

LEASE OF MIAMI FORT UNIT 5, UNIT 6, UNIT 7 AND UNIT 8 COMMON FACILITIES

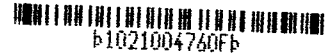
FROM

THE CINCINNATI GAS & ELECTRIC COMPANY

TO

THE UNION LIGHT, HEAT AND POWER COMPANY

Rebecca Frem Gropp
Hamilton County Recorder's Office
Doc # 0052753 Type: LS
Filed: 04/06/06 03:36:22 PM \$116.00
Off.Rec.: 10210 04760 F R8 13 765



THIS LEASE ("Lease") is made as of this 25th day of January, 2006 and effective as of January 1, 2006 (the "Effective Date"), between THE CINCINNATI GAS & ELECTRIC COMPANY with its principal offices being located at 139 East Fourth Street, Cincinnati, Ohio 45202, being a corporation organized and existing under the laws of the State of Ohio (the "Lessor"), and THE UNION LIGHT, HEAT AND POWER COMPANY, its principal offices being located at 139 East Fourth Street, Cincinnati, Ohio 45202, being a corporation organized and existing under the laws of the Commonwealth of Kentucky (the "Lessee").

- RECITALS -

WHEREAS, the Miami Fort Generating Station, located in Hamilton County, Ohio ("Miami Fort Generating Station"), is comprised of four coal-fired steam electric generating units hereinafter referred to as Unit 5, Unit 6, Unit 7 and Unit 8;

WHEREAS, immediately prior to the Effective Date, Lessor was the sole owner of, all right, title and interest in, under and to Unit 6, a 168 MW (nameplate rating) coal-fired base or intermediate load plant;

WHEREAS, Lessor owns, as a tenant in common with The Dayton Power and Light Company ("Dayton"), an undivided fractional interest in Unit 7 and in Unit 8 of Miami Fort Generating Station;

WHEREAS, in accordance with the provisions of the Miami Fort Unit 7 Basic Generating Agreement and the provisions of the Miami Fort Unit 8 Basic Generating Agreement, Lessor and Dayton entered into that certain Lease of Miami Fort Unit 7 and Unit 8 Common Facilities from Cincinnati to Dayton, dated April 1, 1982 (the "7/8 Common Facilities Lease"), pursuant to which Dayton leased from Lessor undivided fractional interests in various categories of assets used in connection with the generation of electricity by Unit 7 and by Unit 8 (the "7/8 Common Facilities"), calculated on the basis of various metrics, and Lessor retained the remaining undivided fractional interests;

WHEREAS, in accordance with the provisions of that certain Asset Transfer Agreement by and between Lessor and Lessee, dated as of the date hereof (the "Asset Transfer Agreement"), on the Effective Date, Lessor transferred, assigned, conveyed and delivered to Lessee all of Lessor's right, title and interest in, under and to Unit 6 (other than

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certain assets associated therewith but excluded therefrom, including generation step-up transformers and other assets subject to the jurisdiction of the Federal Energy Regulatory Commission);

WHEREAS, Lessor owns all right, title and interest in, under and to certain assets (which include, without limitation, certain equipment and structures) listed hereinbelow (the "Common Assets"), which Common Assets are used in connection with the generation of electricity by any one or more of Unit 5, Unit 6, Unit 7 and Unit 8;

WHEREAS, Lessee desires to lease from Lessor undivided fractional interests in the Common Assets in the manner and amounts set forth herein and Lessor desires to lease to Lessee such undivided fractional interests in the Common Assets; and

WHEREAS, to the extent that any of the 7/8 Common Facilities, an undivided fractional interest in which was leased by Dayton under the 7/8 Common Facilities Lease, are the same as the Common Assets, an undivided fractional interest in which is leased by Lessee hereunder, it is the intent of the parties hereto that Dayton's leasehold interest in the 7/8 Common Facilities shall not be disturbed hereby and that this Lease is consistent with all of the terms thereof; provided, however, that in the event that any of the provisions of this Lease conflict with the provisions of the 7/8 Common Facilities Lease, the provisions of the 7/8 Common Facilities Lease will control.

