

Cinergy Corp. Code of Business Conduct and Ethics

A fundamental goal at Cinergy Corp. and its subsidiaries (“Cinergy”, or the “Company”) is to implement our core values in a manner that leads to improved quality of life and the long-term success of the Company and its stakeholders (“Corporate Sustainability”). Our core values of Social Responsibility, Economic Progress, and Environmental Improvement are bound within the framework of ethical business practices.

We also strive to provide low cost energy and excellent service to our customers, more efficiently and with an ever-lessening impact on our environment. In pursuit of our goal, we strive to achieve the highest business and personal ethical standards as well as compliance with all applicable governmental laws, rules and regulations. Adherence to the standards contained in this Code will help to ensure decisions that reflect care for all of our stakeholders. This *Code of Business Conduct and Ethics* (the “Code”) is intended as an overview of the Company’s guiding principles and not as a restatement of Company policies and procedures.

This Code cannot and is not intended to cover every applicable law or provide answers to all questions that might arise; for that we must ultimately rely on each person’s good sense of what is right, including a sense of when it is proper to seek guidance from others on the appropriate course of conduct. Because our business depends upon the reputation of the Company and its directors, officers and employees for integrity and principled business conduct, in many instances this Code goes beyond the requirements of the law.

Employees should refer to the confidential and proprietary policies contained in the Working Environment Policy Manual (hereinafter, the “Policy Manual”), for a description of the policies and required reporting procedures applicable to them. This Code is a statement of goals and expectations for individual and business conduct. It is not intended to and does not in any way constitute an employment contract or assurance of continued employment, and does not create any rights in any employee, client, supplier, competitor, shareholder or any other person or entity.

It is the obligation of each and every director, officer and employee of Cinergy to become familiar with the goals and policies of the Company and integrate them into every aspect of our business. Our ethics are ultimately determined by all of us as we do our daily jobs. Our standard has been, and will continue to be, that of the highest ethical conduct.

CONFLICTS OF INTEREST

Directors, officers and employees of Cinergy must act honestly and ethically and have a duty of loyalty to the Company, and must therefore avoid any actual or apparent conflict of interest between personal and professional relationships. A conflict situation can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her work objectively and effectively. Conflicts of interest also may arise when an employee, officer, or director, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Company. It is therefore Cinergy's policy to prohibit the extension or maintenance of credit, either directly or indirectly, or arrange for the extension of credit or renewing an extension of credit in the form of a personal loan to or for any director or executive officer (or person performing similar functions) of Cinergy; provided however, extensions of credit maintained by Cinergy prior to July 30, 2002 shall not be so prohibited and the Board of Directors may provide for other limited exceptions to this prohibition in accordance with the Sarbanes-Oxley Act of 2002. If such a situation arises, employees must immediately report the circumstances to the Legal Department at 513-287-2644. The Chief Executive Officer and members of the Board of Directors must report any such circumstances to the Corporate Governance Committee. To review the policy and specific employee reporting procedures, employees should refer to the Company's policy regarding Conflicts of Interest in the Policy Manual.

CORPORATE OPPORTUNITIES

No director, officer or employee may: (a) take for himself or herself personally opportunities that are discovered through the use of Company property, information or position; (b) use Company property, information or position for personal gain; or (c) compete with the Company. Directors, officers and employees owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

USE OF INSIDE INFORMATION

It is the Company's goal to protect shareholder investments through strict enforcement of the prohibition against insider trading set forth in federal securities laws and regulations. No director, officer or employee may buy or sell securities of Cinergy at a time when in possession of "material non-public information." (There is, however, an exception for trades made pursuant to certain pre-existing trading plans established in compliance with applicable law.) Passing such information to someone who may buy or sell securities is also prohibited. The prohibition on insider trading applies to Cinergy's securities and to securities of other companies if the director, officer or employee learns of material non-public information about those other companies in the course of his

or her duties for Cinergy. This prohibition also extends to certain non-employees who may learn about the “material non-public information” about the Company such as spouses, relatives, and close friends of directors, officers or employees. Insider trading is both unethical and illegal and will be dealt with firmly. See the Cinergy Corp. Insider Trading Policy and Inside Information in the Policy Manual for a more detailed description of the Company’s policy prohibiting insider trading and for specific employee reporting procedures.

