

MEMORANDUM OF AGREEMENT

This Agreement made and entered into by and between The Cincinnati Gas & Electric Company and its Affiliate doing business as Duke Energy Ohio, Inc., The Union Light, Heat and Power Company doing business as Duke Energy Kentucky, Inc., hereinafter referred to as the "Company," wholly owned subsidiaries of Cinergy Corp., a wholly owned subsidiary of Duke Energy Corporation, and Local Union 1347 of The International Brotherhood of Electrical Workers, AFL-CIO, referred to hereinafter as the "Union."

The Company and the Union recognize that in order for the parties to meet the challenge of competition, the need for long term prosperity and growth, and establish employment security, each must be committed to a cooperative labor management relationship that extends from the bargaining unit members to the executive employees. The Company and the Union agree that employees at all levels of the Company must be involved in the decision making process and provide their input, commitment, and cooperation to improving productivity and helping the Company become the lowest cost producer and highest quality provider of energy service.

ARTICLE I

Section 1. (a) The Company recognizes the Union, during the term of this Agreement, as the sole and exclusive representative of the employees in the bargaining unit defined as "The Electrical Workers Unit" by the National Labor Relations Board in its Decision and Direction of Election dated August 12, 1944, for the purpose of collective bargaining with respect to rates of pay, wages, hours of employment and other conditions of employment.

(b) All new employees shall be classified as probationary employees for a period of one (1) year. Employees with six months or more of continuous service are eligible to receive supplemental industrial accident compensation, supplemental jury duty pay and will be entitled to bidding rights to other job classifications. Further, probationary employees shall have no recourse to the grievance procedure as set forth in Article II, Section 1 for the first six (6) months of the probationary period. However, after serving six (6) months of the probationary period, probationary employees will have recourse to the grievance procedure for any non-discipline related grievances.

Section 2. (a) This Agreement and the provisions thereof shall take effect on April 1, 2006 and shall be binding on the respective parties hereto until April 1, 2009 and from year to year thereafter unless changed by the parties.

(b) Either of the parties hereto desiring to change any section or sections of this Agreement and/or to terminate this Agreement shall notify the other party in writing of that intention at least sixty (60) days prior to April 1, 2009 or any subsequent anniversary date. If neither party gives such notice the Agreement shall continue from year to year. If such notice is given by either party the Agreement shall be open for consideration of the change or changes desired. Within fifteen (15) days from the date the first notice of intention to change is given by either party to the other, but not later than thirty (30) days prior to April 1, 2009 conferences shall commence for the purpose of considering the proposed changes. At the first such conference, each party will submit its proposed changes, in writing, to the other party.

(c) In case of failure to reach an agreement on the changes desired by either or both parties, within a period of thirty (30) days following commencement of conferences, but in no event later than the renewal date of this Agreement, the changes shall be referred to arbitration as provided for in Article II, Section 2 hereof. Either party desiring to avail itself of arbitration in this case shall notify the other party in writing of its desire to arbitrate and at the same time name its arbitrator. The parties mutually agree that there shall be no strikes, work stoppages, slowdowns or lockouts pending the decision of the arbitrators. The provisions of this paragraph shall not apply in the event either party gives written notice to the other party at least sixty (60) days prior to April 1, 2009, of its desire to terminate the Agreement on April 1, 2009, if there remains at that time issues which the parties are unable to resolve.

(d) In the event agreement is reached on or before March 31, the 2006 - 2009 Agreement will be extended for a mutually agreed number of calendar days. The Union shall have one-half of the mutually agreed number of calendar days immediately following the date an agreement is reached in which to submit the Agreement to its membership for ratification and in case of failure to ratify, in order that the Company shall have the remaining one-half of the mutually agreed number of calendar days as notice before a strike or work stoppage commences. Providing the mutually satisfactory Agreement is ratified by the membership within the first one-half of the mutually agreed number of days following the date an agreement is reached, such Agreement will be made retroactive to the 31st day of March.

(e) It is agreed that this Agreement may be amended or added to at any time by written consent of both parties hereto.

Section 3. The Union agrees not to admit to membership or permit to retain membership for collective bargaining purposes any foreman or supervisory employee of the Company who is not employed in a classification within the unit now represented by the Union.

