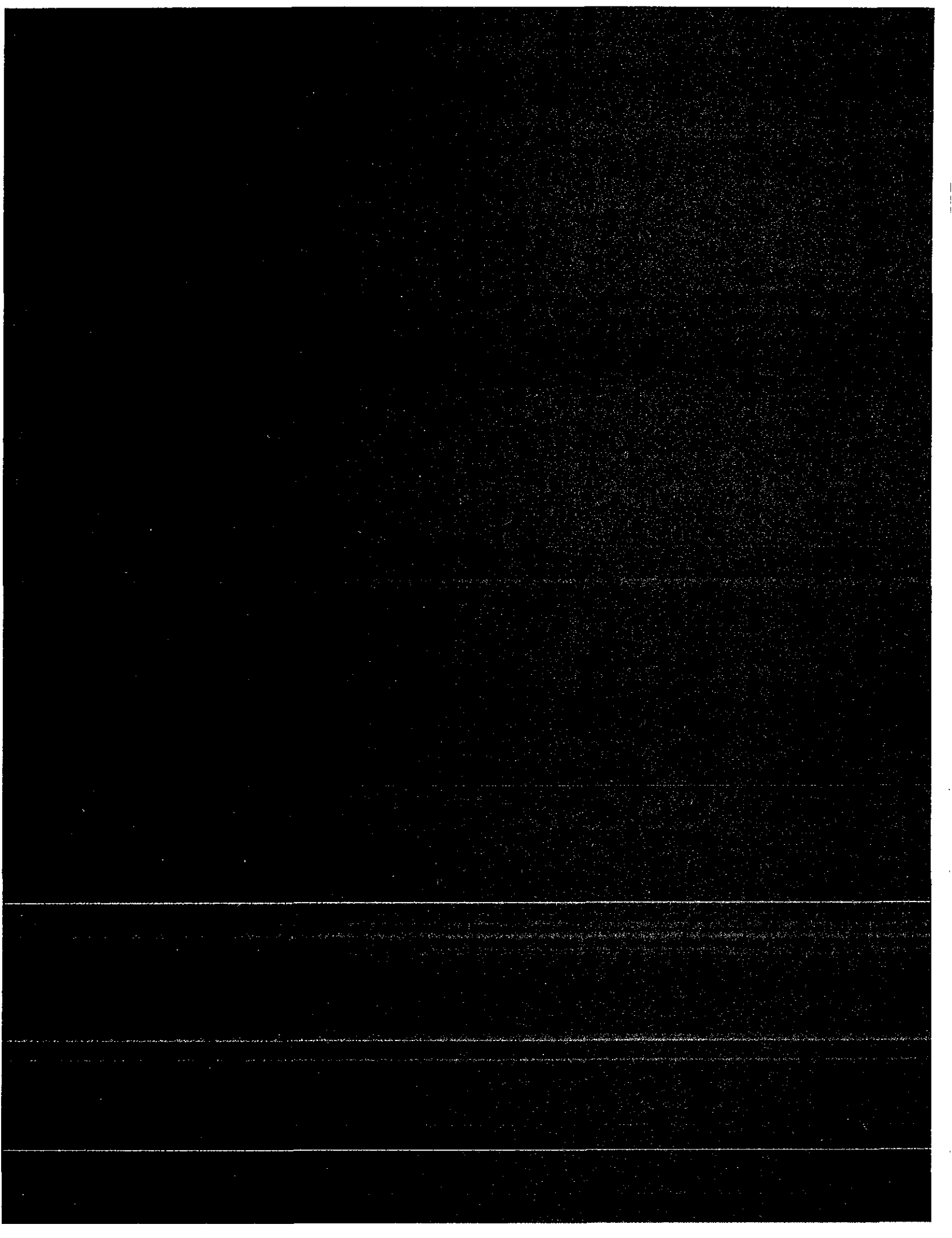
FT	Agreement No. T005420	12 months	12,810 dth/day	expires 11/1/04
NNS	Agreement No. N000405	Unnom - Winter	25,000 dth/day	expires 11/1/04
		Unnom - April	12,500 dth/day	
		Unnom - Oct	17,500 dth/day	
		Unnom. - Winter SCQ	2,350,000 dth	
		Nom - Winter	65,000 dth/day	
		Nom - Summer	10,982 dth/day	
		Total Demand (April)	32,482 dth/day	
		Total Demand (Oct)	37,482 dth/day	
STF	Agreement No. T019208	Nov-Mar	18,000 dth/day	expires 4/1/04
STF	Agreement No. T020674	Dec 15 - Feb 15	23,700 dth/day	expires 2/16/04

Tennessee Gas Pipeline:

FT-A	Agreement No. 40310	Nov-Mar	39,200 dth/day	expires 4/1/04
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KO Transmission:

FTS	Agreement No. 001	12 months	152,000 dth/day	expires 06/1/06
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**CG&E Case No. 03-218-GA-GCR
Liberty Consulting Group
Management/Performance Audit
Initial Data Request Set No. 1
Request Date: February 2, 2004
Response Due Date: Feb.27, 2004
Response Provided On:**

LIBERTY-DR-01-061

REQUEST:

61. For any such contracts or agreements bid, negotiated or in effect during the Audit Period, provide copies of the RFPs, list of responding bidders, summary of evaluation criteria and evaluation of bids.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET

See attached.

**Witness Responsible: James P. Henning
Title: Manager, Gas Commercial Operations**

**CONFIDENTIAL PROPRIETARY
TRADE SECRET**



October 12, 2001

James L. Turner
President
Regulated Businesses
Cinergy Corp.
P.O. Box 960
Cincinnati, Ohio 45201

Dear Mr. Turner:

As I promised, I have attached an updated natural gas asset management proposal including all the parameters you requested, with one exception - Term. Since we are now potentially starting this transaction in December or January, I took the liberty to "adjust" the end date of the proposals to terminate at the end of the heating season. This will help in the operations and logistics of this transaction. If you would like me to re-adjust the Term (or any other parameter) of our proposal, please let me know. In addition, I also updated our proposal to take into account the detailed operational and asset information (for Cincinnati Gas and Electric only) obtained from Cinergy's Gas Supply group. This information included load history as well as pipeline and storage contract data.

In our telephone conversation earlier this week, you had asked for further clarification as to the "financial assurances" we would be providing. Just to clarify, Mirant will work with you to adequately address the concerns you might have regarding our financial capacity. Please let me know what specific requirements you have and I will work with our Legal and Credit departments to come to an equitable solution.

We also discussed the possibility of offering a higher monthly payment in exchange for the option to extend the asset management transaction for a given term. In the interest of time, I have not included this in the enclosed proposal, but anticipate these values to be finalized when we talk next week.

I look forward to continuing discussions.

Sincerely,

Tim Delay
Vice President
East Origination
Mirant Americas Energy Marketing
(678) 579-3143

cc: Randy Randolph

Mirant Americas Energy Marketing LP ("Mirant")

Proposal for Storage and Transportation Management

Cinergy Corp. ("Cinergy")

Services provided: Mirant will provide natural gas supplies to the city gate to provide full-requirements firm service.

Assignment of Contracts: Cinergy will make Mirant agent for all transportation, storage and gas supply contracts related to Cincinnati Gas & Electric. This will allow Mirant to manage and optimize the upstream assets.

Load Forecasting: Cinergy will provide Mirant a monthly forecast for baseload volumes. In addition, Cinergy will provide an updated forecast on a day ahead basis. Each day Cinergy will revise the initial monthly forecast for the following day. The updated forecast on Friday's will include the weekend through and including Mondays. Holidays will be treated the same as weekends with the preceding business days forecast to include any holidays.

Commodity Price: All supply volumes that are forecasted by Cinergy for the month as baseload volumes will be priced as Inside F.E.R.C. first of the month index price flat plus all variable costs associated with the transportation of gas to the Cinergy city gate. For all volumes burned above Cinergy's baseload forecast, Cinergy will pay Gas Daily's Midpoint posting, plus variable costs to the Cinergy citygate. This

pricing will be based on the least cost routing of Cinergy's assets to ensure that Cinergy's assets are being dispatched as they normally would. In the case when Cinergy's nominations are below their initial baseload nomination, Cinergy will keep Mirant whole for the difference between the First of the Month price and the Gas Daily price or inject the excess gas into storage.

Existing Storage Balance: Cinergy will transfer storage balance to Mirant and will not be charged for storage withdrawals within the limits of their paper balance. Cinergy will reimburse Mirant for all variable costs associated with withdrawing gas from storage and transporting to Cinergy's citygates.

Nominations/Adjustments: Mirant will make all appropriate upstream pipeline/storage nominations to insure firm deliveries to Cinergy's city gate. Mirant will also handle any adjustments or flexibility to Cinergy's existing gas supply contracts that are currently in place.

Confirmations: Mirant will make all pipeline confirmations on upstream pipelines corresponding with nominations for Cinergy's system supply. Mirant assumes no responsibility for any imbalances or financial penalties due to any transportation customer activity.

Penalties/Taxes: Each party shall be responsible for any cashouts, imbalance and/or other transportation related penalties attributable to its own actions.

Compensation: The following chart details the compensation Mirant is willing to pay for access to and the right to manage the specified portfolio resources consistent with the assumptions listed below. The payment as requested, would be paid in equal monthly installments.

	Dec. 1, 2001 through Mar. 31, 2004	Jan. 1, 2002 through Mar. 31, 2004
Compensation	\$7,000,000	\$6,300,000
Levelized Monthly Payment	\$250,000	\$233,000

	Dec. 1, 2001 through Mar. 31, 2005	Jan. 1, 2002 through Mar. 31, 2005
Compensation	\$11,500,000	\$10,800,000
Levelized Monthly Payment	\$287,500	\$276,923

ASSUMPTIONS

- The above proposal is based upon load information and pipeline/storage contracts provided by Cinergy.
- Pipeline and storage contracts remain constant through the term of the deal.
- There have been no costs associated with the Mirant carrying pipeline demand fees.
- Gas nominated must be for Cinergy system load only. Swaps and off-system sales are not included in pricing.

This proposal is based on the NYMEX and current basis differentials as of close of trading 10/12/2001 and are subject to change.



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- There were no costs associated with any taxes included for Cinergy's account.
- Cinergy has the right to negotiate a basis differential with Mirant to fix any portion of their supply portfolio (price) each month up to noon eastern standard time on the day of prompt month contract day of expiration.
- Any fixed portion of the supply gas price would replace the IF FOM index price according to the same weighting of the indices for this deal.
- If only the basis portion of the price is fixed by the required time, the remaining portion of the price will default to NYMEX settle.
- Any incremental intra-day nomination changes will be at an agreed-upon price.
- All receipt and delivery points remain in place during the term.
- All Storage accounts will be returned to Cinergy at a level equal to the storage balance at the beginning of the deal.

QUESTIONS FOR MIRANT ASSET MANAGEMENT PROPOSAL

• **Services Provided:**

- Please explain Mirant's understanding of providing "full -- requirements firm service."
- What type of corporate warranty will Mirant provide for this Asset Management Agreement?

• **Assignment of Contracts:**

- Please explain why Mirant is requesting to be Agent of all CG&E's transportation and storage contracts instead of CG&E releasing these contracts on the pipelines' EBB. Who will process the pipelines' and gas suppliers' invoices?

• **Load Forecasting:**

- How does Mirant propose to balance CG&E's system on weekends and holidays?

• **Commodity Pricing:**

- CG&E has contracted for its firm gas supply with various suppliers (including Mirant) for the 2001-2002 winter. The commodity pricing is established in these contracts. Is Mirant willing to accept the pricing in these various contracts?

• **Existing Storage Balance:**

- Please describe the "variable costs" that CG&E will be responsible for regarding storage injections and withdrawals.

• **Confirmations:**

- CG&E is responsible for balancing its gas system on a daily basis which includes gas transportation customer activity. Mirant states that it assumes no responsibility for any imbalances or financial failures due to transportation customer activity. Will Mirant take on CG&E's responsibility as far as balancing its gas system on a daily basis?

• **Compensation:**

- Please provide a final bid for Asset Management for CG&E and ULH&P on an individual company basis. No Lawrenceburg Gas Co.

Commitments Ready

Mirant Americas Energy Marketing, LP
1155 Perimeter Center West, Atlanta, Georgia 30338-5416
T 678 579 5000 F 678 579 5001 U www.mirant.com

**CONFIDENTIAL PROPRIETARY
TRADE SECRET**

September 26, 2001

James L. Turner
President
Regulated Businesses
Cinergy Corp.
P.O. Box 960
Cincinnati, Ohio 45201



Dear Mr. Turner:

As I promised in my September 14, 2001, correspondence, I have enclosed Mirant's proposal for the management of Cinergy's regulated natural gas assets. In the attached proposal I have included a number of options whereby we manage your natural gas assets while maintaining firm city-gate deliveries to Cinergy's desired meters. Each of these options varies only by the term of the transaction.