CORPORATE COMMUNICATIONS

The Company is committed, consistent with legal and regulatory requirements, to maintaining an active and open dialogue with its securityholders and potential investors. No persons other than Authorized Spokespersons (as defined in the Cinergy Corp. Regulation FD Policy) are authorized to speak on behalf of the Company to securities analysts, broker-dealers, securityholders and certain other types of persons. See the Cinergy Corp. Regulation FD Policy to review specific requirements.

FAIR DEALING

Each director, officer and employee shall endeavor to deal fairly and in good faith with Cinergy customers, shareholders, employees, suppliers, regulators, business partners, competitors and others. No director, officer or employee shall take unfair advantage of anyone through manipulation, concealment, abuse of privileged or confidential information, misrepresentation, fraudulent behavior or any other unfair dealing practice.

CONDUCT INVOLVING INTER-AFFILIATE MATTERS

Cinergy’s directors, officers and employees will comply with all laws, rules, regulations and tariffs pertaining to conduct involving inter-affiliate and inter-business unit matters. Cinergy’s utility companies are subject to state and federal codes of conduct designed to ensure that Cinergy’s utility companies do not subsidize or otherwise grant an undue preference or advantage to their affiliate companies or non-regulated marketing functions. All Company directors, officers and employees are required to know of these restrictions and ensure that their actions are in compliance with these safeguards against affiliate abuse. To obtain further information and specific employee reporting procedures, please contact the Legal Department at 513-287-2644.

CONFIDENTIALITY

All directors, officers and employees should maintain the confidentiality of information entrusted to them by the Company, its business partners, suppliers, customers or others related to Cinergy’s business. Such information must not be

disclosed to others, except when disclosure is authorized by Cinergy or legally mandated. Confidential information includes all non-public information that might be of use to competitors or harmful to Cinergy, or its customers, if disclosed. To review the policy and for specific employee reporting procedures, employees should refer to the Company's policy regarding Confidentiality in the Policy Manual.

PROTECTION AND USE OF COMPANY ASSETS

Company assets, such as information, materials, supplies, time, intellectual property, software, hardware, and facilities, among other property, are valuable resources owned, licensed, or otherwise belonging to the Company. Safeguarding Company assets and ensuring their efficient use is the responsibility of all directors, officers and employees. All Company assets should be used for legitimate business purposes. The personal use of Company assets without permission is prohibited. To review the policy and for specific employee reporting procedures, employees should refer to the Company's policies regarding Company Resources in the Policy Manual.

ENVIRONMENTAL LEADERSHIP

Cinergy's commitment to the communities we serve demands no less than superior environmental stewardship. Cinergy and its subsidiaries will be industry leaders in protecting the environment. We will meet or exceed all applicable regulatory requirements. We will conduct our business with respect for the environment, while providing our customers with low cost, reliable, and efficient energy services. To review the applicable policies and for specific employee reporting procedures, employees should refer to the applicable policies in the Policy Manual, including, but not limited to, Environmental Leadership, Message from Jim Rogers, Cinergy Environmental Leadership Pledge, Corporate and Personal Accountability, Community Commitment, Energy Conservation and Power Supply, Natural Resources Stewardship, Prevention of Pollution, Emergency Preparedness and Response, Research and Development, Environmental Operations Manual, Environmental Crimes and Penalties, Recordkeeping, Monitoring and Reporting Violations, Improper Discharge of Pollutants, Failure to Report a Spill or Release, Construction Related Violations, and Environmental Auditing.

ACCOUNTING PRACTICES

It is the policy of Cinergy to fully and fairly disclose the financial condition of the Company in compliance with applicable accounting principles, laws, rules and regulations. All books and records of Cinergy shall be kept in such a way as to fully and fairly reflect all Company transactions. Furthermore, the senior financial officers of Cinergy, including the principal financial officer and

comptroller, or persons performing similar functions, shall prepare full, fair, accurate, timely and understandable disclosure in reports and documents that Cinergy files with, or submits to, the SEC and in Cinergy's other public communications.

