

ASSIGNMENT AND ASSUMPTION AGREEMENT
WITH RESPECT TO
WATER PURCHASE AGREEMENT

This ASSIGNMENT AND ASSUMPTION AGREEMENT WITH RESPECT TO WATER PURCHASE AGREEMENT (this "Agreement") is entered into as of January 25, 2006 and effective as of January 1, 2006 by and between The Cincinnati Gas & Electric Company, an Ohio corporation ("CGE"), and The Union Light, Heat and Power Company, a Kentucky corporation ("ULHP").

WHEREAS, CGE is the owner of a power generation plant known as Woodsdale Generating Station located in Butler County, Ohio (the "Plant");

WHEREAS, CGE and Duke Energy Madison, LLC, a Delaware limited liability company ("Duke"), were parties to that certain Water Purchase Agreement, dated March 10, 2000 (the "Water Purchase Agreement"), pursuant to which, subject to the terms and conditions thereof, CGE agreed to supply demineralized water from the Plant to Duke's generating facility in Madison Township, Butler County, Ohio;

WHEREAS, CinCap Madison, LLC (formerly known as Duke Energy Madison, LLC) ("CCM") assigned all of its right, title, interest, obligations and liabilities in, to and under the Water Purchase Agreement to PSI Energy, Inc., an Indiana corporation ("PSI"), pursuant to that certain Assignment and Assumption Agreement with Respect to Water Supply Agreement, dated February 5, 2003, by and between CCM and PSI;

WHEREAS, concurrently with the execution and delivery of this Agreement, CGE and ULHP are entering into that certain Asset Transfer Agreement of even date herewith, pursuant to which, subject to the terms and conditions thereof, on such date CGE is transferring to ULHP and ULHP is acquiring from CGE all of CGE's rights, title and interest in, to and under the Plant;

WHEREAS, in connection therewith, CGE desires to transfer all of its rights and obligations under the Water Purchase Agreement to ULHP, and ULHP desires to succeed to all of CGE's rights and obligations thereunder, as provided herein;

WHEREAS, Section 7.4 of the Water Purchase Agreement provides that, without the written consent of the non-assigning party, neither party thereto may assign its rights under such agreement; and

WHEREAS, concurrently with the execution and delivery of this Agreement, PSI is delivering its Consent recognizing the transactions contemplated by this Agreement and releasing and discharging CGE from any further obligations and liabilities under the Water Purchase Agreement.

NOW, THEREFORE, in consideration of the premises and the agreements and covenants herein contained, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I
ASSIGNMENT AND ASSUMPTION

Section 1.1 Assignment and Assumption. Effective upon the execution and delivery hereof by the parties hereto, (a) CGE hereby unconditionally and irrevocably assigns, sells, transfers and conveys to ULHP all of its right, title, interest, obligations and liabilities in, to and under the Water Purchase Agreement, and (b) ULHP hereby unconditionally and irrevocably accepts such assignment and hereby unconditionally and irrevocably assumes and agrees to pay and otherwise undertake, observe, perform and discharge in accordance with their terms all of CGE's payment and other obligations and liabilities under the Water Purchase Agreement arising from and after the date of this Agreement.

ARTICLE II
MISCELLANEOUS

Section 2.1 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered (including by facsimile) to the other party hereto.

Section 2.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, exclusive of any conflict of laws provisions thereof that would refer jurisdiction to the laws of another state.

Section 2.3 Entire Agreement; Parties in Interest. (a) This Agreement together with the other agreements or instruments referred to herein constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and there are no agreements, understandings, representations or warranties between the parties other than those set forth or referred to herein.

(b) This Agreement is not intended to confer upon any party not a party hereto (and their successors and assigns) any rights or remedies hereunder, other than PSI.

Section 2.4 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Section 2.5 Headings; Interpretation. The article and section headings contained in this Agreement are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Agreement. All references to Articles or Sections contained herein mean Articles or Sections of this Agreement, unless otherwise stated. All capitalized terms defined herein are equally applicable to both the singular and plural forms of such terms. The terms “hereof,” “herein,” “hereunder,” “hereby” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all the exhibits hereto) and not to any particular provision of this Agreement. The words “including” and words of similar import when used in this Agreement shall mean “including without limitation” unless the context otherwise requires or unless otherwise specified.

Section 2.6 Amendments and Waivers. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by the party against whom enforcement of any such modification or amendment is sought. Any party hereto may, only by an instrument in writing, waive compliance by the other party hereto with any term or provision of this Agreement on the part of such other party to be performed or complied with. The waiver by any party hereto of a breach of any term of this Agreement shall not be construed as a waiver of any subsequent breach.

Section 2.7 Further Assurances. Subject to the terms and conditions of this Agreement, at any time or from time to time after the execution and delivery hereof, at either party’s request and without further consideration, the other party hereto shall execute and deliver to such requesting party such other instruments of sale, transfer, conveyance, assignment and confirmation, provide such materials and information and take such other actions as such requesting party may reasonably request in order to effectuate more fully the purposes of this Agreement.