In developing these proposals, I made certain assumptions regarding Cinergy's system load and the assets under contract. These assumptions were based upon public information obtained from pipeline tariffs and our experience serving Cinergy. Our assumptions would have to be confirmed prior to finalizing any transaction between Cinergy and Mirant. However, I feel confident that our values are accurate based on our experience with managing assets similar to Cinergy's and our understanding of Cinergy's system.

For your reference, we currently provide asset management services for a number of companies. I have listed below a few of these companies and the specific contacts who would be willing to share their experiences with Mirant. Please feel free to contact these individuals.

- Niagara Mohawk	Bob Shanning	Director Gas Supply	(315) 460-4024
- Chesapeake Utilities	Jim Moore	Director Gas Supply	(302) 734-6797 Ext. 6747
Coming Natural Gas	Russ Miller	Vice President Operations	(607) 936-3755 Ext. 205
- PSEG	Denise Pocius	Manager Gas Trading	(973) 430-8181

I would like to discuss the proposal with you as soon as possible. I will contact you later in the week.

Sincerely,

Tim Delay
Vice President
Mirant Americas Energy Marketing

cc: Randy Randolph



Mirant Americas Energy Marketing LP ("Mirant")

Proposal for Storage and Transportation Management

Cinergy Corp. ("Cinergy")

Services provided:

Mirant will provide natural gas supplies to the city gate to provide full-requirements firm service.

different than release

Assignment of Contracts:

Cinergy will make Mirant agent for all transportation, storage and gas supply contracts related to Cincinnati Gas & Electric, Union Light Heat & Power, and Lawrenceburg Gas. This will allow Mirant to manage and optimize the upstream assets.

-- BREAKOUT

Load Forecasting:

Cinergy will provide Mirant a monthly forecast for baseload volumes. In addition, Cinergy will provide an updated forecast on a day ahead basis. Each day Cinergy will revise the initial monthly forecast for the following day. The updated forecast on Friday's will include the weekend through and including Mondays. Holidays will be treated the same as weekends with the preceding business days forecast to include any holidays.

Commodity Price:

All supply volumes that are forecasted by Cinergy for the month as baseload volumes will be priced as Inside F.E.R.C. first of the month index price flat plus all variable costs associated with the transportation of gas to the Cinergy city gate. For all volumes burned above Cinergy's baseload forecast, Cinergy will pay Gas Daily's Midpoint

*? as agent
C&E will
still pay
the interstate
charges.*

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SAME QUESTION

posting, plus variable costs to the Cinergy citygate. This pricing will be based on the least cost routing of Cinergy's assets to ensure that Cinergy's assets are being dispatched as they normally would. In the case when Cinergy's nominations are below their initial ^{first of the month} baseload nomination, Cinergy will keep Mirant whole for ^{the sum of} the difference between the First of the Month price and the Gas Daily price or ^{cost of} inject the excess gas into storage.

Existing Storage Balance: Cinergy will transfer storage balance to Mirant and will not be charged for storage withdrawals within the limits of their paper balance. Cinergy will reimburse Mirant for all variable costs associated with withdrawing gas from storage and transporting to Cinergy's citygates.

Assuming we don't pay the pipeline.

Nominations/Adjustments: Mirant will make all appropriate upstream pipeline/storage nominations to insure firm deliveries to Cinergy's city gate.

act as agent

Mirant will also handle any adjustments or flexibility to Cinergy's existing gas supply contracts that are currently in place.

What do they mean?

Confirmations:

Mirant will make all pipeline confirmations on upstream pipelines corresponding with nominations for Cinergy's system supply. Mirant assumes no responsibility for any imbalances or financial penalties due to any transportation customer activity.

CM&T - Responsibility for cost allocation.

STORAGE IS USED FOR BALANCING

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es: Each party shall be responsible for any cashouts, imbalance and/or other transportation related penalties attributable to its own actions. *w/ Terms of Contracts*

ensation: The following chart details the compensation Mirant is willing to pay for access to and the right to manage the specified portfolio resources consistent with the assumptions listed below. The payment as requested, would be paid in equal monthly installments.

	Nov. 1, 2001 through Oct. 31, 2002	Nov. 1, 2001 through Oct. 31, 2003	Nov. 1, 2001 through Oct. 31, 2004
l Dollars	\$4,000,000	\$8,150,000	\$12,300,000
velized onthly	\$333,333 for 12 months	\$339,583 for 24 months	\$341,667 for 36 months

PTIONS

e above proposal is based upon our knowledge of Cinergy's asset base and an assumed load profile. The data utilized was public information and certain assumptions were made where actual data was not available. These assumptions must be verified by Cinergy prior to finalizing a transaction.

ere have been no costs associated with the Mirant carrying pipeline demand fees. ✓

s nominated must be for Cinergy system load only. Swaps and off-system sales not included in pricing.

ere were no costs associated with any taxes included for Cinergy's account. ———→ TAX ISSUES ?

ergy has the right to negotiate a basis differential with Mirant to fix any portion of its supply portfolio (price) each month up to noon eastern standard time on the day of the month contract day of expiration.

proposal is based on the NYMEX and current basis differentials as of close of trading 9/24/2001 and are subject to change.

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- Any fixed portion of the supply gas price would replace the IF FOM index price according to the same weighting of the indices for this deal.
- If only the basis portion of the price is fixed by the required time, the remaining portion of the price will default to NYMEX settle.
- Any incremental intra-day nomination changes will be at an agreed-upon price.
- All receipt and delivery points remain in place during the term.
- All Storage accounts will be returned to Cinergy at a level equal to the storage balance at the beginning of the deal. ✓

• *GIVE US THE LIST OF INFORMATION
YOU NEED FOR A BIDDING OFFER,*

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Mirant Americas Energy Marketing, LP
1155 Perimeter Center West, Atlanta, Georgia 30338-5416
T 678 579 5000 F 678 579 5001 U www.mirant.com

September 19, 2001

James L. Turner
President
Regulated Businesses
Cinergy Corp.
P.O. Box 960
Cincinnati, Ohio 45201



Dear Mr. Turner:

As you know, Mirant has been a major supplier of natural gas to Cinergy for a number of years. In fact, this winter we will be supplying over 15 bcf of natural gas to help meet Cinergy supply needs. We are also providing natural gas volumes for Cinergy's winter hedging program. We appreciate this business and greatly value Cinergy as one of our major customers.

Recently, Cinergy requested to assign some of our existing supply contracts to Cinergy's marketing affiliate due to a pending asset management deal. Consequently, we completed a study as to how the natural gas assets of Cinergy's regulated businesses would fit into Mirant's extensive natural gas portfolio. As a result of this study, we are finalizing a proposal whereby Mirant would help to manage Cinergy's natural gas assets and guarantee firm city-gate deliveries. This proposal will be mailed to you later this week.

In general, our forthcoming proposal offers Cinergy an up-front payment of over \$4,000,000, firm city-gate deliveries, and allows Cinergy's customers to retain the value of existing natural gas in storage. I will contact you next week to walk you through our proposal in more detail.

If you have any questions or comments, please contact me at 678-579-3143.

Thank you again for your past and future business.

Sincerely,

Tim Delay
Vice President -- East Origination
Mirant Americas Energy Marketing

cc: Randy Randolph - Cinergy
Lou Perrotta - Mirant

October 22, 2001

VIA OVERNIGHT MAIL

Ms. Brenda Brooks
Aquila Energy Marketing Corp.
909 Fannin Street
Suite 1850
Houston, TX 77010-1007



Dear Ms. Brooks:

The Cincinnati Gas & Electric Company (CG&E) is requesting bids from the largest natural gas marketing companies to manage CG&E's natural gas supply and assets for each of the following periods:

- December 1, 2001 through October 31, 2002
- November 1, 2002 through October 31, 2003
- November 1, 2003 through October 31, 2004

Please review the attached summary titled, "Term Sheet For The Assignment And Management Of CG&E's Gas Supply Assets." This summary describes the terms that will be included in the Agreement between CG&E and the winning bidder (Asset Manager). Also attached are summaries of CG&E's current interstate pipelines' firm transportation and storage contracts that would be assigned to the Asset Manager during the term of the Agreement. Please note that several of CG&E's interstate pipeline contracts expire prior to November 1, 2002. CG&E will evaluate its customer load profile and associated peak hour/peak day seasonal design, and will secure and release to the Asset Manager interstate pipeline capacity that corresponds to the design criteria.

CG&E cannot warrant that its current interstate pipeline contract portfolio will remain the same commencing November 1, 2002. Consideration should be given to the uncertainty of future interstate pipeline transportation and storage contracts. Requirements for interstate pipeline transportation and storage may change as a result of the on-going retail customer choice program in Ohio.

If your company is interested in submitting a bid to perform the duties as CG&E's Asset Manager, please provide specific terms and conditions to the following areas:

- **Payment:**
 - Total payment. (Compensation Terms, i.e., monthly, quarterly, annual or full two-year, eleven-month term.) Please identify other possible compensation methods (ex.: profit sharing, price flexibility, etc.).
- **Financial Assurances:**
 - Parental guarantee. (Provide financial documentation.)
 - Letter of Credit. (Terms and conditions, and amount.)
- **Reference:**
 - Name/contacts of other gas distribution companies/utilities for which your company has provided similar Asset Manager responsibilities.

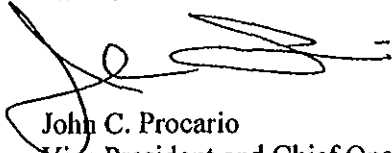
Ms. Brenda Brooks
Page 2
October 22, 2001

Bids to become CG&E's Asset Manager are due no later than 5:00 p.m. E.T. on October 31, 2001. Please mail or fax your company's bid to the attention of Tom Lawson, The Cincinnati Gas & Electric Company, 139 East Fourth Street, Rm. 470A, Cincinnati, Ohio 45202; Fax Number (513) 287-3768.

Should you have any questions concerning this request or require additional information, please contact Tom Lawson, Telephone Number (513) 287-3219; E-mail: Tlawson@cinergy.com.

Sincerely,

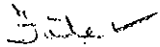
THE CINCINNATI GAS & ELECTRIC COMPANY



John C. Procario
Vice President and Chief Operating Officer
Regulated Businesses

TML:mlf

Attachments



CONFIDENTIAL PROPRIETARY
TRADE SECRET

October 22, 2001

VIA OVERNIGHT MAIL

Ms. Cindy Collins
BP Energy
501 Westlake Park Blvd.
Houston, TX 77079



Dear Ms. Collins:

The Cincinnati Gas & Electric Company (CG&E) is requesting bids from the largest natural gas marketing companies to manage CG&E's natural gas supply and assets for each of the following periods:

- December 1, 2001 through October 31, 2002
- November 1, 2002 through October 31, 2003
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CG&E cannot warrant that its current interstate pipeline contract portfolio will remain the same commencing November 1, 2002. Consideration should be given to the uncertainty of future interstate pipeline transportation and storage contracts. Requirements for interstate pipeline transportation and storage may change as a result of the on-going retail customer choice program in Ohio.

If your company is interested in submitting a bid to perform the duties as CG&E's Asset Manager, please provide specific terms and conditions to the following areas:

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 - Letter of Credit. (Terms and conditions, and amount.)
- **Reference:**
 - Name/contacts of other gas distribution companies/utilities for which your company has provided similar Asset Manager responsibilities.

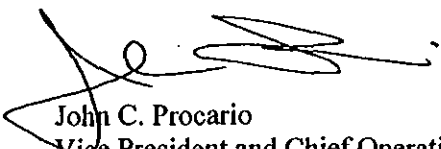
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Should you have any questions concerning this request or require additional information, please contact Tom Lawson, Telephone Number (513) 287-3219; E-mail: Tlawson@cinergy.com.

Sincerely,

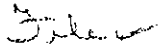
THE CINCINNATI GAS & ELECTRIC COMPANY



John C. Procario
Vice President and Chief Operating Officer
Regulated Businesses

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TRADE SECRET

Cinergy Corp.
139 East Fourth Street
P.O. Box 960
Cincinnati, OH 45201-0960

October 22, 2001

VIA OVERNIGHT MAIL

Mr. Julius Leitner
Coral Energy
909 Fannin Street
Suite 700
Houston, TX 77010



Dear Mr. Leitner:

The Cincinnati Gas & Electric Company (CG&E) is requesting bids from the largest natural gas marketing companies to manage CG&E's natural gas supply and assets for each of the following periods:

- December 1, 2001 through October 31, 2002
- November 1, 2002 through October 31, 2003
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Please review the attached summary titled, "Term Sheet For The Assignment And Management Of CG&E's Gas Supply Assets." This summary describes the terms that will be included in the Agreement between CG&E and the winning bidder (Asset Manager). Also attached are summaries of CG&E's current interstate pipelines' firm transportation and storage contracts that would be assigned to the Asset Manager during the term of the Agreement. Please note that several of CG&E's interstate pipeline contracts expire prior to November 1, 2002. CG&E will evaluate its customer load profile and associated peak hour/peak day seasonal design, and will secure and release to the Asset Manager interstate pipeline capacity that corresponds to the design criteria.