- LEASE -

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, the parties hereto hereby agree as follows:

I. LEASED ASSETS. Lessor, for the rents and term hereinafter provided for, hereby leases to Lessee the following property interests in certain of the Common Assets, as follows:

(i) A 13.003% undivided interest in and to the following described assets that are, from time to time during the term of this Lease, used for the generation of electricity by Units 5 through 8 at the Miami Fort Generating Station and that are located on portions of that certain real property known as Miami Fort Generating Station and located in Miami Township, Hamilton County, Ohio (the "Miami Fort Station Real Estate"):

<u>Asset Description</u>	<u>Accounted for by Lessor Under Account Number:</u>
Mooring Facilities	302
Ground Water Deepwells-1, 3A, 4A, 5A	302
Ground Water Piping	302
Control Air Compressors	302

* Appendix B attached hereto includes the calculations to determine the undivided interests set forth in Items I(i) through (vii) below.

Chemical Waste Neutralization System	302
Coal Tractor, Terex TS-24	302
Ash Pit 'A'	302
Barges-209, 210, 211, 282	303
Electric Feed to Deepwell 5A	305
Station Air Compressor	306
Miscellaneous (to which the above undivided interests are applicable by virtue of being allocable on the basis of the kW involved)	

(ii) A 13.003% undivided interest in and to the following described assets that are, from time to time during the term of this Lease, used for the generation of electricity by Units 5 through 8 at the Miami Fort Generating Station and that are located on the Miami Fort Station Real Estate:

<u>Asset Description:</u>	Accounted for by Lessor <u>Under Account Number:</u>
Coal Tractor, Terex TS-24	302
Ash Pit 'A'	302

(iii) A 14.094% undivided interest in and to the following described assets (whether owned by Lessor at the date of execution hereof or hereafter acquired by it) that are, from time to time during the term of this Lease, used for the generation of electricity by Units 6, 7 and 8 at the Miami Fort Generating Station and that are located on portions of the Miami Fort Station Real Estate:

<u>Asset Description:</u>	Accounted for by Lessor <u>Under Account Number:</u>
Soot Blowing Air Compressor-Unit 6	302
Miscellaneous (to which the above undivided interests are applicable by virtue of being allocable on the basis of the kW involved)	

(iv) A 25.000% undivided interest in and to the following described assets (whether owned by Lessor at the date of execution hereof or hereafter acquired by it) that are, from time to time during the term of this Lease, used for the generation of electricity by Units 5 through 8 at the Miami Fort Generating Station and that are located on portions of the Miami Fort Station Real Estate:

<u>Asset Description</u>	Accounted for by Lessor <u>Under Account Number:</u>
Oil Storage House	301

Chlor. & Gas Bottle Storage Building	301
Sewage Plant	301
Boiler Room Basement	301
Locker Room	301
Women's Locker Room	301
Electric Control Room	301
Communication Cable	301
Telephone System	301
Fencing	301
Roads & Drives	301
Drainage	301
River Bank Protection	301
Railroad Tracks	301
Yard Lighting	301
Chlorinating System	304
Material Handling Crane Transformer	305
Emergency Control Batteries, Saw. Hsg.	305
Klaxon & Phone System	305
Grounding System	305
Material Handling Crane	306
Oil House Equipment	306
Shop. Laboratory & Hospital Equipment	306
Office Furniture & Equipment	372
Stores Equipment	374
Office Equipment	372
Miscellaneous (to which the above undivided interests are applicable by virtue of being allocable on the basis of the # of units involved)	

(v) A 33.333% undivided interest in and to the following described assets (whether owned by Lessor at the date of execution hereof or hereafter acquired by it) that are, from time to time during the term of this Lease, used for the generation of electricity by Units 6, 7 and 8 at Miami Fort Generating Station and that are located on portions of the Miami Fort Station Real Estate:

<u>Asset Description:</u>	Accounted for by Lessor <u>Under Account Number:</u>
(None at present time)	

(vi) A 1.972% undivided interest in and to the following described assets (whether owned by Lessor at the date of execution hereof or hereafter acquired by it) that are, from time to time during the term of this Lease, used for the generation of electricity by Units 5 and 6; GT Units 1, 2, 3, 4, 5, 6; Heating Boiler, and Units 7 and 8 at Miami Fort Generating Station and that are located on portions of the Miami Fort Station Real Estate:

<u>Asset Description:</u>	Accounted for by Lessor <u>Under Account Number:</u>
Fuel Oil Handling System: Including Unload, Facility, Tank #3 & Pipe in between Miscellaneous (to which the above undivided interests are applicable by virtue of being allocable on the basis of oil flow demand)	332

(vii) A 48.507% undivided interest in and to the following described assets (whether owned by Lessor at the date of execution hereof or hereafter acquired by it) that are, from time to time during the term of this Lease, used for the generation of electricity by Units 5 through 8 at Miami Fort Generating Station and that are located on portions of the Miami Fort Station Real Estate:

<u>Asset Description:</u>	Accounted for by Lessor <u>Under Account Number:</u>
Intake & Discharge Tunnels	301
Crib House	301
Crib House Sump Pumps	302
Traveling Screens	304
Crib House Crane	304
Crib House Sump Pumps	304
Chlorinators	304
Crib House Transformer #5	305
Crib House Switchgear	305
Crib House Motor Control Center	305
Crib House Sump Pump (Electrical)	305
Traveling Screens (Electrical)	305
Miscellaneous (to which the above undivided interests are applicable by virtue of being allocable on a water flow – gallons per minute basis)	

II. RENT.

(A) As rentals for the foregoing, Lessee shall pay to Lessor every month during this Lease one-twelfth (1/12) of the sum of the following, calculated as of the Effective Date.

1. The product of (a) Lessor's rate of return on electric rate base as determined by the Public Utilities Commission of Ohio in its most recent rate proceeding on a pre-tax basis, currently 17.43% as determined on Appendix A attached hereto and (b) the net book value (original cost less accumulated depreciation, as such amount is recorded on Lessor's books)

of the undivided interest of each of the six sets of facilities described in Items I(i) through (vii) above:

<u>Item</u>	<u>Amount</u>
I(i)	\$
I(ii)	\$
I(iii)	\$
I(iv)	\$
I(v)	\$
I(vi)	\$
I(vii)	\$

2. An amount equal to all taxes (including without limitation property taxes), fees or assessments imposed upon Lessor by any authority, which are allocable or attributable to Lessor's ownership of such facilities as allocated to Lessee by means of the undivided interests as set forth in Items I(i) through (vii) above; and

3. The annualized accrual for depreciation determined by applying Lessor's applicable depreciation rates to the gross cost of the primary plant accounts involved with respect to the Common Facilities as allocated to Lessee by means of the undivided interests referred to in Items I(i) through (vii) above.

(B) Such rental payment will be recalculated as of January 1st of each year after the Effective Date to incorporate then current amounts for net book value, annual depreciation, and taxes, fees and assessments.

(C) As Lessor and Lessee are affiliated companies using the same accounting system and have established processes for reimbursing one another for intercompany obligations, Lessor and Lessee shall monthly make such accounting entries needed to charge amounts owed hereunder to Lessee and to cause funds to be transferred to the books of Lessor in payment of the amounts due hereunder. Monthly invoices will be produced only upon Lessee's specific request. Lessor shall from time to time grant reasonable access to its books and records relative to the rentals to representatives of Lessee, on Lessee's reasonable request.

III. TERM. The term of this Lease shall commence on the Effective Date and continue through the end of the month in which the Effective Date occurs and each month thereafter until terminated by Lessor or Lessee upon reasonable advance notice to the other.