Section 4. (a) It is expressly understood and agreed that the services to be performed by the employees covered by this Agreement pertain to and are essential to the operation of a public utility and to the welfare of the public dependent thereon and in consideration thereof, as long as this Agreement and conditions herein be kept and performed by the Company, the Union agrees that under no conditions and in no event, whatsoever, will the employees covered by this Agreement, or any of them, be called upon or permitted to cease or abstain from the continuous performance of the duties pertaining to the positions held by them under this Agreement. The Company agrees on its part to do nothing to provoke interruptions of or prevent such continuity of performance of said employees, insofar as such performance is required in the normal and usual operation of the Company's property and that any difference that may arise between the above-mentioned parties shall be settled in the manner herein provided.

(b) The Company agrees that it will not attempt to hold Local Union 1347 of the International Brotherhood of Electrical Workers, financially responsible or institute legal proceedings against the Union because of a strike, slowdown or work stoppage not authorized, abetted or condoned by the Union. The Union agrees that any employee or employees who agitate, encourage, abet, lead or engage in such a strike, work stoppage, slowdown or other interference with the operations of the Company shall be subject to such disciplinary action as the Company may deem suitable, including discharge, without recourse to any other provision or provisions of the Agreement now in effect.

Section 5. (a) This Agreement covers all work done for the Company, including work performed by Duke Energy Shared Services, Inc., by the employees of the occupational classifications in the unit defined as "The Electrical Workers Unit" by the National Labor Relations Board Order dated August 12, 1944, which is covered by this Agreement. The unit so defined shall retain jurisdiction over such work as was normally performed by it prior to March 31, 1945, but such jurisdiction shall not be expanded except by mutual agreement of the parties hereto or through due process under the National Labor Relations Act.

Employees other than those covered by this Agreement shall continue to perform work normally performed by them prior to March 31, 1945, except where mutually agreed upon in specific instances as itemized in Departmental Rules of this Agreement.

(b) Except in case of emergency, work regularly done by employees in a classification shall be restricted to such work as is normally assigned to that classification, or work of a basically similar nature.

(c) Foremen's duties shall be restricted to direct supervision except in cases of emergency, for such incidental work as may occasionally be required or as may be otherwise outlined in the Departmental Work Rules.

Section 6. The Company and the Union agree to meet and deal with each other through their duly accredited representatives on matters relating to hours, wages and other conditions of employment of the employees of the Company covered by this Agreement.

Section 7. Respecting the subject of "Union Security," the parties mutually agree as follows:

(a) All regular employees of the Company as of the ratification of this Agreement, who are not members of the Union shall not be required as a condition of their continued employment to join the Union. However, after April 1, 2006, all regular employees of the Company within the bargaining unit represented by the Union who are members of the Union, and who are not more than six months in the arrears with dues, or who may become members of the Union, shall be required as a condition of their continued employment to maintain their membership in the Union in good standing, subject to the annual ten day escape period hereinafter described.

(b) The Union agrees that neither it nor any of its officers or members will intimidate or coerce any of the employees of the Company to join or become members of the Union, nor will said Union or any of its officers or members unfairly deprive any employee within the bargaining unit represented by the Union of union membership or of any opportunity to obtain union membership if said employee so desires. In this connection the Company agrees that it will not discriminate against any employee on account of activities or decisions in connection with the Union except as the same may become necessary on the part of the Company to carry out its obligations to the Union under this Agreement.

(c) If a dispute arises as to the actual union status of any employee at any time as to whether or not the employee has been unfairly deprived of or denied union membership, the dispute shall be subject to arbitration, in accordance with the arbitration provisions of Article II, Section 2 of this Agreement.

(d) Within thirty-one (31) days after the date of hire, all employees who are not members of the Union, except those employees mentioned in subsection (i) of this section, shall be required as a condition of continued employment to pay to the Union each month a service charge as a

contribution toward the administration of this Agreement in an amount equal to the monthly dues uniformly required by the Union Members. Such contributions shall be checked off upon proper written authority executed by the employee and remitted to the Union in the same manner as the dues of members.

(e) The Company agrees to dismiss any employee at the written request of the Union for non-payment of union dues or service charges or to discipline employees represented by the Union in the manner herein provided for violation of this Agreement, if requested to do so in writing by the Union. Nothing in this clause, however, shall be construed so as to require the Company to dismiss or discipline any employee in violation of any state or federal law.

(f) The Union agrees that any present or future employee who is now or may become a member of the Union may withdraw from membership in the Union between September 21st and September 30 inclusive of each year, by giving notice by registered or certified mail to the Employee Relations and Safety Department of this Company. After such withdrawal an employee shall not be required to rejoin the Union as a condition of continued employment.

