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Anita M. Schafer
Paralegal

VIA OVERNIGHT DELIVERY

May 19, 2005

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

MAY 20 2005

PUBLIC SERVICE
COMMISSION

Re: Case No. 2003-00252

Dear Ms. O'Donnell:

Enclosed for filing are an original and twelve copies of the attachments to the Application for Deviation which was docketed on May 10, 2005. These attachments were inadvertently left off of the filing. Please make certain that these attachments are placed at the end of the application. Please date stamp the two extra copies and return to me in the envelope provided.

If you have any questions please do not hesitate to call me at 513-287-3842.

Sincerely,

Anita M. Schafer
Senior Paralegal

AMS/mak

cc: Hon. Elizabeth E. Blackford (with enclosures)

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MAY 20 2005

PUBLIC SERVICE
COMMISSION

MIAMI FORT UNIT 6 OPERATION AGREEMENT

Between

THE CINCINNATI GAS & ELECTRIC COMPANY

and

THE UNION LIGHT, HEAT AND POWER COMPANY

MIAMI FORT UNIT 6 OPERATION AGREEMENT

Between

THE CINCINNATI GAS & ELECTRIC COMPANY

And

THE UNION LIGHT, HEAT AND POWER COMPANY

THIS MIAMI FORT UNIT 6 OPERATION AGREEMENT (the "Agreement"), made as of the ___ day of _____, 200_, between The Cincinnati Gas & Electric Company, an Ohio corporation ("Cincinnati"), and The Union Light, Heat and Power Company, a Kentucky corporation ("ULHP", and together with Cincinnati sometimes referred to hereinafter as the "Parties", and each, individually, sometimes referred to hereinafter as a "Party"), sets forth the agreement of the Parties in respect of the operation of that certain coal-fired steam electric generating unit located at the Miami Fort Station, Hamilton County, Ohio, and having a turbine nameplate rating of 168 MW, and its associated equipment and Common Facilities (as hereinafter defined) and all additions and replacements thereto (collectively, "Miami Fort Unit 6").

A. Basic Obligations

1. Cincinnati shall operate and maintain Miami Fort Unit 6 and any facilities, supplies or equipment used in connection with the operation or maintenance of Miami Fort Unit 6 that also are used in connection with any other electric generating unit located at the Miami Fort Station ("Common Facilities") and shall make additions, replacements and retirements thereto, in accordance with good utility practice. Such practice shall include the maintenance of reasonable coal and fuel oil reserves, the level of which shall be mutually agreed to by the Parties, against interruptions of normal supply.

2. Cincinnati shall use Miami Fort Unit 6 to generate three phase, 60 hertz electric service, with a nominal station bus voltage of ___ kV.

B. Capability and Output

1. The output of Miami Fort Unit 6 shall be fed into transmission lines and related facilities in the manner to be described in a Facilities Operation Agreement to be entered into by and between the Parties.

2. ULHP shall be entitled to the full capability of Miami Fort Unit 6, subject to the following:

- a. Cincinnati shall keep ULHP informed as to the maximum practical capability of Miami Fort Unit 6 as it may vary in accordance with the condition and availability of its associated equipment.
- b. ULHP shall submit to Cincinnati, with reasonable notice, a schedule of its requirements to be generated pursuant to this Agreement.
- c. Subject to necessary or unavoidable outages or reductions in capability, Miami Fort Unit 6 shall be operated so as to produce an output equal to the required scheduled generation of ULHP.
- d. Should the capability of Miami Fort Unit 6 for any reason be reduced, ULHP shall immediately take steps to reduce its required scheduled generation.

C. Operation of Miami Fort Unit 6

Cincinnati, as agent for ULHP, shall operate and maintain Miami Fort Unit 6 and perform the other obligations in connection therewith set forth in this Agreement. In carrying out such responsibilities and subject to the maintenance of fuel reserves in accordance with the provisions of Paragraph A. 1. above, Cincinnati shall provide such materials, fuels, equipment and services, from such sources, which may include its own organization, as it determines in its sole discretion to be required.

Cincinnati, as agent for ULHP, shall operate and maintain Miami Fort Unit 6 in accordance with Good Utility Practice. "Good Utility Practice", as used herein, shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in the United States during the relevant time period, or any of the practices, methods and acts that, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good

Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather includes all acceptable practices, methods or acts generally accepted in the region.