IV. MISCELLANEOUS.

(A) Neither Lessor nor Lessee may, without the prior written consent of the other, sell or in any way transfer its interests in the property to which this Lease pertains except (a) to a trustee under its first mortgage or (b) to an affiliated entity; provided that the foregoing prohibitions shall be in effect only so long as Unit 6 is being or is intended to be utilized by Lessee in connection with the generation of electricity. Subject to the foregoing,

this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

(B) This Lease may be simultaneously executed in two counterparts, each of which when so executed shall be deemed to be an original, but such counterparts shall together constitute but one and the same instrument.

(Signature Pages Follow)

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IN WITNESS WHEREOF, The Cincinnati Gas & Electric Company and The Union Light, Heat and Power Company have caused this instrument to be signed by their respective authorized officers and their respective corporate seals to be hereto affixed.

Signed in the presence of:

LESSOR:

THE CINCINNATI GAS & ELECTRIC COMPANY

Donna J. [Signature]
Dellie Gates

By [Signature]
Michael J. Cyrus, Executive Vice President
Michael Cyrus
Marc E. Manly, Secretary

LESSEE:

THE UNION LIGHT, HEAT AND POWER COMPANY

Donna J. [Signature]
Dellie Gates

By [Signature]
Gregory C. Ficke
President

STATE OF OHIO :
: SS:
COUNTY OF HAMILTON:

Before me, a Notary Public in and for such County, personally appeared Michael Cyrus, ^{Executive Vice} President and Marc E. Manly, Secretary of The Cincinnati Gas & Electric Company who represented that they are duly authorized in the premises and who acknowledged that they did sign the foregoing instrument and that the same is their voluntary act and deed and is the voluntary act and deed of such corporation.

IN TESTIMONY WHEREOF, I hereunto set my hand and official seal at Cincinnati, Ohio this 25 day of January, 2006

Dorothy Kim Corbett
Notary Public

Notary Public State of Ohio
My Commission Expires _____, 200

STATE OF Ohio
~~Hamilton~~ :SS:
COUNTY OF Hamilton:

DOROTHY KIM CORBETT, Attorney at Law
Notary Public, State of Ohio
My Commission has no expiration date.
Section 147.03

Before me a Notary Public in and for such County, personally appeared Gregory C. Ficke, _____ and _____, of The Union Light, Heat and Power Company who represented that they are duly authorized in the premises and who acknowledged that they did sign the foregoing instrument and that the same is their voluntary act and deed and is the voluntary act and deed of such corporation.

IN TESTIMONY WHEREOF, I hereunto set my hand and official seal at Cincinnati, Ohio this 25 day of January, 2006

Dorothy Kim Corbett
Notary Public

Notary Public State of Ohio
My Commission Expires _____, 200

DOROTHY KIM CORBETT, Attorney at Law
Notary Public, State of Ohio
My Commission has no expiration date.
Section 147.03

Appendix A

THE CINCINNATI GAS & ELECTRIC COMPANY
 Calculation of Pre-tax Rate of Return on Electric Rate Base
 For Determination of Rental Under Common Facilities Lease Agreement

Line No.			
1	Income Before Income Taxes		100.0000%
2			
3	State and Municipal Income Tax		
4	@	8.544%	<u>8.5440%</u>
5	Income Before Federal Income		
6	Tax		91.4560%
7	Federal Income Tax @	35.00%	<u>32.0096%</u>
8			
9	Operating Income Percentage		<u>59.4464%</u>
10			
11	Gross Revenue Conversion Factor (100% / Line 9)		<u>1.682188</u>
12			
13	Currently Approved Electric Rate of Return		
14	(a)		10.36%
15	Pre-tax Rate of Return		<u>17.43%</u>

(a) Public Utilities Commission of Ohio Case No. 99-1658-EL-ETP.