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If your company is interested in submitting a bid to perform the duties as CG&E's Asset Manager, please provide specific terms and conditions to the following areas:

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- Financial Assurances:
 - Parental guarantee. (Provide financial documentation.)
 - Letter of Credit. (Terms and conditions, and amount.)
- Reference:
 - Name/contacts of other gas distribution companies/utilities for which your company has provided similar Asset Manager responsibilities.

Mr. Julius Leitner
Page 2
October 22, 2001

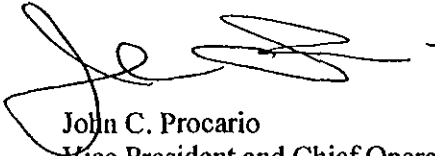
CONFIDENTIAL PROPRIETARY
TRADE SECRET

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Should you have any questions concerning this request or require additional information, please contact Tom Lawson, Telephone Number (513) 287-3219; E-mail: Tlawson@cinergy.com.

Sincerely,

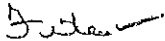
THE CINCINNATI GAS & ELECTRIC COMPANY



John C. Procario
Vice President and Chief Operating Officer
Regulated Businesses

TML:mlf

Attachments



CONFIDENTIAL PROPRIETARY
TRADE SECRET

Cinergy Corp.
139 East Fourth Street
P.O. Box 960
Cincinnati, OH 45201-0960

October 22, 2001

VIA OVERNIGHT MAIL

Ms. Kristy Molina
Dynegey Marketing and Trade
1000 Louisiana
Suite 5800
Houston, TX 77002-5050



Dear Ms. Molina:

The Cincinnati Gas & Electric Company (CG&E) is requesting bids from the largest natural gas marketing companies to manage CG&E's natural gas supply and assets for each of the following periods:

- December 1, 2001 through October 31, 2002
- November 1, 2002 through October 31, 2003
- November 1, 2003 through October 31, 2004

Please review the attached summary titled, "Term Sheet For The Assignment And Management Of CG&E's Gas Supply Assets." This summary describes the terms that will be included in the Agreement between CG&E and the winning bidder (Asset Manager). Also attached are summaries of CG&E's current interstate pipelines' firm transportation and storage contracts that would be assigned to the Asset Manager during the term of the Agreement. Please note that several of CG&E's interstate pipeline contracts expire prior to November 1, 2002. CG&E will evaluate its customer load profile and associated peak hour/peak day seasonal design, and will secure and release to the Asset Manager interstate pipeline capacity that corresponds to the design criteria.

CG&E cannot warrant that its current interstate pipeline contract portfolio will remain the same commencing November 1, 2002. Consideration should be given to the uncertainty of future interstate pipeline transportation and storage contracts. Requirements for interstate pipeline transportation and storage may change as a result of the on-going retail customer choice program in Ohio.

If your company is interested in submitting a bid to perform the duties as CG&E's Asset Manager, please provide specific terms and conditions to the following areas:

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- **Reference:**
 - Name/contacts of other gas distribution companies/utilities for which your company has provided similar Asset Manager responsibilities.

Ms. Kristy Molina
Page 2
October 22, 2001

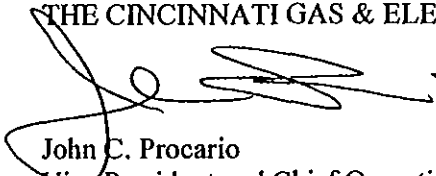
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Should you have any questions concerning this request or require additional information, please contact Tom Lawson, Telephone Number (513) 287-3219; E-mail: Tlawson@cinergy.com.

Sincerely,

THE CINCINNATI GAS & ELECTRIC COMPANY



John C. Procario
Vice President and Chief Operating Officer
Regulated Businesses

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TRADE SECRET

Cinergy Corp.
139 East Fourth Street
P.O. Box 960
Cincinnati, OH 45201-0960

October 22, 2001

VIA OVERNIGHT MAIL

Mr. Todd Blackford
Duke Energy
5400 Westheimer Court
Houston, TX 77056



Dear Mr. Blackford:

The Cincinnati Gas & Electric Company (CG&E) is requesting bids from the largest natural gas marketing companies to manage CG&E's natural gas supply and assets for each of the following periods:

- December 1, 2001 through October 31, 2002
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Mr. Todd Blackford
Page 2
October 22, 2001

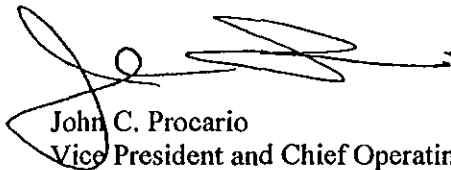
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Should you have any questions concerning this request or require additional information, please contact Tom Lawson, Telephone Number (513) 287-3219; E-mail: Tlawson@cinergy.com.

Sincerely,

THE CINCINNATI GAS & ELECTRIC COMPANY



John C. Procaro
Vice President and Chief Operating Officer
Regulated Businesses

TML:mlf

Attachments

File ✓

CONFIDENTIAL PROPRIETARY
TRADE SECRET

Cinergy Corp.
139 East Fourth Street
P.O. Box 960
Cincinnati, OH 45201-0960

October 22, 2001

VIA OVERNIGHT MAIL

Mr. Phil Demoos
El Paso Merchant Energy Company
1001 Louisiana Street
Houston, TX 77002



Dear Mr. Demoos:

The Cincinnati Gas & Electric Company (CG&E) is requesting bids from the largest natural gas marketing companies to manage CG&E's natural gas supply and assets for each of the following periods:

- December 1, 2001 through October 31, 2002
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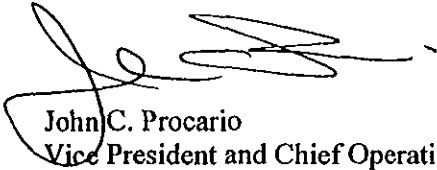
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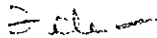
THE CINCINNATI GAS & ELECTRIC COMPANY



John C. Procario
Vice President and Chief Operating Officer
Regulated Businesses

TML:mlf

Attachments



CONFIDENTIAL PROPRIETARY
TRADE SECRET

Cinergy Corp.
139 East Fourth Street
P.O. Box 960
Cincinnati, OH 45201-0960

October 22, 2001

VIA OVERNIGHT MAIL

Mr. Frank Vickers
Enron North America
1400 Smith Street
Houston, TX 77002-7361



Dear Mr. Vickers:

The Cincinnati Gas & Electric Company (CG&E) is requesting bids from the largest natural gas marketing companies to manage CG&E's natural gas supply and assets for each of the following periods:

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- November 1, 2003 through October 31, 2004

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CG&E cannot warrant that its current interstate pipeline contract portfolio will remain the same commencing November 1, 2002. Consideration should be given to the uncertainty of future interstate pipeline transportation and storage contracts. Requirements for interstate pipeline transportation and storage may change as a result of the on-going retail customer choice program in Ohio.

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 - Total payment. (Compensation Terms, i.e., monthly, quarterly, annual or full two-year, eleven-month term.) Please identify other possible compensation methods (ex.: profit sharing, price flexibility, etc.).
- Financial Assurances:
 - Parental guarantee. (Provide financial documentation.)
 - Letter of Credit. (Terms and conditions, and amount.)
- Reference:
 - Name/contacts of other gas distribution companies/utilities for which your company has provided similar Asset Manager responsibilities.

Mr. Frank Vickers
Page 2
October 22, 2001

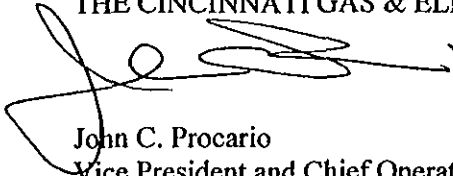
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Should you have any questions concerning this request or require additional information, please contact Tom Lawson, Telephone Number (513) 287-3219; E-mail: Tlawson@cinergy.com.

Sincerely,

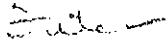
THE CINCINNATI GAS & ELECTRIC COMPANY



John C. Procario
Vice President and Chief Operating Officer
Regulated Businesses

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Attachments



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TRADE SECRET

Cinergy Corp.
139 East Fourth Street
P.O. Box 960
Cincinnati, OH 45201-0960

October 22, 2001

VIA OVERNIGHT MAIL

Mr. Louis Perrotta
Mirant Americas Energy Marketing, L.P.
1155 Perimeter Center West
Suite 130
Atlanta, GA 30338



Dear Mr. Perrotta:

The Cincinnati Gas & Electric Company (CG&E) is requesting bids from the largest natural gas marketing companies to manage CG&E's natural gas supply and assets for each of the following periods:

- December 1, 2001 through October 31, 2002
- November 1, 2002 through October 31, 2003
- November 1, 2003 through October 31, 2004

Please review the attached summary titled, "Term Sheet For The Assignment And Management Of CG&E's Gas Supply Assets." This summary describes the terms that will be included in the Agreement between CG&E and the winning bidder (Asset Manager). Also attached are summaries of CG&E's current interstate pipelines' firm transportation and storage contracts that would be assigned to the Asset Manager during the term of the Agreement. Please note that several of CG&E's interstate pipeline contracts expire prior to November 1, 2002. CG&E will evaluate its customer load profile and associated peak hour/peak day seasonal design, and will secure and release to the Asset Manager interstate pipeline capacity that corresponds to the design criteria.

CG&E cannot warrant that its current interstate pipeline contract portfolio will remain the same commencing November 1, 2002. Consideration should be given to the uncertainty of future interstate pipeline transportation and storage contracts. Requirements for interstate pipeline transportation and storage may change as a result of the on-going retail customer choice program in Ohio.

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- **Financial Assurances:**
 - Parental guarantee. (Provide financial documentation.)
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- **Reference:**
 - Name/contacts of other gas distribution companies/utilities for which your company has provided similar Asset Manager responsibilities.

Mr. Louis Perrotta
Page 2
October 22, 2001

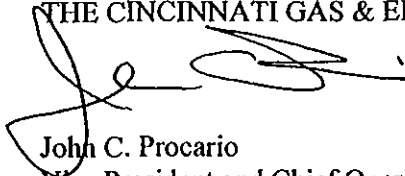
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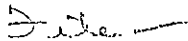
THE CINCINNATI GAS & ELECTRIC COMPANY



John C. Procario
Vice President and Chief Operating Officer
Regulated Businesses

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Cinergy Corp.
139 East Fourth Street
P.O. Box 960
Cincinnati, OH 45201-0960

October 22, 2001

VIA OVERNIGHT MAIL

Mr. Brian A. Fox
Manager, Marketing-East Region
Reliant Energy Services, Inc.
1926 Parkview Trace
Kennesaw, GA 30152



Dear Mr. Fox:

The Cincinnati Gas & Electric Company (CG&E) is requesting bids from the largest natural gas marketing companies to manage CG&E's natural gas supply and assets for each of the following periods:

- December 1, 2001 through October 31, 2002
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Mr. Brian A. Fox
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October 22, 2001

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Sincerely,

THE CINCINNATI GAS & ELECTRIC COMPANY



John C. Procario
Vice President and Chief Operating Officer
Regulated Businesses

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Cinergy Corp.
139 East Fourth Street
P.O. Box 960
Cincinnati, OH 45201-0960

October 22, 2001

VIA OVERNIGHT MAIL

Mr. Scott J. LaShelle
Vice President
Semptra Energy Trading
58 Commerce Road
Stamford, CT 06902



Dear Mr. LaShelle:

The Cincinnati Gas & Electric Company (CG&E) is requesting bids from the largest natural gas marketing companies to manage CG&E's natural gas supply and assets for each of the following periods:

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Mr. Scott J. LaShelle
Page 2
October 22, 2001

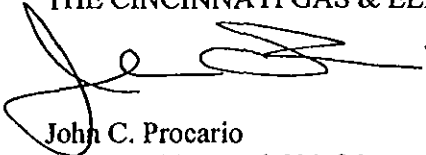
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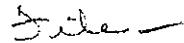
THE CINCINNATI GAS & ELECTRIC COMPANY



John C. Procaro
Vice President and Chief Operating Officer
Regulated Businesses

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CONFIDENTIAL PROPRIETARY
TRADE SECRET

Cinergy Corp.
139 East Fourth Street
P.O. Box 960
Cincinnati, OH 45201-0960

October 22, 2001

VIA OVERNIGHT MAIL

Ms. Christy Perritt
Williams Energy Marketing & Trading Co.
One Williams Center, Trading Floor
Tulsa, OK 74172



Dear Ms. Perritt:

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Ms. Christy Perritt
Page 2
October 22, 2001

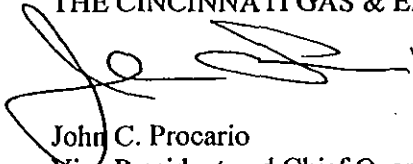
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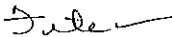
THE CINCINNATI GAS & ELECTRIC COMPANY



John C. Procaro
Vice President and Chief Operating Officer
Regulated Businesses

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TRADE SECRET

Cinergy Corp.
139 East Fourth Street
P.O. Box 960
Cincinnati, OH 45201-0960

October 22, 2001

VIA OVERNIGHT MAIL

Mr. John Daly
Cinergy Marketing & Trading
1100 Louisiana Street
Suite 4900
Houston, TX 77002