Cincinnati shall keep ULHP reasonably informed of present and anticipated operational issues that may reasonably be expected to be material to its obligations to ULHP hereunder. In that connection, it shall endeavor from time to time, as reasonably possible, to obtain advance approval of ULHP of its proposed course of action with respect to Miami Fort Unit 6 and ULHP shall not unreasonably withhold, condition or delay such approval. However, in the event of emergencies or inability to obtain such approval, Cincinnati shall take such action as Cincinnati, in its sole discretion, deems necessary under the circumstances.

D. Reimbursement of Cincinnati by ULHP

ULHP shall make Cincinnati whole for any and all expenses and costs, including applicable overheads, incurred on its behalf by Cincinnati under this Agreement. For the purposes of this Agreement, the following principles shall apply:

1. All expenses, including overheads, directly or indirectly applicable to the operation and maintenance of Miami Fort Unit 6 shall be classified as operation and maintenance expenses and taxes, as appropriate, and shall be the sole responsibility of ULHP. Of these, fuel and fuel handling expenses and associated overheads, exclusive of no-load and start-up fuel and associated fuel handling expenses, shall be classified as energy expenses. Overhead expenses applicable to operation and maintenance shall include expenses related to payroll, such as Social Security taxes, unemployment insurance, group life insurance, group hospitalization and medical insurance, pension plan contributions, thrift or stock purchase plan expenses, expense to Cincinnati of other fringe expenses related to employees and other applied overheads, including administrative and general expenses.

2. Expenses directly assignable to Miami Fort Unit 6 shall be so assigned. Expenses not directly assignable to Miami Fort Unit 6 shall be allocated on the basis of cost responsibility, as mutually agreed upon by the authorized representatives of the Parties.

3. Each Party hereby represents and warrants to the other that the representative identified by it to the other Party as the appropriate representative with respect to the supervision of this Agreement is duly authorized to develop procedures for the implementation and carrying out of the principles of and actions and obligations contemplated by this Agreement.

4. ULHP shall be solely responsible for all costs and expenses related to the maintenance of inventories of fuel and plant material and operating supplies. ULHP shall pay advances to Cincinnati, adjusted as required from time to time, as payment for the estimated requirements for operation and maintenance expenses, related overheads and taxes.

5. All costs and expenses related to additions, replacements and retirements relating to construction accounts and directly assignable to Miami Fort Unit 6 shall be the sole responsibility of ULHP. Funds for such purposes shall be supplied by ULHP to Cincinnati as needed on the basis of estimated costs and shall be adjusted to actual costs after completion of work. Costs and expenses of the nature described in this paragraph 5 not directly assignable to Miami Fort Unit 6 shall be allocated on the basis of cost responsibility, as mutually agreed upon by the authorized representatives of the Parties.

ULHP shall supply the necessary funds notwithstanding the pendency of arbitration or legal proceedings, or both, concerning the extent or propriety of the same, subject to adjustment upon the conclusions of such proceedings.

6. Cincinnati shall continue to apply for, administer and maintain all environmental permits necessary for operation of the Miami Fort Station, including Miami Fort Unit 6 and any Common Facilities. To the extent that Cincinnati's operation of Miami Fort Unit 6 contributes to or results in violation of an environmental permit or any applicable environmental law or regulation, ULHP shall be liable for any and all associated costs, including civil penalties, remedial measures and injunctive relief; *provided, however*, that, notwithstanding the foregoing, in the event that any such violation results from Cincinnati's failure to operate Unit 6 in accordance with Good Utility Practice, Cincinnati shall be solely liable for any and all such associated costs.

7. Cincinnati shall submit statements, in such detail as is reasonably satisfactory to ULHP, for the operation and maintenance expenses, related overheads and taxes.

Refusal on the part of ULHP to make payments as herein provided for, after final determination of the same by arbitration or legal proceedings, or both, if any, as provided for in Section E(6) hereof, shall entitle Cincinnati to deny ULHP any output of Miami Fort Unit 6. This remedy shall be in addition to any other remedies permitted under this Agreement.

E. General

1. The term of this Agreement shall be from the date hereof and shall extend until the twentieth annual anniversary hereof (the "Term"). The Term may be thereafter extended for additional two-year periods upon the mutual written consent of the Parties.