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**Lease of Miami Fort U5 & U6 Common Facilities
FROM ULHP TO CGE**

LEASE

i	Generation Unit No.	KW Nameplate Rating	Percent of Total	Allocation Percents		
				Cincinnati	ULH&P	Dayton
	Miami Fort 5	100,000	37.31	37.31		
	Miami Fort 6	168,000	62.69			
		268000				
	Allocation Percentages	(Unit 5 / (u5+u6))		37.31		

**Lease of Miami Fort U5, U6, U7, U8 Common Facilities
FROM CGE TO ULHP**

DIRECT LEASE

Categories	Generation Unit No.	KW Nameplate Rating	Percent of Total	Allocation Percents		
				Cincinnati	ULH&P	Dayton
i	Miami Fort 5	100,000	7.740			
	Miami Fort 6	168,000	13.003		13.003	
	Miami Fort 7	512,000	39.628			
	Miami Fort 8	512,000	39.628			
	Total	1292000	100.00			
	Allocation Percentages	(168,000 / 1,292,000 x 100% - ULHP Ownership Share)			13.003	

ii	Generation Unit No.	KW Nameplate Rating	Percent of Total	Allocation Percents		
				Cincinnati	ULH&P	Dayton
	Miami Fort 5	100,000	7.740			
	Miami Fort 6	168,000	13.003		13.003	
	Miami Fort 7	512,000	39.628			
	Miami Fort 8	512,000	39.628			
	Total	1292000	100.00			
	Allocation Percentages	(168,000 / 1,292,000 x 100% - ULHP Ownership Share)			13.003	

iii	Generation Unit No.	KW Nameplate Rating	Percent of Total	Allocation Percents		
				Cincinnati	ULH&P	Dayton
	Miami Fort 6	168,000	14.094		14.094	
	Miami Fort 7	512,000	42.953			
	Miami Fort 8	512,000	42.953			
	Total	1192000	100			

Allocation Percentages (168,000 / 1,192,000 x 100% - ULHP Ownership Share)

14.094

iv	Generation Unit No.	Number of Units	Percent of Total	Allocation Percents		
				Cincinnati	ULH&P	Dayton
	Miami Fort 5	1	25.000			
	Miami Fort 6	1	25.000		25.000	
	Miami Fort 7	1	25.000			
	Miami Fort 8	1	25.000			
	Total	4	100			

Allocation Percentages (1 / 4 x 100% - ULHP Ownership Share)

25.000

v	Generation Unit No.	Number of Units	Percent of Total	Allocation Percents		
				Cincinnati	ULH&P	Dayton
	Miami Fort 6	1	33.333		33.333	
	Miami Fort 7	1	33.333			
	Miami Fort 8	1	33.333			
	Total	3	100			

Allocation Percentages (1 / 3 x 100% - ULHP Ownership Share)

33.333

vi	Generation Unit No.	Oil Flow Demand - GPM	Percent of Total	Allocation Percents		
				Cincinnati	ULH&P	Dayton
	Miami Fort 5	10	1.972			
	Miami Fort 6	10	1.972		1.972	
	Miami Fort 7	92	18.146			
	Miami Fort 8	92	18.146			
	G.T. No.1	100	19.724			
	G.T. No.2	100	19.724			
	G.T. No.3	25	4.931			
	G.T. No.4	25	4.931			
	G.T. No.5	25	4.931			
	G.T. No.6	25	4.931			
	Heating Boiler	3	0.592			
	Total	507	100.000			

Allocation Percentages (10 / 507 x 100% - ULHP Ownership Share)

1.972

vii	Generation Unit No.	Water Flow (GPM)	Percent of Total	Allocation Percents		
				Cincinnati	ULH&P	Dayton
	Miami Fort 5,7,8	103500	51.493			
	Miami Fort 6	97500	48.507		48.507	
	Total	201000	100.00			

Allocation Percentages (Unit6 SWP + CWP) / (SWP (U5, U6, U7,U8) + CWP(U5, U6))

48.507

Circulating WP	Unit 5 (2 Pumps)	69000
Service WP	Unit 5-1	7500
	Unit 7-1 & 7-2	18000
	Unit 8	9000
Total		103500

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culating WP	Unit 6 (2 Pumps)	90000
ervice WP	Unit 6 (2 Pumps)	7500
tal		97500
tal		201000