Dear Mr. Daly:

The Cincinnati Gas & Electric Company (CG&E) is requesting bids from the largest natural gas marketing companies to manage CG&E's natural gas supply and assets for each of the following periods:

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Mr. John Daly
Page 2
October 22, 2001

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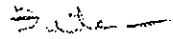
THE CINCINNATI GAS & ELECTRIC COMPANY



John C. Procario
Vice President and Chief Operating Officer
Regulated Businesses

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October 22, 2001

**TERM SHEET FOR
THE ASSIGNMENT AND MANAGEMENT OF
CG&E'S GAS SUPPLY ASSETS**

- The Cincinnati Gas & Electric Company (CG&E) and the Manager of CG&E's natural gas supply assets (ASSET MANAGER) will enter into a natural gas supply management agreement which specifies that:
 - CG&E will release its firm interstate pipeline transportation and storage contracts and assign its firm gas supplier contracts to the ASSET MANAGER over the term of this agreement for a payment by ASSET MANAGER to CG&E.
 - CG&E will continue to evaluate its customer load profile and associated peak hour, peak day and seasonal design, and CG&E will secure and release to ASSET MANAGER interstate pipeline capacity that corresponds to the design criteria.
 - In regard to CG&E releasing to ASSET MANAGER CG&E's firm interstate pipeline transportation and storage contracts, CG&E and ASSET MANAGER agree to the following procedure:
 1. CG&E will release all firm interstate pipeline transportation and storage contracts to ASSET MANAGER for the term of this agreement with "recall" provisions that allow CG&E to recall the interstate pipeline capacity on twenty-four (24) hours notice for operational purposes with no reput rights to ASSET MANAGER.
 2. For those firm interstate pipeline contracts in which CG&E pays maximum tariff rates, CG&E will enter into a pre-arranged release with ASSET MANAGER at the pipeline's maximum rate(s). Because the pre-arranged release will be at maximum rate, the release will be posted on the interstate pipeline's Electronic Bulletin Board (EBB) for notice purposes only.

October 22, 2001

3. For those firm interstate pipeline contracts in which CG&E pays less than maximum tariff rate(s), CG&E will do a pre-arranged release with ASSET MANAGER and post on the interstate pipeline's EBB at the discounted rate for competitive bidding with the condition that ASSET MANAGER has the right to match the best bid. If applicable, ASSET MANAGER will match the best bid received by the interstate pipeline for CG&E released capacity.
 4. ASSET MANAGER agrees to return to CG&E all released firm interstate pipeline transportation and storage capacity and assigned firm gas supplier contracts immediately upon receiving notice from CG&E if ASSET MANAGER fails at any time to fulfill the terms within this agreement.
 5. ASSET MANAGER will not change the "primary" receipt and delivery points on CG&E's firm interstate pipeline transportation and storage contracts.
-
- ASSET MANAGER will be responsible for providing natural gas deliveries to CG&E's city gate in order to meet CG&E's gas sales customers hourly and daily natural gas requirements, up to the maximum hourly and daily quantity level of the interstate pipelines' transportation and storage withdrawal rights under the released contracts and, if applicable, firm gas supplier contract entitlements. ASSET MANAGER will adhere to CG&E's operational requirements regarding natural gas deliveries to CG&E's city gate as stated in Attachment A. Any quantities of natural gas required by CG&E in excess of CG&E's contract entitlements with the interstate pipelines and, if applicable, firm gas suppliers will be provided on a best efforts basis by ASSET MANAGER at current market prices reflecting natural gas deliveries to CG&E's city gate.
 - CG&E will prepare a worksheet that will reflect its deemed total cost of gas based on CG&E's hourly and daily dispatching of supply as if it had been done without an ASSET MANAGER managing CG&E's gas supply assets. This worksheet will be the basis for ASSET MANAGER's charges for the gas it delivers to CG&E's city gate. CG&E will provide

October 22, 2001

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ASSET MANAGER this worksheet each month for billing purposes. ASSET MANAGER will invoice CG&E each month reflecting the total gas costs shown on the worksheet. Any charges billed by CG&E's interstate pipelines or firm gas suppliers that are not the result of CG&E's daily dispatching (as reflected on the worksheet) or are not minimum bill or demand charges will be the responsibility of ASSET MANAGER. This would include but not be limited to interstate pipeline overrun charges, imbalance charges and penalties not caused by CG&E.

- ASSET MANAGER will verify CG&E assigned firm gas supplier and released interstate pipeline invoices and issue payments according to contracts and/or tariffs. ASSET MANAGER will be responsible for any "late" charges from interstate pipelines and/or firm gas suppliers due to ASSET MANAGER not rendering payments on or before due dates stated in the contracts and/or tariffs.
- ASSET MANAGER will provide CG&E with the appropriate records and documentation for all costs billed by ASSET MANAGER to CG&E, including but not limited to interstate pipeline charges, firm gas supplier charges and other costs associated with this Agreement so that CG&E may fulfill its regulatory reporting requirements.
- One hundred percent (100%) of all interstate pipeline refunds, associated with the capacity that was released by CG&E to ASSET MANAGER or related to interstate pipeline capacity previously contracted for by CG&E, will be forwarded by ASSET MANAGER to CG&E.
- ASSET MANAGER will manage CG&E's physical natural gas storage inventories with the various interstate pipelines. CG&E will maintain an inventory ledger of its interstate pipeline storage inventory reflecting CG&E's virtual dispatching of storage withdrawals and injections. ASSET MANAGER has the obligation to meet CG&E's daily physical load requirements that are currently met with interstate pipeline storage up to the level of the contractual rights released to ASSET MANAGER.

October 22, 2001

- ASSET MANAGER agrees to manage CG&E's natural gas storage inventories with the various interstate pipelines in a manner that will minimize the cost and tax liability of both CG&E and ASSET MANAGER. ASSET MANAGER agrees to provide the appropriate record keeping concerning the interstate pipelines transportation and storage invoices and documentation such that the natural gas storage inventories and associated expenses may be properly capitalized and expensed.
- CG&E will provide ASSET MANAGER daily load forecasts and dispatching priorities by 8:30 a.m. (E.T.). ASSET MANAGER will contact assigned gas suppliers in accordance with their respective contracts regarding daily changes to flowing supply, and ASSET MANAGER will transmit the nominations and scheduling to the interstate pipelines. ASSET MANAGER will provide to CG&E the names and associated contact information of ASSET MANAGER's personnel that can be reached 24 hours a day, 7 days a week, in the event CG&E is experiencing problems with natural gas deliveries to its city gate.
- Gas supply purchases made by CG&E for the winter season (November, 2001 through March, 2002) will be acquired through the firm gas supplier contracts that will be assigned to ASSET MANAGER. CG&E will determine prior to the beginning of each winter month the amount of gas from each of the firm gas supplier contracts that will be priced at Inside FERC First of the Month index and the Gas Daily index. CG&E will identify any price-hedging that has been previously contracted for and is included within the firm gas supplier contracts assigned to ASSET MANAGER. Any additional gas supply purchases required by CG&E will be acquired through ASSET MANAGER based upon mutually agreeable prices. Gas supply purchases made by CG&E for the summer season (April, 2002 through October, 2002) will be acquired through ASSET MANAGER based on market prices for Inside FERC First of the Month Index and/or Gas Daily or another natural gas pricing mechanism that is mutually agreeable to CG&E and the ASSET MANAGER. CG&E will determine prior to the beginning of each summer month the amount of gas that will be priced at Inside FERC First of the Month Index and the

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October 22, 2001

Gas Daily Index. Any price-hedging required by CG&E for gas delivery prior to November 1, 2002 other than those price-hedging transactions entered into by CG&E and its firm gas suppliers prior to the effective date of this agreement will be performed by ASSET MANAGER. CG&E will determine the natural gas price-hedging strategies for its gas supply purchases in order to minimize price volatility for its gas customers. CG&E will coordinate with ASSET MANAGER the type of price-hedging tools to be used (ex. fixed price, collars and caps), the amount of supply to be hedged, and for what time period. ASSET MANAGER will be responsible for executing CG&E's hedging strategies and providing the necessary documentation to CG&E in order for CG&E to fulfill its regulatory reporting requirements.

- Commencing November 1, 2002 and beyond, CG&E will have the option to purchase natural gas from suppliers other than the ASSET MANAGER. If CG&E chooses to purchase natural gas from other suppliers, then CG&E will have the option to do price-hedging transactions through these suppliers. CG&E will notify ASSET MANAGER prior to September 1, 2002 if it will use other gas suppliers after October 31, 2002. CG&E will assign any gas supplier contracts commencing on or after November 1, 2002 to ASSET MANAGER.

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October 22, 2001

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Attachment A

**CG&E's Operational Requirements
Regarding Natural Gas Deliveries To The City Gate**

- 1) North/South System Flow Limitations The ASSET MANAGER's interstate pipeline scheduling (nominations) of natural gas deliveries to CG&E's city gate must account for CG&E's physical constraints on its distribution system which is dependent upon CG&E's daily system load requirements. These constraints change hourly with CG&E's load fluctuations.
- 2) Pipeline Storage Limitations CG&E has contracted for firm interstate pipeline storage with Texas Gas Transmission and Columbia Gas Transmission. The daily and seasonal contract quantities are committed to serve CG&E's firm sales customers throughout the entire heating season (October-April). CG&E must have flexibility to utilize on a daily basis CG&E's pipeline storage capacity and associated volumes to manage weather and load forecasting deviations and daily balancing for gas sales and transportation customers behind the city gate. Pipeline storage has daily, monthly and seasonal operational limitations defined by tariff and contract (i.e., withdraw limits, injection limits, ratchets). Deliveries to and from storage may be altered with intra-day nomination changes to sync scheduled deliveries to the city gate. Except for extreme conditions, pipeline storage inventories should remain above 10% by the end of March in order to provide for system balancing during April. It will be the sole responsibility of the ASSET MANAGER to provide the necessary natural gas deliveries to CG&E each day on Columbia Gas Transmission and Texas Gas Transmission for system balancing.
- 3) Pipeline Storage Refill During the storage injection period (April through October) natural gas must be nominated on Texas Gas Transmission and Columbia Gas Transmission on a daily basis to refill CG&E's contracted seasonal storage capacity with each pipeline in order to reach design inventory levels of approximately 98% by Nov. 1, and to comply with Columbia Gas Transmission and Texas Gas Transmission tariff limitations on daily and monthly injections into storage.
- 4) Pipeline Nominations In order for CG&E to confirm and allocate city gate deliveries on a daily basis, ASSET MANAGER must provide, by fax, to CG&E's Gas Control and Gas Rates & Transportation Departments by 2:00 p.m. E.T. prior to the beginning of the gas day, detailed information of all scheduled deliveries to CG&E's city gate. This information will include the interstate pipelines utilized and their associated contract numbers and scheduled volumes along with a pre-determined allocation if required by the interstate pipeline. Any intra-day nominations for increased or decreased deliveries to CG&E must be reported by fax to CG&E's Gas Control and Gas Rates & Transportation Departments one hour after intra-day nominations are due to the interstate pipeline.

October 22, 2001

- 5) Columbia Gas Storage/Transportation Capacity (SST) CG&E's Gas Control Department must be notified immediately by fax when CG&E's SST capacity with Columbia Gas Transmission is released to third parties or used to deliver gas by ASSET MANAGER to other markets. Any capacity releases to other markets reduce the amount of gas that would be available to be injected into or withdrawn from storage to CG&E's city gate.
- 6) Peak Hourly Rate Because of interstate pipelines limiting daily volumes on standard FT and IT contracts to 1/24 hourly flow rates, CG&E contracts on various interstate pipelines for transportation agreements that allow 1/16 hourly flow rates in order to meet peak hour load requirements. CG&E must have available to its city gate those interstate pipeline contracts that allow for 1/16 hourly flow rates during peak winter periods.
- 7) Nominations for South End of System When nominating gas for delivery to the south end of CG&E's system three pipelines can be utilized, Tennessee Gas Pipeline, Columbia Gas Transmission and Columbia Gulf Transmission. On a daily basis, CG&E's Gas Control Department will determine and include in its daily dispatching priorities the minimum volume of flowing gas on Columbia Gas Transmission and/or Columbia Gulf Transmission to CG&E's city gate.

CONFIDENTIAL PROPRIETARY
TRADE SECRET

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TRADE SECRET

The Cincinnati Gas & Electric Company
Summary of Firm Contracts with Interstate Pipelines

Columbia Gas Transmission (CGT)

CGT SST

Oct.-Mar.	220,514 dth/day	city gate
Apr.-Sep.	110,257 dth/day	city gate

Contract expires on Nov. 1, 2004

CGT FSS

MDWQ	220,514 dth/day	city gate
SCQ	9,416,079 dth	CGT storage

Contract expires on Nov. 1, 2004

Columbia Gulf Transmission (CGulf)

CGulf FTS-2

Nov - Mar	81,760 dth/day	Rayne, La.
Apr - Oct	62,674 dth/day	Rayne, La.