2. Except as to the treatment of liberalized tax depreciation, investment tax credit and other such issues as may arise from time to time in the future, each party in its accounting relating to Miami Fort Unit 6 shall follow the accounting provisions of the Uniform System of Accounts prescribed by the Federal Power Commission for Public Utilities and Licensees, as such provisions may be in effect from time to time, provided that either Cincinnati or ULHP may, in its use of the same, substitute its own, or appropriate Public Utilities Commission of Ohio account numbers for the F.P.C. account numbers.

3. Each Party shall use its best efforts to agree upon and employ from time to time uniform rates for determining the annual provision for depreciation of Miami Fort Unit 6.

4. Cincinnati shall keep accurate books of account containing in detail the items of cost applicable to the operation, maintenance, taxes, depreciation, additions, replacements and retirements for Miami Fort Unit 6. Cincinnati shall permit said books of account to be examined from time to time by ULHP, or on its behalf by its independent public accountant, at the reasonable request of ULHP, to the extent necessary to verify the assignment of costs to ULHP pursuant to the provisions of this Agreement.

5. Neither Cincinnati nor ULHP may assign this Agreement except to an affiliated entity. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding upon the parties and their respective successors and assigns.

6. Any controversy, claim, counterclaim, dispute, difference or misunderstanding arising out of, or relating to this Agreement or the breach thereof, shall be submitted to arbitration upon the request of either of the Parties in the manner hereinafter provided.

The party hereto submitting such request shall serve notice in writing (the "Notice") upon the other party hereto, setting forth in detail the subject or subjects to be arbitrated, and the Parties thereupon shall endeavor to agree upon and appoint one person to act as sole arbitrator. If the parties fail to agree upon such an arbitrator within fifteen days from the receipt of the Notice, any one or more of the parties may apply within five days thereafter to the Chief Judge of the United States Court of Appeals for the Sixth Circuit for the appointment of the sole

arbitrator. In the event that the Chief Judge does not within 30 days make such appointment, either party hereto or both Parties may request the American Arbitration Association (“AAA”) to appoint the sole arbitrator pursuant to its rules then obtaining.

The arbitration shall be conducted in accordance with the rules of the AAA then in effect. The findings and award of the sole arbitrator shall be binding and conclusive with respect to the matter or matters submitted to arbitration, except as such findings and award may be modified, corrected or vacated as provided in Sections 2711.10 and 2711.11 of the Revised Code of Ohio, or the successors to such Sections, in effect at the time under consideration. The costs of arbitration shall be divided equally between the Parties.

Performance of this provision shall be a condition precedent to the institution of any proceeding in any court concerning any controversy, claim, counterclaim, dispute, difference or misunderstanding, arising out of, or relating to this Agreement or the breach thereof.

7. Cincinnati and ULHP hereby acknowledge that future operating conditions may materially change from those now contemplated. In that event, they will use their best efforts to agree upon modifications to this Agreement that are fair and reasonable.

8. The performance of each provision of this Agreement is conditioned upon the due receipt of all regulatory approvals, in the form and substance satisfactory to the Parties, necessary to permit the performance thereof, and each party hereto shall use its best effort, to obtain any such necessary regulatory approval.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the ___ day of _____, 200_.

THE CINCINNATI GAS & ELECTRIC COMPANY

By _____
President

THE UNION LIGHT, HEAT AND POWER COMPANY

By _____
Chairman and Chief Executive Officer

**GAS AND PROPANE SERVICES AGREEMENT
WITH RESPECT TO
WOODSDALE GENERATING STATION
BY AND BETWEEN
THE CINCINNATI GAS & ELECTRIC COMPANY
AND
THE UNION LIGHT, HEAT AND POWER COMPANY**

THIS GAS AND PROPANE SERVICES AGREEMENT (“Agreement”), is made and entered into this ____ day of _____, 2005, (“Effective Date”) by and between The Cincinnati & Electric Company (“CG&E”) and The Union Light, Heat and Power Company (“ULH&P”) (each of CG&E and ULH&P being a “Party” and collectively, the “Parties”).