Section 2.8 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given (a) on the day when delivered personally or by facsimile transmission (with confirmation), (b) on the next business day when delivered by a nationally recognized overnight delivery service, or (c) five (5) business days after deposited as registered or certified mail (return receipt requested), in each case, postage prepaid, addressed to the recipient party at its address set forth below (or to such other addresses and facsimile numbers for a party as shall be specified by like notice; provided, however, that any notice of a change of address or facsimile number shall be effective only upon receipt thereof):

(i) If to CGE, to:

The Cincinnati Gas & Electric Company
139 East Fourth Street
Cincinnati, OH 45202
Attention: President
Facsimile No.: 513-287-1592

(ii)

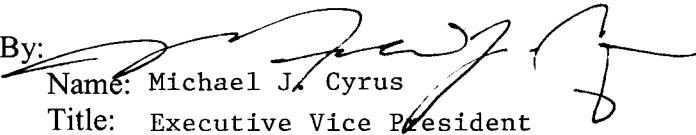
If to ULHP, to:

The Union Light, Heat and Power Company
139 East Fourth Street
Cincinnati, OH 45202
Attention: President
Facsimile No.: 513-287-4370

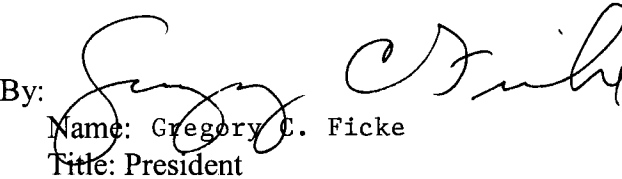
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IN WITNESS WHEREOF, each of the parties hereto has caused this Assignment and Assumption Agreement with respect to Water Purchase Agreement to be executed on its behalf by its respective officer thereunto duly authorized, all as of the day and year first above written.

THE CINCINNATI GAS & ELECTRIC COMPANY

By: 
Name: Michael J. Cyrus
Title: Executive Vice President

THE UNION LIGHT, HEAT AND POWER COMPANY

By: 
Name: Gregory C. Ficke
Title: President

CONSENT
to
Assignment and Assumption Agreement
with respect to
Water Purchase Agreement

This CONSENT to Assignment and Assumption Agreement with respect to Water Purchase Agreement (this "Consent") is executed and delivered by PSI Energy, Inc., an Indiana corporation ("PSI"), successor in interest to CinCap Madison, LLC ("CCM")(formerly known as Duke Energy Madison, LLC ("Duke")), as of January 1, 2006.

WHEREAS, The Cincinnati Gas & Electric Company, an Ohio corporation ("CGE"), is the owner of a power generation plant known as Woodsdale Generating Station located in Butler County, Ohio (the "Plant");

WHEREAS, CGE and Duke were parties to that certain Water Purchase Agreement, dated March 10, 2000 (the "Water Purchase Agreement"), pursuant to which, subject to the terms and conditions thereof, CGE agreed to supply demineralized water from the Plant to Duke's generating facility in Madison Township, Butler County, Ohio;

WHEREAS, CCM assigned all of its right, title, interest, obligations and liabilities in, to and under the Water Purchase Agreement to PSI, pursuant to that certain Assignment and Assumption Agreement with Respect to Water Supply Agreement, dated February 5, 2003, by and between CCM and PSI;

WHEREAS, concurrently with the execution and delivery of this Consent, CGE and The Union Light, Heat and Power Company, a Kentucky corporation ("ULHP"), are entering into that certain Asset Transfer Agreement of even date herewith, pursuant to which, subject to the terms and conditions thereof, on such date CGE is transferring to ULHP all of its rights, title and interest in, to and under the Plant;

WHEREAS, in connection with such transfer, on the date thereof, CGE and ULHP are executing and delivering that certain Assignment and Assumption Agreement with respect to Water Purchase Agreement (the "Assignment and Assumption Agreement"), under which CGE is assigning to ULHP, and ULHP is accepting and assuming, all of CGE's rights and obligations under the Water Purchase Agreement (collectively, the "Proposed Assignment");

WHEREAS, Section 7.4 of the Water Purchase Agreement provides that, without the written consent of the non-assigning party, neither party thereto may assign its rights under such agreement; and

WHEREAS, PSI has determined to execute and deliver this Consent to recognize the Proposed Assignment and to discharge and release CGE from its obligations under the Water Purchase Agreement;

NOW, THEREFORE, by its signature below, in consideration of the transactions contemplated by the Assignment and Assumption Agreement, including without limitation the assumption by ULHP of the obligations of CGE under the Water Purchase Agreement in accordance with its terms, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, PSI hereby:

1. grants its complete, unconditional and irrevocable consent to the terms and provisions of the Assignment and Assumption Agreement, including without limitation the Proposed Assignment, and further agrees that from and after the date hereof, it shall recognize and treat ULHP as "CG&E" for all purposes under the Water Purchase Agreement;
2. releases CGE from all duties and liabilities arising under the Water Purchase Agreement from and after the date hereof; and
3. agrees that, to its knowledge as of the date hereof, CGE is in full compliance with, and not in violation or breach of or default (including with respect to any event that with notice or lapse of time or both would constitute a violation or breach or default) under any provision of, the Water Purchase Agreement.

This Consent shall inure to the benefit of CGE and ULHP and their successors and assigns and is binding upon PSI and its successors and assigns.

No amendment or waiver of any provision hereof shall be effective unless in writing and signed by each of CGE, ULHP and PSI.

This Consent shall be governed by Ohio law, excluding its conflicts of law provisions.

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IN WITNESS WHEREOF, the undersigned entity has caused this Consent to Assignment and Assumption Agreement with respect to Water Purchase Agreement to be executed on its behalf by its officer thereunto duly authorized, all as of the day and year first above written.

PSI ENERGY, INC.

By: *Kay Pashos*
Name: *Kay Pashos*
Title: *President*