RECORDS RETENTION

Directors, officers and employees are expected to become familiar with the Company's policies regarding records retention applicable to them and to strictly adhere to those procedures as outlined in the policies. Employees may access the Company's Records Retention Policy on the Records Management Home Page on the Cinergy Intranet. Employees are instructed to refer to the HOLD policy of the Company's Records Retention Policy identified above if an employee learns of a subpoena or a pending, imminent or contemplated litigation or government investigation or has reason to believe that a violation of this policy has been committed.

COMPLIANCE WITH LAWS, RULES, REGULATIONS

Cinergy takes a proactive stance on compliance with all applicable laws, rules, and regulations, including, as mentioned above, insider trading laws. In addition, Cinergy requires that its officers and employees comply with the following workplace policies and applicable laws and regulations:

Antitrust Laws

The antitrust laws are a collection of federal and state laws the purpose of which is to protect and promote competition. Certain types of anticompetitive conduct are always prohibited, such as bid-rigging and agreements among competitors to allocate customers, otherwise divide markets or to fix prices or terms of sale. Other types of conduct will constitute a violation if the conduct harms competition more than it enhances competition. Because the consequences of violating the antitrust laws can be very serious for the persons involved and the Company and because such laws are complex, the Cinergy Legal Department offers compliance training on such laws. The Legal Department should always be consulted prior to committing the Company to any activity about which there may be a question as to the competitive impact.

Equal Employment Opportunity

Cinergy's people are a key source of our competitive edge. The Company strongly supports and recognizes its responsibility to provide equal employment opportunities to all qualified individuals. The Company places a high value on diversity. The Company strongly believes that all people are unique and valuable and should be respected for their individual abilities.

In support of these beliefs the Company has established a corporate policy regarding discrimination or harassment on the basis of race, gender, age, color, religion, disability status, Veteran status, sexual orientation, marital status, or ethnic, national, or Appalachian regional origin, or any other characteristic protected by law. The policy applies to all personnel relationships including, but not limited to: promotions, transfers, training, job assignments, job stations, hours of work, rates of pay, working conditions, terminations, and all terms and conditions of employment. The Company will take affirmative action to employ qualified disabled veterans, veterans of the Vietnam era, disabled persons, minorities, and women.

All officers and employees are expected to adhere to the laws, regulations and Company policies relating to equal opportunity, affirmative action and non-discrimination. To review the policy and for specific employee reporting procedures, employees are instructed to refer to the Company's policy regarding Equal Employment Opportunity in the Policy Manual.

Harassment Free Workplace

Cinergy maintains a strict Harassment Free Workplace policy. The Company requires that all officers and employees treat each other, customers, and all other persons encountered in the course of business with respect. To review the applicable policies and for specific employee reporting procedures, employees should refer to the Company's policy regarding Harassment Free Workplace in the Policy Manual.

Threats & Violence

Cinergy strives maintain a work environment that is free from intimidation, threats or violent acts. Violations of Cinergy's Threats and Violence in the Workplace policy should be immediately reported via the procedure described in the Policy Manual. To review the applicable policies and for specific employee reporting procedures, employees should refer to the Company's policy regarding Threats and Violence in the Workplace in the Policy Manual.

Drug, Alcohol & Tobacco Use

Cinergy wants to establish and maintain a work environment that is free from the effects of alcohol and drug abuse. The Company maintains a strict Alcohol, Drug and Tobacco Use policy. To review the applicable policies regarding alcohol, drug and tobacco use and for specific employee testing and reporting procedures, employees should refer to the Company's policy regarding Alcohol, Drug and Tobacco Use; Alcohol; Drugs; Testing; Your Responsibilities;

Department of Transportation (DOT) Regulations; and Smoking in the Policy Manual.

Foreign Corrupt Practices Act (FCPA)

U.S. law generally prohibits the Company from making or offering to make a payment, promise or granting another benefit, directly or indirectly, to a “foreign official”, foreign candidate for political office or foreign political party for the purpose of improperly causing the foreign official, candidate or political party to act or cause an act for the benefit of the Company or a subsidiary. “Foreign official” may include employees of state owned foreign companies as well as governmental officials. Those directors, officers or employees whose jobs subject them to interactions with foreign countries and foreign based companies should request and receive FCPA compliance training from the Legal Department and should immediately contact the Legal Department at 513-287-2644, with respect to any questions regarding business conduct with foreign entities.