RECITALS:

WHEREAS, immediately prior to the Effective Date, CG&E was the sole owner of all right, title and interest in, under and to Woodsdale Generating Station, a dual-fuel (natural gas and propane), single cycle electric generating station located in Butler County, Ohio in the city of Trenton (“Woodsdale Station”);

WHEREAS, in accordance with the provisions of that certain Asset Transfer Agreement by and between CG&E and ULH&P, dated as of the date hereof (the “Asset Transfer Agreement”), on the Effective Date, CG&E transferred, assigned, conveyed and delivered to ULH&P all of CG&E’s right, title and interest in, under and to Woodsdale Station and all real and personal property, tangible and intangible, constituting, or used in connection with or ancillary to the ownership and operation of, Woodsdale Station (other than 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, ULH&P desires that CG&E provide certain operation and maintenance services to ULH&P related to the natural gas facilities and the propane facilities related to Woodsdale Station and CG&E desires to provide such services.

NOW THEREFORE, in consideration of the mutual agreements herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I

SERVICES

- A) Engagement. Subject to the terms, conditions, provisions and limitations of this Agreement, ULH&P hereby engages CG&E, and CG&E agrees to accept such engagement, to provide the Natural Gas O&M Services and Propane O&M Services, both as defined below (and together referred to as the “Services”).
- B) Natural Gas O&M Services.
1. CG&E will provide the Natural Gas O&M Services with respect to certain of ULH&P’s natural gas facilities serving Woodsdale Station that are described on Schedule 1(B),

attached hereto and made a part hereof (the "Natural Gas Facilities"), from the interconnect at Liberty Station through the outlet side of Station # 563 at Woodsdale.

2. The operation and maintenance of natural gas facilities owned by ULH&P contemplated by this Agreement (the "Natural Gas O&M Services") to be performed by CG&E hereunder shall include the following:
 - a. Perform leak survey and line patrol of Line C210
 - b. Perform corrosion survey of Line C210
 - c. Conduct regular inspections
 - d. Read interference bonds
 - e. Maintain grounds upkeep at Liberty Station
 - f. Calibrate and maintain meter and transducer
 - g. Perform RTU calibration
 - h. Check odorant equipment
 - i. Perform DOT Integrity Management
 - j. Perform any other regulatory compliance requirements
 - k. Supply odorant to odorizers
 - l. Monitor pressures, flows and odorization rates
 - m. Handle miscellaneous trouble calls.
- C) Natural Gas Service. ULH&P will be responsible for arranging for natural gas supplies for use at Woodsdale Station through the marketer or supplier of its choice and shall arrange for the transportation and delivery of those natural gas supplies on the Texas Gas Transmission system into Liberty Station.
- D) Propane O&M Services.
1. CG&E will provide the Propane O&M Services with respect to certain of ULH&P's propane facilities serving Woodsdale Station that are described on Schedule 1(D), attached hereto and a part hereof (the "Propane Facilities"), from tap on the LP-6 line owned by CG&E and Ohio River Valley Propane ("ORVP") through the LP-7 line to the inlet flange of the first stage regulator to Woodsdale Station.
 2. CG&E and ULH&P, along with ORVP, shall share the use of Line LP-6.
 3. The operation and maintenance of propane facilities owned by ULH&P contemplated by this Agreement (the "Propane O&M Services") to be performed by CG&E hereunder shall include the following:
 - a. Operate Todhunter control for Liquid Propane delivery to Woodsdale Station
 - b. Odorize liquid propane to Woodsdale Station
 - c. Maintain current odorizer system i.e. pump, controls, RTU
 - d. Maintain current odorizer and micro-motion at Woodsdale
 - e. Order odorant
 - f. Monitor system
 - g. Leak survey and line patrol of Line LP-7
 - h. Perform corrosion survey of Line LP-7
 - i. Conduct regulator inspections
 - j. Read interference bonds

- k. Check water separator at Todhunter
- l. Operate cavern pumps when supplying propane to Woodsdale Station from CG&E's Todhunter Cavern
- m. Handle miscellaneous trouble calls

ARTICLE II

TERM

- A) The term of this Agreement shall commence on the Effective Date and shall continue in effect until the second anniversary of the Effective Date (the "Original Term"), unless sooner terminated in accordance with the terms of this Agreement.
- B) Automatic Renewal Terms. This Agreement shall automatically renew for additional two year terms ("Automatic Renewal Term") unless terminated by either Party upon two (2) months' notice prior to the end of the Original Term or an applicable Automatic Renewal Term.

