

**Charter of the
Compensation Committee
of the Board of Directors
of Cinergy Corp.**

I. Purpose

The purpose of the Compensation Committee of the Board of Directors (the "Compensation Committee," or, the "Committee") is to develop, approve and oversee Cinergy Corp.'s ("Cinergy") policies relating to compensation and to produce an annual report on executive compensation for inclusion in Cinergy's proxy statement in accordance with applicable rules and regulations.

II. Membership

The Compensation Committee shall be comprised entirely of three or more independent directors.

The members of the Compensation Committee shall qualify as independent directors ("Independent Directors") under the listing standards of the New York Stock Exchange, as "non-employee directors" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and shall satisfy any other necessary standards of independence under the federal securities and tax laws.

The members shall be nominated by the Corporate Governance Committee and appointed by the Board of Directors (the "Board"). The Corporate Governance Committee shall recommend, and the Board shall designate, one member of the Compensation Committee to serve as the Chair.

The members shall serve until their resignation, retirement, or removal by the Board or until their successors shall be appointed and qualified.

No member of the Compensation Committee shall be removed except by majority vote of the Independent Directors then in office.

III. Meetings and Procedures

1. The Compensation Committee shall fix its own rules of procedure, which shall be consistent with Cinergy's By-laws and this Charter.
2. The Compensation Committee shall meet at least twice annually and at such other times as circumstances require.

3. The Chair of the Compensation Committee or a majority of the members of the Compensation Committee may call a special meeting of the Compensation Committee.
4. A majority of the members of the Compensation Committee shall constitute a quorum.
5. The Compensation Committee may delegate to other Cinergy committees, directors or employees such of its duties and responsibilities as in the discretion of the Committee are in the best interests of Cinergy, provided such delegation is not prohibited by law, regulations or the New York Stock Exchange listing standards.
6. The Compensation Committee may form subcommittees for any purpose that the Compensation Committee deems appropriate and may delegate to such subcommittees such power and authority as the Compensation Committee deems appropriate; provided, however, that:
 - (a) No subcommittee shall consist of fewer than two members; and
 - (b) The Compensation Committee shall not delegate to a subcommittee any power or authority required by any law, regulation or listing standard to be exercised by the Compensation Committee as a whole.
7. The Compensation Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Compensation Committee, attend any meeting of the Compensation Committee to provide such pertinent information as the Compensation Committee requests.
8. Following each of its meetings, the Compensation Committee shall deliver a report on the meeting to the Board, including a description of all actions taken by the Compensation Committee at the meeting.
9. The Compensation Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the Company.
10. The Compensation Committee shall regularly report its findings and recommendations to the full board.

IV. Duties and Responsibilities

11. To review, approve and oversee the process and substance of Cinergy's compensation policy.

12. CEO compensation:
 - (a) To establish, at least annually, the corporate goals and objectives relevant to CEO compensation.
 - (b) To evaluate the CEO's performance in light of those goals and objectives.
 - (c) Determine and approve the CEO's compensation level based on this evaluation.
 - (d) In determining the long-term incentive component of CEO compensation, the Compensation Committee shall consider all relevant factors, including the Company's performance and relative shareholder return, the value of similar incentive awards to CEO's at comparable companies, and the awards given to the CEO in past years.
13. To make recommendations to the Board with respect to non-CEO compensation.
14. To review, at least annually, the competitiveness of Cinergy's executive compensation.
15. To perform, at least annually, performance evaluations of any executive officer who is also a Director.
16. To review, periodically, performance evaluations of the senior executives, keeping the full Board informed.
17. To review new executive compensation programs; review on a periodic basis the operation of Cinergy's executive compensation programs to determine whether they are properly coordinated; establish and periodically review policies for the administration of executive compensation programs; and take steps to modify any executive compensation programs that yield payments and benefits that are not reasonably related to executive performance.
18. To establish and periodically review policies in the area of management perquisites and "fringe" benefits.
19. To review Cinergy's severance or termination philosophy with the Chief Executive Officer periodically.
20. To review all equity-based compensation plans and amendments thereto, including those that are not subject to stockholder approval under the listing standards of the New York Stock Exchange, and to approve such plans and amendments in its sole discretion.
21. To make recommendations to the Board with respect to incentive-compensation plans and equity-based plans.

22. To perform such duties and responsibilities as may be assigned to the Board or the Compensation Committee under the terms of any executive compensation plan, incentive-compensation plan or equity-based plan.
23. To plan for executive development and succession; to plan for management development and evaluation of key personnel.
24. To prepare the compensation committee report on executive compensation as required by the Securities and Exchange Commission to be included in Cinergy's annual proxy statement.
25. To adopt clear policies explaining which aspects of compensation policy require consideration and approval by the full Board.
26. To recommend an appropriate method by which shareholder concerns about compensation may be communicated by shareholders to the Compensation Committee and, as the Compensation Committee deems appropriate, to respond to such shareholder concerns.

V. Performance Evaluation

27. The Compensation Committee shall conduct a self-evaluation of its performance annually.
28. In conducting this review, the Compensation Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope.
29. In conducting this review, the Compensation Committee shall address all matters that it considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Compensation Committee to the Board; the manner in which they were discussed or debated; and, whether the number and length of meetings of the Compensation Committee were adequate for the Compensation Committee to complete its work in a thorough and thoughtful manner.
30. The Compensation Committee shall report to the Board on the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to Cinergy's or the Board's policies and procedures.

VI. Investigations and Studies; Outside Advisors

31. The Compensation Committee may conduct or authorize investigations into or studies of matters within the scope of the Compensation Committee's duties and responsibilities, and may

retain, at Cinergy's expense, such independent counsel or other advisors as it deems necessary.

32. The Compensation Committee shall have the sole authority to retain or terminate any consulting firm to be used to assist the Compensation Committee in carrying out its responsibilities, including sole authority to approve the consultant's fees and other retention terms, such fees to be borne by Cinergy.