Contract expires on Nov. 1, 2004

CGulf FTS-1

Nov - Mar	113,214 dth/day	Leach, Ky.
Apr - Oct	86,785 dth/day	Leach, Ky.

Contract expires on Nov. 1, 2004

KO Transmission Company (KOT)

KOT FT

12 months	184,000 dth/day	1/ city gate
-----------	-----------------	--------------

Contract expires on June 1, 2006

1/ Includes 3,000 dth which was released non-recallable to Interstate Gas Supply from 04/01/99 thru 04/01/02.

Texas Gas Transmission (TGT)

TGT FT

12 months	12,810 dth/day	city gate
-----------	----------------	-----------

Contract expires on Nov. 1, 2004

TGT NNS

Unnominated -Winter	25,000 dth/day	city gate
Unnominated -April	12,500 dth/day	city gate
Unnominated -October	17,500 dth/day	city gate
Unnom. - Winter SCQ	2,350,000 dth	city gate
Nominated - Winter	71,500 dth/day	city gate
Nominated - Summer	10,982 dth/day	city gate

Contract expires on Nov. 1, 2002

The Cincinnati Gas & Electric Company
Summary of Short Term Firm Contracts with Interstate Pipelines
(Short Term = Less Than One Year)

Tennessee Gas Pipeline (Tenn.)

Tenn. FT-A

Nov - Mar	45,000 dth/day	North Means, Ky.
-----------	----------------	------------------

Contract expires on April 1, 2002

ANR Pipeline (ANR)

ANR FTS-1

Nov - Mar	18,000 dth/day	city gate
-----------	----------------	-----------

Contract expires on April 1, 2002

CONFIDENTIAL PROPRIETARY
TRADE SECRET

Attention: **Mr. Tom Lawson**

Date: 11/5/01

Company: CG&E

Number of Pages: 2

Fax Number: 15132873768

Voice Number:

From: **Brian Fox**

Company: Reliant Energy Services, Inc.

Fax Number: 770-426-5655

Voice Number: 770-426-4145

Subject: RE-FAX

Comments:

This is a second transmission due to an error message received. If you received the original fax, please disregard this one.



CONFIDENTIAL PROPRIETARY
TRADE SECRET

October 31, 2001

VIA FAX 513-287-3768

Mr. Tom Lawson
The Cincinnati Gas & Electric Company
139 East Fourth Street, Room 470A
Cincinnati, OH 45202

Dear Mr. Lawson:

Thank you for giving Reliant Energy Services, Inc. the opportunity to review your request for bids to manage CG&E's and ULH&P's natural gas supply and assets. After careful review and consideration, Reliant Energy Services, Inc. has decided not to submit a bid to manage the supply and assets at this time.

At Reliant Energy Services, we feel the value in asset management transactions is derived from the excess flexibility and optionality inherent in existing contracts. The excess being available after serving the demand requirements of the customer. After reviewing the terms and conditions outlined in the RFP, it is our opinion that CG&E and ULH&P are retaining such a significant degree of optionality, that there would be a smaller amount of excess rights to attempt to monetize for Reliant Energy Services' benefit than we are comfortable with at this time.

Again, I appreciate the opportunity to review the RFP. Should you have additional supply and/or asset management needs, I hope you will again consider Reliant Energy Services, Inc. If there is ever anything I can do for you, please feel free to contact me at any time.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian A. Fox".

Brian A. Fox
Manager, Marketing-East Region
Wholesale Gas Group

CONFIDENTIAL PROPRIETARY
TRADE SECRET

AQUILA

A UtiliCorp United Company

909 Fannin Street, Suite 1850
Houston, Texas 77010-1007

Phone: 713-336-7442
Fax: 713-336-7403

FAX

To:

Tom Hawson

From:

Brenda Brooks

Fax:

513-287-3768

Pages:

5

Phone:

Date:

Nov. 2, 2001

Re:

CC:

☐ Urgent

☐ For Review

☐ Please Comment

☐ Please Reply

☐ Please Recycle

• Comments:

CONFIDENTIAL PROPRIETARY
TRADE SECRET

2 Houston Center
909 Fannin Street, Suite 1850
Houston, TX 77010-1007
713-336-7400
Fax: 713-336-7403
Toll Free: (800) 298-0184

AQUILA

Corrected

October 31, 2001

Mr. John C. Procario
The Cincinnati Gas and Electric Company
139 East Fourth Street
Cincinnati, OH 45201

Dear Mr. Procario,

Aquila Energy Marketing Corporation (Aquila) is pleased to provide this response to The Cincinnati Gas and Electric Company's (CG&E) request dated October 22, 2001. Aquila is interested in the opportunity to perform the duties as an Asset Manager.

Aquila has reviewed the Term Sheet for the Assignment and Management of CG&E's Gas Supply Assets (the "Term Sheet"). Aquila agrees to work with CG&E towards the execution of a definitive asset management agreement that contains terms and conditions which are substantially similar to those terms reflected in the Term Sheet.

Payment:

Year 1 (Dec 1, 2001 through October 31, 2002)

Lump Sum Option - Aquila will pay \$2,975,000 to be distributed monthly during the term of the agreement.

Profit Sharing Option - Aquila will pay \$ 2,550,000 to be distributed monthly during the term of the agreement. The profit sharing will be 25% Cinergy and 75% Aquila up to \$4.5 million. After \$4.5 million the profit sharing will be 50% Cinergy and 50% Aquila.

Aquila would like to have right of first refusal for this arrangement in year 2 and year 3.

Financial Assurances:

Aquila has provided Cinergy with financial assurances for gas supply agreements. The guarantee will be formatted the same as the existing agreement. Other forms of financial assurances, if necessary, could be negotiated.

References:CONFIDENTIAL PROPRIETARY
TRADE SECRETNorthwest Natural
City of Colorado Springs, Colorado

Aquila, Inc. is one of the largest and fastest-growing energy marketing and risk management organizations in North America. The company trades a diverse portfolio of commodities, including natural gas, electricity, weather, coal, global liquids and bandwidth capacity.

Throughout the United States the company owns or controls natural gas or natural gas liquids gathering systems, pipelines and processing plants. The company also owns and operates the Katy Storage Facility in Katy, TX one of the largest storage facilities in the Southwest. And in mid-2001, the company also purchased a company that is developing a key storage facility in Northern California. Aquila also owns, controls, has under development or has investments in 4,100 megawatts of power. In 2001, the company began construction of three new power plants in Mississippi and Illinois, and operations began at another new 600 megawatt power plant in Southwest Missouri.

In the past five years Aquila's 12-month sales increased from \$3 billion (Dec.31, 1996) to \$26 billion (December 31, 2000), representing a compound annual growth rate of 78 percent. Net income rose from \$45 million to \$98 million during the same period, representing a compound annual growth rate of 22 percent. In the first six months of 2001 Aquila's sales more than doubled from the same period a year ago, while earning increased more than 360 percent.

Aquila is 80 percent owned by UtiliCorp United, a multinational energy company with more than 4 million customers. It operates in the United States, Canada, New Zealand and Australia. Both Aquila and UtiliCorp are headquartered in Kansas City, MO.

Our goal is to provide custom product solutions to meet your specific business needs. We view our business relationship as a partnership, and appreciate the opportunity to be considered as an Asset Manager for CG&E. Please feel free to contact me at 713-336-7442 with any questions or comments you may have about this proposal.

Sincerely,

Brenda L. Brooks
Senior Account Director

- This proposal is for discussion purposes only and is not intended to be complete and all inclusive of the terms of the related transaction. This is not an offer or commitment of AEM or any parent or affiliate of AEM. The transaction described herein is subject to further review and approval of AEM and execution of definitive agreements containing all appropriate provisions, including those relating to credit and limitation of damages.*
- The terms and conditions of this proposal and any agreement that results from this proposal shall be held confidential and shall not be disclosed by either party to third parties absent written consent, except as specifically required by mineral lease, regulatory, legal or legislative compliance.*

October 31, 2001

CONFIDENTIAL PROPRIETARY
TRADE SECRET

Mr. John C. Procario
The Cincinnati Gas and Electric Company
139 East Fourth Street
Cincinnati, OH 45201

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Profit Sharing Option -- Aquila will pay \$ 2,125,000 to be distributed monthly during the term of the agreement. The profit sharing will be 25% Cinergy and 75% Aquila up to \$4 million. After \$4 million the profit sharing will be 50% Cinergy and 50% Aquila. ←

← depends from 25% of 4 million

total profit or other share
How will we know what profit is made?

Aquila would like to have right of first refusal for this arrangement in year 2 and year 3.

Financial Assurances:

Aquila has provided Cinergy with financial assurances for gas supply agreements. The guarantee will be formatted the same as the existing agreement. Other forms of financial assurances, if necessary, could be negotiated.

References:

Northwest Natural
City of Colorado Springs, Colorado

Aquila, Inc. is one of the largest and fastest-growing energy marketing and risk management organizations in North America. The company trades a diverse portfolio of commodities, including natural gas, electricity, weather, coal, global liquids and bandwidth capacity.

4,500,000
- 2,550,000
2,950,000
25% of 4,500,000 = 1,125,000
1,125,000
- 50%
562,500
+ 4,500,000
= 5,062,500

CONFIDENTIAL PROPRIETARY
TRADE SECRET

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Our goal is to provide custom product solutions to meet your specific business needs. We view our business relationship as a partnership, and appreciate the opportunity to be considered as an Asset Manager for CG&E. Please feel free to contact me at 713-336-7442 with any questions or comments you may have about this proposal.

Sincerely,

Brenda L. Brooks
Senior Account Director

- *This proposal is for discussion purposes only and is not intended to be complete and all inclusive of the terms of the related transaction. This is not an offer or commitment of AEM or any parent or affiliate of AEM. The transaction described herein is subject to further review and approval of AEM and execution of definitive agreements containing all appropriate provisions, including those relating to credit and limitation of damages.*
- *The terms and conditions of this proposal and any agreement that results from this proposal shall be held confidential and shall not be disclosed by either party to third parties absent written consent, except as specifically required by mineral lease, regulatory, legal or legislative compliance.*

CONFIDENTIAL PROPRIETARY
TRADE SECRET



One Williams Center
P. O. Box 2848
Tulsa, Oklahoma 74101-9567
918/573-2000

October 31, 2001

Mr. Tom Lawson
Cincinnati Gas and Electric Company
139 East Fourth Street, Room 470A
Cincinnati, OH 45202

Dear Mr. Lawson,

Williams Energy Marketing and Trading ("Williams EM&T") is pleased to submit the enclosed term sheet in response to your RFP. We appreciate your interest in exploring Williams as the future asset manager and business partner.

As depicted in the enclosed information, Williams EM&T is a national player of significance in the energy market. We have widespread expertise in natural gas daily and monthly trading, full requirements/no notice sale to conventional LDC customers, gas service to power generation facilities, and all associated risk management in servicing these kinds of customers. Cincinnati's assets coupled with Williams' expertise will make a partnership that will be beneficial to both parties.

We are excited about the opportunity to be considered as the asset manager and are confident that with our services and expertise, we will provide you with excellent service.

If you desire to discuss any matters in the attachments, please feel free to contact me at (918) 573-6243.

Sincerely,

Alan R. Killion
Origination ES
Williams Energy Marketing & Trading

CONFIDENTIAL PROPRIETARY
TRADE SECRET

**Fuel Management and Supply
Proposed Terms and Conditions
Between
Cincinnati Gas & Electric Company ("CG&E")
And
Williams Energy Marketing & Trading Company ("Williams")**

This confidential non-binding summary of principal commercial terms ("Transaction Summary") is preliminary and is intended to set forth certain basic terms to be discussed and to serve as a basis for further discussions and negotiations between the Parties with respect to the potential Transaction. Except for the Confidentiality provision contained herein, the matters set forth are not intended to and do not constitute a binding agreement of the Parties or establish any obligation of the parties with respect to the Transaction. Any such binding agreement will arise only upon the negotiation, execution and delivery of mutually satisfactory definitive agreements and the satisfaction of the conditions set forth therein, including the approval of such agreements and the Transaction by the respective governing body(ies) and management of each Party, which approval shall be in the sole subjective discretion of the respective governing body(ies) and management.

Transaction Overview

Subject to terms and conditions to be set forth in the definitive agreement, Williams will manage the transportation, storage, and supply contracts currently subscribed to by CG&E.

Term: December 1, 2001 through October 31, 2002. Williams would have the sole option to extend the term through October 31, 2004 upon reasonable advanced written notice to CG&E.

Compensation: Williams will pay CG&E \$1,050,000 annually in arrears. Compensation is contingent upon CG&E renewing all of its transportation agreements. To the extent CG&E fails to renew any of its transportation agreements, then Williams will have the right to either: (i) terminate the definitive agreement; or (ii) adjust the compensation to be paid by Williams to CG&E.

Transaction

Subject to terms and conditions to be set forth in the definitive agreement: (i) CG&E will release all supply, transportation, and storage contracts to Williams; and (ii) Williams will provide all gas supply for CG&E.