ARTICLE III

TITLE; ACCESS

- A) Station. ULH&P shall retain all right, title, ownership of and exclusive rights to Woodsdale Station.
- B) Fuel. ULH&P shall retain title to, shall have care, custody, control and ownership of all natural gas and propane with respect to which CG&E is providing the services contemplated hereunder.
- C) Access to Woodsdale Station. ULH&P hereby grants CG&E a non-exclusive license during the term of this Agreement to access any Natural Gas Facilities and/or Propane Facilities in order to perform the Services in accordance with the terms set forth herein.

ARTICLE IV

FEES; PAYMENT

- A) Fees. As full compensation and consideration for the performance of all of the Services under this Agreement, ULH&P shall pay to CG&E each month CG&E's fully-allocated cost for performing the Services for the immediately preceding month.

ARTICLE V

TERMINATION OF AGREEMENT

- A) Conditions for Termination. This Agreement shall terminate and neither Party shall have any remaining rights or obligations hereunder, with the exception of payment by ULH&P to CG&E of any amounts due for services performed as of the date of termination, upon the occurrence of any of the following:

(1) the natural expiration of the Original Term or Automatic Renewal Terms and either Party's election not to renew pursuant to Article II;

(2) the occurrence of any event beyond the reasonable control of the affected Party which results in the failure or delay by the affected Party of some performance under this Agreement, in full or part, including the following: (i) failure of the Natural Gas Facilities or Propane Facilities not caused by failure to maintain, (ii) failure of Woodsdale Station due to drought, flood, earthquake, storm, fire, lightning, epidemic, war, terrorism, riot, civil disturbance, sabotage or other act of God, (iii) strike or labor difficulty, (iv) accident or curtailment of natural gas or propane supply, (v) total casualty to equipment and (vi) restraint, order or decree by a governmental authority;

(3) damage or destruction to Woodsdale Station that is reasonably determined by ULH&P's insurance provider to constitute a total loss to the station;

(4) the sale of Woodsdale Station by ULH&P to a third party; or

(5) failure by ULH&P, in the case of termination by CG&E, or failure by CG&E, in the case of termination by ULH&P, to comply with any material covenant, obligation or agreement made by it and contained in this Agreement.

ARTICLE VI

MISCELLANEOUS

A) No Third Party Beneficiary; No Dedication. This Agreement is intended to be solely for the benefit of CG&E and ULH&P and their successors and permitted assigns, and nothing in this Agreement, express or implied, is intended to, and this Agreement shall not, confer any rights, remedies, or benefits on any person not a signatory hereto.

B) Entire Agreement. This Agreement and any Exhibit or Schedule attached hereto integrate the entire agreement of the Parties with respect to the subject matter hereof, and supersede all oral negotiations and prior writings in respect to the subject matter hereof.

C) Amendments. This Agreement may be amended or modified only by an instrument in writing signed by an authorized officer of each of the Parties making specific reference to the provision or provisions to be amended or modified.

D) Headings. The table of contents and headings of the various Articles and Sections of this Agreement are for convenience of reference only and shall not modify, define, or limit any of the terms or provisions hereof.

E) Counterparts. This Agreement may be executed and delivered in multiple originals or using counterpart signature pages and may be delivered by facsimile transmission. All such multiple originals shall constitute but one and the same document.

[The remainder of this page is intentionally left blank. Signature pages to follow.]

IN WITNESS WHEREOF, the Parties have by their respective duly authorized officers caused this Agreement to be executed and delivered by their duly authorized officers as of the day and year first above written.

The Cincinnati Gas & Electric Company

By: _____
Name: _____
Title: _____

The Union Light, Heat and Power Company

By: _____
Name: _____
Title: _____

Schedule 1 (B)

Station #562 – Liberty Station

Station #563 – Woodsdale Station

Feeder Line C210

SCADA Equipment

Meter Runs at Woodsdale Station

Schedule 1 (D)

At TEPPCO's Todhunter Cavern's #2, 5, & 6:

- 1 submersible pump at Cavern #5
- 1 submersible pump at Cavern #6

At CG&E's Todhunter Cavern #1:

- 2 submersible cavern pumps
 - Motor control center
- 2 water separators
- 6 surface pumps
 - Metering, regulating equipment
 - SCADA equipment

Feeder Line LP-7 connecting Todhunter Cavern #1 to Woodsdale Station.

Metering, regulating, and storage facilities at Woodsdale Station.