CITIZENSHIP

Civic and Political Participation

Cinergy is an active participant in the democratic process at the national, state and local levels, within the parameters of the law. Cinergy also encourages all employees to participate in our political system by voting, speaking out on public issues, and becoming active in civic and political activities. It is important, however, that directors, officers and employees clearly distinguish their personal views from those of the Company, unless specifically authorized by the Company to speak on the Company’s behalf. To review the policy and for specific employee reporting procedures, please refer to the Company’s policy regarding Civic and Political Participation in the Policy Manual.

Political Contribution

Laws of certain jurisdictions (including the U.S. federal government) govern Cinergy’s actions in contributing, directly or indirectly, to any candidate for public office, political parties, or other political organizations. However, directors, officers and employees are free to contribute to candidates or otherwise partake in the political process in their individual capacity. In fact, the Company highly encourages its directors, officers and employees to take part in the political process, but employees may not be given time off with pay for political activity and may not use Company funds or assets for contributions of any kind to a political party or candidate for elected public office. To review the policy and for specific employee reporting procedures, please refer to the Company’s policy regarding Political Contribution in the Policy Manual.

Lobbying

Cinergy recognizes the right of any director, officer and employee, as a citizen, to communicate with his or her elected public officials and the Company encourages directors, officers and employees to do so. However, if requested to make such contact on behalf of the Company, such persons must be cognizant of state and/or federal laws regarding lobbying activities and strictly follow the applicable guidelines and reporting requirements. To review the policy and for specific employee reporting procedures, please refer to the Company's policy regarding Lobbying in the Policy Manual.

Contact with Courts and State and Federal Agencies

All employees must avoid discussing with decision-makers any matters pending before courts or agencies affecting the Company unless the employee is part of the Company's legal counsel or authorized by the Company to do so.

Charitable Activities

Cinergy is committed to maintaining good will and to being a good civic neighbor. Directors, officers and employees are encouraged to serve on non-profit boards and in other volunteer capacities. However, if a director, officer or employee serves in any capacity with a not-for-profit organization, such person may not represent either the Company or the organization in any transactions between them.

DUTY TO REPORT AND CONSEQUENCES

Every director, officer and employee has a duty to adhere to this *Code of Business Conduct and Ethics* and all existing Company policies and to report to the Company any suspected violations in accordance with applicable procedures.

Employees shall report suspected violations of Company policies contained in the Policy Manual by following the reporting procedures for that specific policy in the Policy Manual. All other suspected violations of the Code must be reported to that party or telephone number stated in the Code, or if no specific reporting procedures are stated, to *Compliance Services at 513-287-2662*. The Company will investigate any matter so reported and may take appropriate disciplinary and corrective action, up to and including termination. The Company forbids retaliation against employees who report violations of this *Code of Business Conduct and Ethics* in good faith.

SCOPE

This Code does not supersede, change or alter the existing Company policies and procedures already in place as stated in the Policy Manual and communicated to Company employees. Certain policies referred to herein are contained in their entirety in the Policy Manual, and Company employees are instructed to refer to this Manual for a copy of those policies and required reporting procedures. As previously indicated, the Policy Manual contains information that is proprietary and confidential, and the Company hereby expressly denies waiving any right to assert claims that the contents of the Policy Manual are proprietary and/or confidential.

No Company policy can provide definitive answers to all questions. If employees have questions regarding any of the goals, or standards discussed or policies referenced in this Code or are in doubt about the best course of action in a particular situation, the employee should refer to the reporting requirements for that goal or standard as stated in the Code, or the reporting requirements for policies as stated in the Policy Manual and contact the person or party designated. If no resource is listed and when in doubt, ask Compliance Services (513-287-2662).

Any waivers of this Code for executive officers or directors may be made only by the Board of Directors or a Board committee to which such responsibility has been delegated, and must be publicly disclosed in a prompt manner.