Williams' obligation to serve CG&E will not exceed the assets that will be released to Williams from CG&E. If CG&E's daily load does exceed the released assets, Williams will secure and provide supply to the city gate and CG&E will reimburse Williams all costs therefore.

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TRADE SECRET

Williams will have full utilization of the assets specified in the RFP to serve CG&E and Williams will be given full flexibility and discretion on the use of the assets. Williams will be responsible for maintaining the appropriate storage levels and injection and withdrawal ratchets listed in the relevant tariffs. Williams will be responsible for penalties associated with storage contracts and transportation caused by Williams and CG&E will be responsible for said penalties caused by CG&E.

CG&E will be responsible for creating a spreadsheet that depicts CG&E's planned usage of the assets as if it continued to operate the assets. This spreadsheet will be the basis for cost reimbursements to Williams and will be attached as an exhibit to the definitive agreement.

CG&E will be responsible for costs associated with the demand fees on transportation contracts and storage contracts. Variable costs will be the responsibility of CG&E where it is deemed the transportation and/or storage was to be utilized for CG&E's load per the spreadsheet referenced in the Request For Proposal. Williams will bear the variable costs where assets are utilized outside of the spreadsheet allocation.

This proposal is based upon standard load growth for the CG&E service territory, but does not include extraordinary growth that may enter the service territory (>10000 Dth/day) or an expansion of the service territory geographically that would materially alter Williams' management capability of the assets. Williams would be willing to enter into discussions with CG&E to supply such extraordinary load and/or expansion under different terms and conditions.

Storage volumes that are received from CG&E will be returned at the same level after the term of the definitive agreement.

CG&E will provide to Williams real time access to its load through electronic measurement or other methods acceptable to Williams.

Credit Support

Williams will provide a performance guaranty from the Williams Companies, Inc. or another investment grade rated entity, not to exceed an agreed upon amount. CG&E will provide a performance guaranty from an investment grade rated entity or a letter of credit from an investment grade rated entity, not to exceed an agreed upon amount.

Other Conditions

The terms and conditions of this Transaction Summary are contingent upon Williams' bid for Fuel Management Supply submitted to Union Light, Heat and Power being accepted in whole by Union Light, Heat and Power.

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BINDING PROVISIONS

Confidentiality

The parties shall maintain all commercial terms confidential for the greater of (i) the term of the Confidentiality Agreement dated October 31, 2001 by and between CG&E and Williams, (ii) two years from the date of this Term Sheet; or (iii) the term of the transaction. CG&E shall not disclose such commercial terms except to those officers, employees, consultants and agents which have a reasonable need to know for the furtherance of the transaction and shall not use any of the information contained herein for any other purpose.

Exclusivity CG&E hereby agrees to negotiate in good faith exclusively with Williams for a period of ninety (90) days from the execution of this Term Sheet.

EXECUTED AND AGREED TO THIS ____ DAY OF _____, 2001.

CINCINNATI GAS & ELECTRIC COMPANY WILLIAMS ENERGY MARKETING & TRADING COMPANY

By: _____
Name: _____
Title: _____

By: _____
Name: Philip J. Scalzo
Title: Vice President

CONFIDENTIAL PROPRIETARY
TRADE SECRET

Cinergy Marketing & Trading, LLC
1100 Louisiana Street, Suite 4900
Houston, TX 77002
Tel 713.393.6800
Fax 713.571.1741

PAUL DREXELIUS
MANAGING DIRECTOR TRANSPORTATION & STORAGE
DIRECT: (713) 393-6856

October 31, 2001

CINERGY®

Mr. Tom Lawson
The Cincinnati Gas & Electric Company
The Union Light Heat and Power Company
139 East Fourth Street
Room 470A
Cincinnati, Ohio 45202

Fax: 513-287-3768

Dear Mr. Lawson:

In response to your request for bids from marketing companies regarding the potential management of CG&E's and ULH&P's natural gas supply and assets for certain designated time periods, we wish to confirm that our proposal dated August 2, 2001 should be considered a response to your request for proposals.

Since we gave you an unsolicited bid before you decided to issue a request for proposal, we would ask that you give us an opportunity to match the highest bid.

Please call me if you have any questions.

Sincerely,
Cinergy Marketing & Trading, LLC



Paul Drexelius
Managing Director
Transportation & Storage

CONFIDENTIAL PROPRIETARY
TRADE SECRET

Cinergy Marketing & Trading, LLC
1100 Louisiana Street, Suite 4900
Houston, TX 77002
Tel 713.393.6800
Fax 713.571.1741

RANDALL F. BEVIS
VICE PRESIDENT AND GENERAL COUNSEL
DIRECT: (713) 393-6857
FACSIMILE: (713) 393-6903

October 31, 2001

CINERGY

Mr. Tom Lawson
The Cincinnati Gas & Electric Company
The Union Light Heat and Power Company
139 East Fourth Street
Room 470A
Cincinnati, Ohio 45202

Fax: 513-287-3768

Dear Mr. Lawson:

In response to your request for bids from marketing companies regarding the potential management of CG&E's and ULH&P's natural gas supply and assets for certain designated time periods, we wish to confirm that our proposal dated September 14, 2001 should be considered a response to your request for proposals.

Since we gave you an unsolicited bid before you decided to issue a request for proposal, we would ask that you give us an opportunity to match the highest bid.

Please call me if you have any questions.

Sincerely,
Cinergy Marketing & Trading, LLC


John Daly
Vice President-Trading & Operations

CONFIDENTIAL PROPRIETARY
TRADE SECRET

Cinergy Marketing & Trading, LLC
1100 Louisiana Street, Suite 4900
Houston, TX 77002
Tel 713.393.6800
Fax 713.571.1741

PAUL DREXELIUS
MANAGING DIRECTOR TRANSPORTATION & STORAGE
DIRECT: (713) 393-6856

October 31, 2001

CINERGY.

Mr. Tom Lawson
The Cincinnati Gas & Electric Company
The Union Light Heat and Power Company
139 East Fourth Street
Room 470A
Cincinnati, Ohio 45202

Fax: 513-287-3768

Dear Mr. Lawson:

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Sincerely,
Cinergy Marketing & Trading, LLC



Paul Drexelius
Managing Director
Transportation & Storage

CONFIDENTIAL PROPRIETARY
TRADE SECRET

Cinergy Marketing & Trading, LLC
1100 Louisiana Street, Suite 4900
Houston, TX 77002
Tel 713.393.6800
Fax 713.571.1741

RANDALL F. BEVIS
VICE PRESIDENT AND GENERAL COUNSEL
DIRECT: (713) 393-6857
FACSIMILE: (713) 393-6903

October 31, 2001

CINERGY.

Mr. Tom Lawson
The Cincinnati Gas & Electric Company
The Union Light Heat and Power Company
139 East Fourth Street
Room 470A
Cincinnati, Ohio 45202

Fax: 513-287-3768

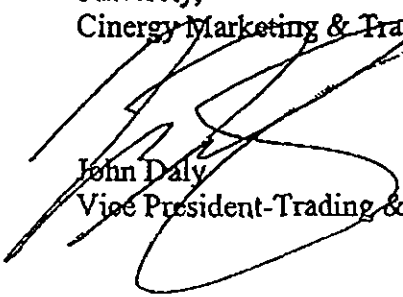
Dear Mr. Lawson:

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Please call me if you have any questions.

Sincerely,
Cinergy Marketing & Trading, LLC



John Daly
Vice President-Trading & Operations

Lawson, Tom

From: Drexelius, Paul
Date: Wednesday, October 31, 2001 3:40 PM
To: Randolph, Randy; Lawson, Tom
Cc: Daly, John
Subject: FW: TERM SHEET FOR

Randy & Tom This is the term sheet that I refer to in the response to your current RFP for CG&E & UHL&P

-----Original Message-----

From: Lawson, Tom
Sent: Thursday, August 02, 2001 3:58 PM
To: Drexelius, Paul
Cc: Randolph, Randy; Finnigan, John
Subject: TERM SHEET FOR

Paul,

Attached is the latest draft of the "term sheet" for the transfer of the gas supply function to CM&T. If you are OK with this term sheet then legal can use it to develop an agreement which can be presented to the PUC's. We need to have CM&T determine the allocation of the \$1,250,000 transfer price between CG&E and ULH&P.

Thanks,



term

sheet-gassupplyfunction-c..

**TERM SHEET FOR
TRANSFER OF GAS SUPPLY FUNCTION
FROM CG&E/ULH&P TO CM&T**

- CG&E/ULH&P and CM&T will enter into a natural gas supply management agreement with a three year term commencing November 1, 2001 which specifies that:
 - CG&E/ULH&P will release to CM&T all of its firm interstate pipeline transportation and storage contracts and assign all of its firm gas supply contracts. In regard to CG&E/ULH&P releasing to CM&T their firm interstate pipeline transportation and storage contracts, CG&E/ULH&P and CM&T agree to the following procedure:
 1. CG&E/ULH&P will release all firm interstate pipeline transportation and storage contracts to CM&T for the remaining terms of these contracts on a "recallable" basis with twenty-four (24) hours notice for operational purposes with no reput rights.
 2. For those interstate pipeline contracts in which CG&E/ULH&P pay current maximum tariff rates, CG&E/ULH&P will enter into a pre-arranged release with CM&T at the pipeline's maximum rate(s). Because the pre-arranged release will be at maximum rate, the release will be posted on the interstate pipeline's EBB for notice purposes only.
 3. For those interstate pipeline contracts in which CG&E/ULH&P pay less than maximum tariff rate(s), CG&E/ULH&P will do a pre-arranged release with CM&T and post on the interstate pipeline's EBB at the discounted rate for competitive bidding with the condition that CM&T has the right to match the best bid. If applicable, CM&T will match the best bid received by the interstate pipeline for CG&E/ULH&P's released capacity.
 4. CM&T agrees to return to CG&E/ULH&P all released interstate pipeline transportation and storage capacity and assigned firm gas supply contracts as soon as possible if CM&T cannot fulfill the terms within this agreement.
 - CM&T will follow all of CG&E's/ULH&P's operating requirements regarding gas supply, per Attachment A,

entitled "CG&E/ULH&P Operational Requirements Regarding Natural Gas Deliveries To The City Gate."

- CM&T will be responsible for providing natural gas deliveries to CG&E/ULH&P's city gate in order to meet CG&E's/ULH&P's gas customers hourly and daily natural gas requirements, up to the maximum daily quantity level of the gas supply and interstate pipeline transportation and storage withdrawal rights under the assigned or released contracts. Unless specifically agreed otherwise, CG&E/ULH&P's dispatch rights will be no greater or less than the rights it would have had under the assigned or released contracts if it had retained them. Any quantities in excess of such contractual quantities will be provided on a best efforts basis at current market prices reflecting natural gas deliveries to CG&E/ULH&P's gas service territory.
- CG&E/ULH&P will prepare a worksheet that will reflect its deemed total cost of gas based on CG&E's/ULH&P's hourly and daily dispatching of supply as if it had been done under the assigned gas supply contracts and the released interstate pipeline transportation and storage contracts including future new contracts for additional capacity, which will be the basis for CM&T's charges for the gas it delivers to CG&E/ULH&P except to the extent CG&E/ULH&P have elected to convert to a fixed price or engage in other hedging as provided hereinbelow. CG&E/ULH&P will provide CM&T this worksheet each month for billing purposes. CM&T will invoice CG&E and ULH&P separately each month reflecting the total gas costs for each company shown on the CG&E/ULH&P worksheet. Any charges billed by CG&E's/ULH&P's interstate pipelines or gas suppliers that are not the result of CG&E's/ULH&P's daily dispatching (as reflected on the worksheet) or are not minimum bill or demand charges will be the responsibility of CM&T. This would include but not be limited to pipeline overrun charges, imbalance charges and penalties not caused by CG&E/ULH&P.
- CM&T will verify CG&E/ULH&P assigned gas supplier and released interstate pipeline invoices and issue payments according to contracts and/or tariffs. CM&T will be responsible for any "late" charges from pipelines and/or gas suppliers due to CM&T not rendering payments on or before due dates stated in the contracts and/or tariffs.
- CM&T will provide CG&E/ULH&P, copies of all invoices and associated back-up material (ex. measurement statements,

etc.) from interstate pipelines on a monthly basis and gas suppliers' invoices upon request.