(g) The Company agrees that after proper individual authorizations by means of written individual assignments in a form mutually agreeable to both parties to deduct Union dues and service charges, and the original initiation fee from members' pay. This deduction shall be made once each month and shall be forwarded within seven calendar days to the authorized agent of the Union.

(h) The Union agrees that in the event of any strike, work stoppage, slowdown, picketing or any other interference to the work or the operations of the Company by a group of employees in the bargaining unit represented by the Union this section of the contract is then and there and by reason thereof automatically canceled and of no further force and effect; provided, however, that the Company may, upon the presentation of proof satisfactory to the Company, within ten days thereafter, that the Union did not directly or indirectly authorize, permit, endorse, aid or abet said strike, work stoppage, slowdown, picketing or interference referred to, reinstate this section of the contract, which section, if reinstated will, from and after the date of reinstatement, be of the same validity, force and effect as if it had not been canceled. In this connection, it is the expressed intention of the parties that for the purpose of making this cancellation provision effective without affecting the other sections of the contract, this contract is to be considered a severable contract. Should the automatic cancellation of this section occur, it is the intention and agreement of the parties that all other sections and provisions of the contract remain in full force and effect as therein provided. The Company agrees that it will not deliberately arrange or incite such interference to the work or operations of the Company as are referred to in this section.

(i) The Company agrees that all persons, before they are employed as regular employees in any classification within the unit represented by the Union, shall be required to signify in writing their voluntary willingness and intention to join the Union not later than thirty-one (31) days after their employment by the Company.

Section 8. There shall be no discrimination, interference, restraint or coercion by the Company or the Union or their agents against any employee because of membership or non-membership in the Union, because of lawful activities on behalf of the Union, or because of race, color, religion, sex or national origin or ancestry or for any other reason. References to the masculine gender are intended to be construed to also include the female gender wherever they appear throughout the Agreement.

Section 9. (a) Except where expressly abridged by a specific provision of this Agreement, the Union recognizes that the management of the Company, the direction of the working forces, the determination of the number of men it will employ or retain in each classification, and the right to hire, suspend, discharge, discipline, promote, demote or transfer, and to release employees because of lack of work or for other proper and legitimate reasons are vested in and reserved to the Company.

(b) The above rights of Management are not all-inclusive, but indicate the type of matters or rights which belong to and are inherent to Management. Any of the rights, powers, and authority the Company had prior to entering this Agreement are retained by the Company, except as expressly and specifically abridged, delegated, granted or modified by this Agreement.

(c) The Company may adopt or revise any work methods and procedures which are not in direct conflict with the provisions of this Agreement. The Company will notify the Union, in writing, of any new or revised Company work methods and procedures. Such new or revised Company work methods and procedures shall not be effective until such notice is given.

(d) The foregoing three paragraphs do not alter the employee's right of adjusting grievances as provided for in Article II, Section 1 of this Agreement.

(e) In order to avoid possible grievances, the Company will discuss in advance with the representatives of the Union, promotions, demotions, layoffs, transfers and rehiring of employees in all classifications governed by this Agreement, except in instances where the employee with the greatest length of classified seniority is selected for promotion, or the employee with the least classified seniority is selected for demotion or layoff. The Company agrees that the Department Management will notify in writing in advance or as promptly as possible the Master Steward or Business Manager of the Union of promotions, demotions or transfers of employees covered by this Agreement.

(f) Except as herein provided, promotions, demotions, transfers or layoffs of employees covered by this Agreement made by the Company without discussion in advance with the Union representatives will not be considered permanent, until so discussed.

Section 10. A copy of any letter constituting disciplinary action by the Company against any employee covered by this Agreement shall be furnished to the employee and the Union. In case of a grievance resulting from such a warning letter see Article II, Section 1.

Section 11. In making promotions to any job outside the bargaining unit first consideration shall be given by the Company to employees with seniority and ability. The definition of the qualifications required for such a job and the determination as to whether any individual is qualified for the job is solely the responsibility of the Company.

Section 12. Employees shall not be required to cross a picket line except to perform work which is necessary to provide the normal services of the Company. A supervisor shall make the necessary arrangements with the picketing Union involved for the employee to cross the picket line. Whenever possible, the supervisor will attempt to have the employee enter the property through a non-picketed entrance.