- One hundred percent (100%) of all interstate pipeline refunds, associated with the capacity that was released by CG&E/ULH&P to CM&T or related to pipeline capacity previously contracted for by CG&E/ULH&P, will be forwarded by CM&T to CG&E/ULH&P for inclusion in their GCR's/GCA's.
- Based on the year 2000, the value of CG&E's/ULH&P's capacity release credits received from various interstate pipelines was approximately \$1,028,000. For the year 2001, CG&E's/ULH&P's firm interstate pipeline capacity has been reduced to match their GCR/GCA customer load profile during the summer months (April - October). CG&E/ULH&P projects that the annual capacity release credits from interstate pipelines will be less than the amount received during 2000 because of the reduction in CG&E's/ULH&P's firm interstate pipeline capacity. Therefore, CG&E/ULH&P will release all interstate pipeline firm capacity to CM&T in exchange for an annual payment of \$1,250,000, for the term of this agreement and which CG&E/ULH&P will credit to GCR/GCA customers. CG&E/ULH&P will continue to evaluate their GCR's/GCA's customer load profile and associated peak hour, peak day and seasonal design, and CG&E/ULH&P will secure (and release to CM&T) interstate pipeline capacity that corresponds to the design criteria.
- CM&T will manage CG&E's/ULH&P's physical natural gas storage inventories with the various interstate pipelines. CG&E/ULH&P will maintain a continuous "book" of its interstate pipeline storage inventory reflecting CG&E's/ULH&P's virtual dispatching of storage withdrawals and injections. CG&E's/ULH&P's cost for withdrawing gas from storage, except with Texas Gas Transmission (Texas Gas), is the weighted average inventory price of the natural gas in storage. With Texas Gas storage withdrawals, CG&E books the estimated replacement cost using NYMEX futures gas prices for the following summer. CG&E's/ULH&P's cost for injecting natural gas into storage will be based on prices with gas supplier(s) under assigned gas supply contracts or from the spot market plus transportation and fuel costs from the interstate pipelines. CM&T has the obligation to meet CG&E's/ULH&P's daily physical load requirements that are currently met with interstate pipeline storage up to the level of the contractual rights released to CM&T.

- CG&E/ULH&P will provide CM&T daily load forecasts and dispatching priorities. CM&T will contact assigned gas suppliers in accordance with their respective contracts regarding daily changes to flowing supply, and CM&T will transmit the nominations and scheduling to the interstate pipelines.
- CM&T will not change the "primary" receipt and delivery points on CG&E's/ULH&P's interstate pipeline transportation and storage contracts.
- CG&E/ULH&P will continue to acquire natural gas supply, interstate pipeline transportation and storage contracts for future time periods and will transfer them to CM&T under the same terms.
- Gas supply purchases made by CG&E/ULH&P for the winter season (November through March) will be acquired through the firm gas supplier contracts that will be assigned to CM&T. CG&E/ULH&P will determine prior to the beginning of each winter month the amount of gas from each of the firm gas supply contracts that will be priced at Inside FERC First of the Month index and the Gas Daily index. CG&E/ULH&P will identify any price hedging that has been previously contracted for and is included within the firm gas supplier contracts assigned to CM&T. Any additional gas supply purchases required by CG&E/ULH&P will be acquired through CM&T based upon mutually agreeable prices. Gas supply purchases made by CG&E/ULH&P for the summer season (April through October) will be acquired through CM&T based on market prices for Inside FERC First of the Month Index and Gas Daily. CG&E/ULH&P will determine prior to the beginning of each summer month the amount of gas that will be priced at Inside FERC First of the Month Index and the Gas Daily Index. Any price hedging required by CG&E/ULH&P other than those price-hedging transactions entered into by CG&E/ULH&P prior to the effective date of this agreement will be performed by CM&T as described hereinbelow.
- CG&E/ULH&P will determine the natural gas price hedging strategies for future gas suppliers in order to minimize price volatility for their GCR/GCA gas customers. CG&E/ULH&P will coordinate with CM&T the type of price hedging tools to be used (ex. fixed price, collars and caps), the amount of supply to be hedged, and for what time period. CM&T will be responsible for executing CG&E/ULH&P's hedging strategies and providing the necessary documentation for audit purposes.

**CG&E's/ULH&P's Operational Requirements
Regarding Natural Gas Deliveries To The City Gate**

- 1) North/South System Flow Limitations Interstate pipeline scheduling (nominations) must account for CG&E's/ULH&P's physical constraints on their distribution systems which are dependent upon their daily system load requirements. These constraints change hourly with CG&E's/ULH&P's load fluctuations. The attached graphs show the minimum and maximum daily delivery requirements on CG&E's/ULH&P's gas system from the north and south ends. Note: All physical deliveries to ULH&P must be made on interstate pipelines that interconnect with the south end of the system.

- 2) Pipeline Storage Limitations CG&E and ULH&P have contracted for firm interstate pipeline storage with Texas Gas and Columbia Gas. The daily and seasonal contract quantities are committed to serve CG&E's and ULH&P's firm sales customers throughout the entire heating season (October-April). CG&E/ULH&P must have flexibility to utilize on a daily basis CG&E's and ULH&P's pipeline storage capacity and associated volumes to manage weather and load forecasting deviations and daily balancing for gas sales and transportation customers behind the city gate. Pipeline storage has daily, monthly and seasonal operational limitations defined by tariff and contract (i.e., withdraw limits, injection limits, ratchets). Deliveries to and from storage may be altered with intra-day nomination changes to sync scheduled deliveries to the city gate. Except for extreme conditions, pipeline storage inventories should remain above 10% by the end of March in order to provide for system balancing during April.

- 3) Pipeline Storage Refill During the storage injection period (April through October) natural gas must be nominated on Texas Gas and Columbia Gas on a daily basis to refill CG&E's and ULH&P's contracted seasonal storage capacity with each pipeline in order to reach design inventory levels of approximately 98% by Nov. 1, and to comply with Columbia Gas and Texas Gas tariff limitations on daily and monthly injections into storage.

- 4) Pipeline Nominations Daily nominations for gas supplies delivered to CG&E's and ULH&P's city gates, excluding interstate pipeline storage withdrawal from Columbia Gas and Texas Gas, must be summarized and reported on a daily basis (including weekends and holidays) by 5:00 p.m. E.S.T. to CG&E's/ULH&P's Gas Control Department prior to the beginning of the next gas day. These deliveries must be identified by the interstate pipeline and the associated CG&E and ULH&P contracts. When providing "city gate deliveries" CM&T must notify CG&E's/ULH&P's Gas Rates & Transportation Department of the interstate pipeline, contract number and volume being delivered for purposes of confirmation by 2:00 p.m. E.S.T. prior to the beginning of the gas day. Also, the "predetermined allocation" (PDA) for Texas Gas contracts must be sent to CG&E's/ULH&P's Gas Rates & Transportation Department daily. Any intra-day nominations for increased or decreased deliveries to CG&E/ULH&P must be reported to CG&E/ULH&P's Gas Control and Gas Rates & Transportation Departments as soon as possible.

5) Columbia Gas
Storage/Transportation Capacity
(SST)

Any time that CG&E's and ULH&P's SST capacity with Columbia Gas is released to third parties or used to deliver gas by CM&T to other markets, CG&E's/ULH&P's Gas Control Department must be notified as soon as possible. Any capacity releases to other markets reduce the amount of gas that would be available to be injected into or withdrawn from storage to CG&E's/ULH&P's city gate.

6) Peak Hourly Rate

Because of interstate pipelines limiting daily volumes on standard FT and IT contracts to 1/24 hourly flow rates, CG&E contracts on various interstate pipelines for transportation agreements that allow 1/16 hourly flow rates in order to meet peak hour load requirements. CG&E must have available to its city gate those interstate pipeline contracts that allow for 1/16 hourly flow rates during peak winter periods.

7) Nominations for South End of
System

When nominating gas for delivery to the south end of CG&E's/ULH&P's system three pipelines can be utilized, Tennessee, Columbia Gas and Columbia Gulf. Any volumes flowing from Tennessee to CG&E/ULH&P cannot be redirected to Columbia Gas storage. There must be a minimum volume of flowing gas on Columbia Gas and/or Columbia Gulf to CG&E's/ULH&P's city gate every day of the year for system balancing.

8) Lebanon Lateral (TETCO/ANR)

When nominating volumes on the Lebanon Lateral (Texas Eastern/ANR) the daily limitations shown on the attached graph must be maintained.

9) Daily Systems Balancing

In order for CG&E/ULH&P to balance its gas system on a daily basis CG&E/ULH&P require a minimum of 50,000 Dth/d of Columbia Gas SST/FSS capacity every day of the year. Also, CG&E requires approximately 25,000 Dth/d of Texas Gas NNS – Unnominated for the period October through April in order to balance its gas system.

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Doc. 77708

Lawson, Tom

From: Kristy.M.Molina@dynegy.com
Wednesday, October 31, 2001 5:26 PM
Lawson, Tom; Dirheimer, Jim
Subject: RFP response



cg102001.doc

Tom,

I forgot to give you asset management referrals.

Nashville Gas
Scott Searcy
(704) 364-3483 ext. 6302

Rochester Gas & Electric
Kurt Roney
(716) 724-8252

NStar/ComGas
Barbara Stamos
(508) 481-7900

Thanks,

Kristy

----- Forwarded by Kristy M Molina/HOU/Dynegy on 10/31/01 04:21 PM -----

Kristy M
Molina
JDirheimer@cinergy.com
10/31/01
03:55 PM
To: TLawson@cinergy.com,
cc:
Subject: RFP response

Dear Tom,

Please find DMT's proposal attached. The proposal is non-binding for either party due to changing market conditions and mutual contract negotiation agreement. Please let me know if you have any questions.

Thanks,

Kristy

(The attached file: cg102001.doc)

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October 31, 2001

Mr. Tom Lawson
Cincinnati Gas & Electric/Union Light, Heat & Power
139 East Fourth Street
P.O. Box 960
Cincinnati, OH 45201-0960

Dear Tom:

The management and employees of Dynegy Marketing and Trade (DMT) appreciate the opportunity to propose a full asset management service for the combined Cincinnati Gas & Electric Company and Union Light, Heat & Power Company for the upcoming term(s) stated in your RFP.

The attached bid is subject to the execution of a definitive agreement between DMT, Cincinnati and Union. We look forward to working towards the successful conclusion of this process and feel free to contact me at 713-767-8349 to answer your questions as well as to further move towards a mutually agreeable transaction.

If any assets in the current portfolio become unavailable once an agreement is reached, DMT may need to re-assess the long term value of the deal.

Sincerely,

Kristy Molina
Northeast Trading
Dynegy Marketing and Trade

Proposal Dated October 31, 2001

Option 1. Full asset management

Term: Eleven, twenty three or thirty five months, effective December 1, 2001

Term of Service: Per RFP

Payment by DMT: (Total payment stated. Is to be divided by number of months paid in equal increments each month), \$1,050,000 (11), \$2,100,000 (23) or \$3,200,000 (35)

Utilization of Assets: DMT will be refunded appropriate demand charges by Cincinnati/Union on all transportation

Monthly Invoicing: Dynegy will invoice Cincinnati/Union each month equal to one seventh of the Refill Quantity, grossed-up for applicable injection and transportation fuels multiplied by the applicable index. Dynegy will also invoice Cincinnati/Union each month one-seventh of the applicable variable transportation and injection charges related to the Refill Quantity as well as 100% of the reservation charges.

Option 2. Full asset management with storage fill pricing look-back

Term: Eleven, twenty three or thirty five months, commencing December 1, 2001

Term of Service: Per RFP

Utilization of Assets: (Same as above)

Payment by DMT: (Total payment stated. Is to be divided by number of months paid in equal increments each month) \$2,700,000 (11), \$5,500,000 (23) or \$8,400,000 (35)

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Monthly Invoicing: (Same as above, with any adjustments from look-back
Option credited or debited from the next month's bill)



Sempra Energy Trading Corp.
58 Commerce Road
Stamford, CT 06902
(203) 355-5000
(203) 355-5010

Scott J. La Shelle
Vice President
203-355-5087

October 31, 2001

Mr. Tom Lawson
The Cincinnati Gas & Electric Co.
139 East Fourth Street, Rm. 470A
Cincinnati, OH 45202

Dear Tom:

Sempra Energy Trading Corp. ("Sempra") is pleased to respond to Cincinnati Gas & Electric Company's ("CG&E") and Union Light, Heat and Power Company's (ULH&P or "the Companies") request for a proposal to manage natural gas supply, transportation and storage assets outlined in your letter dated October, 22, 2001. Sempra is interested in being an asset manager of the Companies' Columbia system storage and transportation assets. We believe that the Columbia assets provide the most potential value in managing your two systems. Sempra does not see significant value in managing the other transportation and storage assets currently held by the Companies.

Sempra believes that this proposed transaction will accomplish the following:

- Lower customer gas costs through the payment of an asset management fee by Sempra;
- Provide the Companies with the same level of operational flexibility as if the Columbia assets were still managed "in house;"
- Allow the Companies to retain management of transportation assets and supply through other pipelines;
- Provide a mechanism to source physical supply and structure fixed price hedges through Sempra's risk management expertise; and
- Develop a new relationship with a strong physical and financial trader who can provide the tools and expertise to manage the Companies' price and supply risks efficiently.

We would be willing to enter into a transaction for the eleven month term or a multi year term, if acceptable to you. I have outlined Sempra's proposal below and look forward to working with you on this transaction or a variant of it that we are able to develop together. We believe that Sempra could negotiate contract terms and execute this contract in order for it to be in place by December 1st.

Overview of the Proposed Transaction – Columbia Asset Management

Sempra would like to manage CG&E's and ULH&P's Columbia Gulf and Columbia Gas transportation and storage assets in return for a fee of \$1.2mm for the term of December 1, 2001-October 31, 2002. Sempra would pay a fee of \$2.6mm for a 23 month deal and \$4.1mm for a 35 month deal all starting on December 1, 2001. The fees would be paid monthly over the term of the transaction in equal installments.

The Companies will continue to have use of the transportation and storage assets up to the maximum delivery volumes and withdrawal quantities as prescribed in the relevant tariffs. The Companies will release all Columbia assets (as listed below) to Sempra at max rate. All demand charges will be billed back to the Companies based on 100% load factors. Sempra will provide a winter management service for the FSS storage account utilizing SST capacity, a summer injection service and a delivered service utilizing FTS-1 and FTS-2 capacity. It will be Sempra's intention to structure these services to provide the Companies with a service similar to its own dispatch of the assets and to preserve the Companies' rights to call on all delivered volumes within the constraints of the pipeline tariffs.

CG&E Assets to be released to Sempra:

- 1) Columbia Gas Transmission SST capacity 220,514/d winter, 110,257/d summer
- 2) Columbia Gas Transmission FSS storage 9,416,079 SCQ, 220,514 MDQ
- 3) Columbia Gulf FTS-1 capacity 113,214 /d winter, 86,785/d summer
- 4) Columbia Gulf FTS-2 capacity 81,760/d winter, 62,674/d summer .

ULH&P Assets to be released to Sempra:

- 5) Columbia Gas Transmission SST capacity 46,656/d winter, 23,328/d summer
- 6) Columbia Gas Transmission FSS storage 1,610,276 SCQ, 46,656 MDQ
- 7) Columbia Gulf FTS-1 capacity 22,782 /d winter, 17,598/d summer
- 8) Columbia Gulf FTS-2 capacity 16,458/d winter, 12,708/d summer

Storage Injection – Summer Season

Sempra would be responsible for filling storage to an annual target volume determined at the inception of our contract, which we have assumed to be 98% of capacity by November 1st of each year in the term. Sempra will inject gas during the summer season to reach the target SCQ and abide by all pipeline tariffs. Sempra will have the right to bill volumes to the Companies based on the current pipeline ratchet levels for FSS injections. The billing for storage volumes will be based on Columbia Gulf Onshore IFERC Index price plus FTS-1, FTS-2 and SST fuel and commodity charges, plus injection commodity costs and fuel for FSS.

Storage Service – Winter Season

The Companies will have the right to inject or withdraw up to their daily MDQs under the FSS tariff. The Companies' actual volumes will determine the ratchet levels in force at any time. Sempra will be responsible for any charges due to its actions. The Companies agree to be responsible for all taxes imposed on storage inventories. The winter season will be deemed to last until April for purposes of the Companies withdrawal rights (but they cannot inject gas in April). All nominations from FSS storage will be delivered to the Companies' citygates using SST capacity. The Companies will be responsible for FSS and SST variable costs of withdrawal and delivery to their citygates.

To the extent that Sempra uses the Companies' injection or withdrawal rights or transportation capacity at levels different from those nominated by the Companies, then Sempra shall be responsible for such variable charges. Sempra and the Companies will reconcile the FSS storage inventory on a monthly basis, in order to determine and agree upon the storage balance for each party and billing amounts.

Columbia Gulf Delivered Service

Sempra will primarily use the Columbia Gulf FTS-1 and FTS-2 capacity to fill storage in the summer. During the November-March period Sempra would reserve the capacity for the Companies' use and would bill delivered gas at the Gas Daily Columbia midpoint plus \$0.005 per mmbtu plus variable charges into the KOT pipeline. If gas supply has been assigned to Sempra, then Sempra will bill through the contract pricing and charge variable transportation costs. Should the Companies desire to baseload gas, then Sempra would either sell gas at floating or fixed prices, to be negotiated, or the Companies could contract for gas supply and have it assigned to Sempra who could then hedge it at fixed or collared prices in a bundled physical transaction.

During the April through October period, the Companies may use the CGT capacity that is remaining after deducting the amount of capacity needed to meet the maximum injection quantity in any month. This supply can be priced off of Columbia Gulf Onshore IFERC Index or Gas Daily pricing for Columbia plus transportation variables, as decided during the prior month bid week. The Companies will have no rights to inject or withdraw gas during the May-October period.

Hedging Gas Costs

Sempra would be willing to work with the Companies to manage gas costs through fixed prices or the use of costless collars, or other products that we mutually negotiate and imbed them in a physical sale to the Companies. Sempra is a principal in the Over-the-Counter (OTC) swap and option markets for natural gas, both for Nymex and other locations throughout the US and Canada. We have worked closely with a number of LDC customers to fix gas costs through both physical and financial transactions. As discussed above, Sempra would be willing to work with the Companies to acquire physical gas or take assignments of the Companies' contracted supply

and convert it into a negotiated fixed price or structuring costless collars (buying calls and selling puts at no net premium).

Nomination Procedures

Sempra has a gas scheduling group of 12 individuals for the Eastern US business that is available on a 24 hour basis. The Companies would be entitled to make nominations or changes up until the GISB or contract time constraints. Sempra would generate seasonal, monthly and daily confirmations detailing transactions. The Companies will need to provide a nomination to Sempra by 9:30 am EST on the day prior to gas flow.

Sempra Profile and Expertise

An extensive profile is attached for your reference that discusses Sempra's asset management experience and specific biographies on key Sempra personnel. Sempra has managed full requirement contracts with large LDCs such as Nashville (subsidiary of Piedmont Nat Gas) and Southern Connecticut Gas with peak day throughput of 200,000 mmbtus, to smaller systems such as Fall River Gas and Middleborough (both located on Algonquin) of less than 25,000 per day. We have managed over 8 bcf of FSS storage for both Piedmont and Public Service North Carolina over the last year. Sempra also provides a full requirements service on Columbia to Honeywell, who has 58,000 mmbtus per day of delivered capacity.

Sempra was listed as the seventh largest gas marketer in the US in Gas Daily's recent quarterly survey (2Q2001, published 8/17/01). We have extensive relationships with customers in both the US and Canada in the natural gas business.

Please feel free to contact the following customers for information on Sempra's capabilities and level of service.

1. Keith Maust, Piedmont/Nashville 704-364-3120
2. Melinda Russell, Public Service North Carolina 704-834-6470
3. Jack Fanning, Vice President, Fall River Gas Co. 508-689-1150
4. Dave Egelson, Director Energy Supply, Honeywell 203-258-3760
5. Tom Wieczynski, Baltimore Gas & Electric, 410-291-5196

Financial Assurances

Sempra Energy Trading Corp. will provide a parent company guarantee, for a dollar amount to be negotiated, from "A" rated Sempra Energy (NYSE: "SRE"). I have enclosed financial information in our overnight package to you, including our annual report.

Timing & Execution

We believe that we can negotiate, execute and document this proposed transaction in time for it to be in place by December 1, 2001. Sempra has experienced in-house counsel to support these

transactions, who are used to compressed time schedules. We have enclosed a draft asset management contract for your review, which has been left in a generic format.

I will be the primary contact at Sempra for this proposed transaction. Please call me to discuss Sempra's proposal as soon as possible. I believe that we have provided a framework to address your goals as outlined in your letter. We are excited about the prospect of working with your companies and feel that we can negotiate a transaction that works for both parties.

Best regards,

These terms are for discussion purposes only and are not intended to be a legally binding commitment, which will only result from the execution and delivery of definitive documentation acceptable to each party in its discretion. The information contained herein is believed to be reliable. However, SET makes no representation as to the accuracy or completeness of any information contained herein or otherwise provided by SET. SET is not acting as CG&E's advisor and the ultimate decision to proceed with any transaction rests solely with CG&E. Therefore, before entering into any proposed transaction, CG&E should determine the economic risks and merits, as well as the legal, tax and accounting characterizations and consequences of the transaction and that it is able to assume those risks



CONFIDENTIAL PROPRIETARY
TRADE SECRET

October 31, 2001

Tom Lawson
CG&E and ULH&P
139 East Fourth Street, Rm. 470A
Cincinnati, OH 45202

Dear Tom:

Enron North America (Enron) is pleased to submit this proposal for gas supply, transportation, and storage management services to Cincinnati Gas and Electric (CG&E) and Union Light Heat and Power (ULH&P). This proposal offers both CG&E and ULH&P pricing options specifically designed to accommodate the needs identified in the RFP dated October 22, 2001. It is our belief that this proposal will provide options that will lower overall gas cost to customers and provide the highest standard of reliability that CG&E and ULH&P has received from any supplier.

We are excited about the prospect of providing gas supply and transportation management service. As you are aware, Enron's position as the largest supplier of natural gas means we are experienced and positioned to deliver those products and services requested. In fact, Enron has an excellent track record with numerous local distribution companies and end use customers that are pleased with our services from up-front negotiations to back office accounting.

The enclosed response is Enron's indicative offer that is based on current market conditions and subject to the execution of a definitive agreement. If you need to discuss the offer, feel free to call me at (713) 345-8646.

Thank you for considering Enron as a potential supplier for those services requested.

With regards,

David F. Jones
Director, Eastern Region Marketing

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Term Sheet
Assignment and Management
of
Cincinnati Gas and Electric Company

Summary of Offer:	Cincinnati Gas and Electric Company (CG&E) desires to enter into an asset management agreement under which Enron North America (Enron) would manage all existing transportation contracts, storage contracts, and supply contracts.
Buyer:	Cincinnati Gas and Electric Company (CG&E)
Service Provider:	Enron North America Corp. (Enron)
Term:	December 1, 2001 through October 31, 2002
Receipt Pipelines:	ANR Pipeline (ANR), Columbia Gulf Transmission (CGT), Tennessee Gas Pipeline (TGP), and Texas Gas Transmission (TGT)
Receipt Points:	
<i>ANR</i>	SE Header Station
<i>CGT</i>	Onshore Pool and Rayne, LA
<i>Texas Gas</i>	Zone SL
<i>TGP</i>	500 Leg, Zone 1
Transportation Entitlements:	See Attachment "A" for the specific transportation entitlements that the valuation considered.
Storage Operational Details:	See Attachment "A" for the specific operational details that the valuation considered.
Nomination Flexibility:	CG&E must provide Enron with a confirmation of its first of the month (FOM) supply dispatch five (5) days prior to gas flow. CG&E can change the previous day dispatch order by providing notice to Enron before 7:30 AM CST on the day prior to gas flow. Intra-day requests for delivered supply must be done in accordance with all pipeline deadlines and the flexibility permitted by gas supply and storage contracts.
Demand Costs:	CG&E shall be responsible for all demand costs associated with gas supply, interstate or intrastate pipelines, and storage contracts.

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Transportation and Storage Costs:	For all delivered supply requests, those variable transportation expenses including commodity, fuel, and other related surcharges such as ACA and GRI are the responsibility of CG&E. Similarly, all expenses associated with the requests for storage injection or withdrawal are the responsibility of CG&E.
Capacity Releases:	<p>To the extent allowed, CG&E shall enter into a pre-arranged capacity release of all interstate and intrastate pipeline capacity at maximum tariff rates with Enron.</p> <p>In situations that require capacity to be posted subject to bid, CG&E and Enron shall determine all commercially relevant posting parameters such as (1) granting Enron the right to match "best bid" and (2) mandating all bidders meet specific requirements of the transaction.</p> <p>If bids by other counter-parties for capacity released exceed maximum pipeline rates, CG&E and Enron shall agree to modify the proposed compensation structure to accommodate differences between the actual bid received by CG&E and the maximum tariff rate.</p>
Compensation:	<p>Enron recognizes the need for CG&E to maintain supply and transportation flexibility to meet CG&E's firm obligations to its customers. These obligations include gas supply requirements that vary hourly and daily. Consequently, the assets allocated to this transaction are to a great extent "encumbered" and cannot be deemed as excess. Therefore, Enron believes the most appropriate compensation structure for this transaction is one that involves sharing of value actually realized. Although the sharing percentage is negotiable, Enron believes a fair offer to UHL&P is <u>sixty percent</u> of all value created through this transaction.</p> <p>Enron's valuation methodology considered CG&E's historical weather patterns over the last 20 years and determined the months where excess flexibility regarding transportation assets and storage might exist. Based on the previously described analysis, captured below are notional values by asset type determined to exist over the term of the prospective contract. The assessment offered serves only to provide CG&E with an indicative value related to the specific assets involved in this transaction.</p> <p style="text-align: center;">-----</p> <p><u>Transportation Assets and Supply Dispatch:</u></p> <p>Recognizing that UHL&P will provide a worksheet each day indicating CG&E's desired city-gate dispatch order, Enron will seek to optimize the request by evaluating alternative supply sourcing opportunities. In addition to supply optimization efforts, Enron has determined a value for the transportation assets that are considered excess based on the assumptions noted below.</p> <p>Extrinsic and intrinsic values for excess capacity and supply</p>

This foregoing document was electronically filed with the Public Utilities

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in

Case No(s). 03-0119-GA-FOR, 03-0219-GA-GCR

Summary: Confidential Document Released from confidential status. electronically filed by Ms. Donielle M Hunter on behalf of PUCO