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I. OUR JOINT MISSION

Our joint mission is to compete successfully in the deregulated utility industry of the future. We must build now on our success to capture the lead in service quality and value in all the energy markets we serve. The economic health of our Company and thus the security and well-being of us all depends on the success of our shared commitment to prepare for the future and compete in a free market economy. Our goal is to establish the Local 175 and DP&L working relationship as the standard of excellence.

Our Company is its people. With this Compact we must move toward a clear vision of employees as human assets in our Company. It recognizes the need for continual employee involvement in adapting to change and secures employee participation in the institutions which manage change. By focusing on ever improving personal performance, both the Union and the Company benefit.

Our methods for constant improvement must build on consultation, mutual respect, open communication, shared success, mutual aid and innovative problem-solving which have led our transition to competitive excellence. To these we must now add our heightened personal commitment. The intent of our Compact continues to be that each employee becomes daily a more capable, confident, committed and secure person.

II. MANAGEMENT AND THE UNION

It is not intended that this Compact alter the function of the Union and the management or limit the use of joint labor management panels.

A. *Management and Union* – The Union, the management and the employees will all promote improved customer service, the consultative relationship, work life harmony, mutual trust, and responsible issue resolution.

We will support the negotiated Wellness Program consistent with law and the desire for optimum uniformity.

B. *Management* – Management will define, communicate and implement the objectives and goals of the Company. It will lead and direct the

employees. It will provide resources and equipment for safe and efficient work performance. It will establish and enforce reasonable work rules. It will accomplish these things through the exercise of all the rights and prerogatives associated with management and exercised by it. This section does not abrogate other provisions of this agreement.

C. *The Union* – Local 175, UWUA, AFL-CIO is the sole and exclusive representative of the recognized bargaining unit employees within the historical work jurisdiction with respect to wages, hours, and conditions of employment. It will represent unit employee views and administer this Compact. Elected full-time Union officials shall have leave of absence with full seniority and benefits. If employed by DP&L, the Company will pay straight time wages, guaranteed annual payment and incentive payouts for the President and/or Vice President of Local 175. Consistent with the Basic Compact, part-time employees (those limited to less than 1,000 hours per year) shall be excluded from the bargaining unit for the duration of this Labor Compact. They may be used for meter reading, illness/vacation replacement and to supplement the regular employee work force in accordance with the understanding of the parties. Temporary employees are those who are employed for a specific task and a specific period of time under the direct supervision of the Company; they are excluded from the bargaining unit. The use of temporary personnel is limited and shall be viewed with the Union on a regular basis. New employees may be terminated without cause during their one-year probationary period.

D. *Dues Checkoff* – Upon Union certification of membership status and checkoff authorizations, the Company will deduct monthly from each Union-eligible employee's pay and remit to the Union an amount equal to the monthly Union dues for each employee.

III. THE BASIC COMPACT

A. Commensurate with the continued success of our joint mission and attendant objectives and goals, the Company will retain each existing unit employee for the term of the agreement.

In any transaction involving the continuation of one or more of the Company's current business unit operations by another entity, DP&L will require that such entity agree to (1) offer employment to the affected bargaining unit employees in such operations to the extent and for the

jobs necessary, (2) recognize Local 175 as the exclusive representative of such employees, and (3) adopt and become the signatory to the Local 175 collective bargaining agreement covering such employees. Once a unit employee is offered employment with substantially the same terms and conditions of employment by the new entity, including continuation of credited pension service, the employment and future contractual rights of such employee with DP&L shall terminate.

B. This agreement supports employees in becoming more professional, versatile and productive in their daily work responsibilities. There will be no layoffs due to such improvements. There will be no discipline or terminations without cause; there will be no lockouts, strikes, slowdowns, or other interruptions of work.

C. Contracted Work – The Company will not employ outside contractors for work which will result in a layoff of employees in the bargaining unit who customarily and ordinarily do such work. Any bargaining unit employee affected by contracting shall be permitted to remain in their present position until retirement, or be given a comparable job without loss of pay. Current overtime practices will continue. This language takes the place of all previous agreements on contracting.

D. The Company, Union and each employee will cooperate to maintain high levels of efficiency, productivity and meet service standards throughout the Company. The parties agree to eliminate certain non-productive work practices in South Power Production.

E. Nothing in this Agreement will prevent supervisors in their discretion from performing tasks routinely performed by control room operators so long as no control room operator loses their job, pay or normal work assignment as a result.

IV. EMPLOYEE BILL OF RIGHTS

It is the right of every employee

- To be treated with respect;
- To expect cooperation in improving safety;
- To be informed of Company objectives and goals;

- To be encouraged in developing potential;
- To be evaluated regularly and constructively;
- To participate in improving work methods;
- To participate in issue resolution procedures; and
- To share in the gains of the Company.

V. CAREER PREFERENCE

A. Career Preference – Employees interested in job opportunities should register interests with Labor Relations. They will be offered opportunities based on Company seniority, general qualifications, skill, experience and balanced staffing needs.

With due regard to registered interests, management will be responsible for hiring and initial placement of additional personnel.

The general qualifications referenced in this section of the Compact are:

- (1) The possession of normal health, the particular senses required and the necessary strength and endurance to fill their assigned jobs;
- (2) A willingness to follow instructions and cooperate with fellow employees;
- (3) A willingness, when the need arises, to respond to calls outside of regular hours and to help in any department or phase of the Company's operations in which they are qualified to help;
- (4) A willingness, when required, to direct the work of employees of a lower job rating assisting on the same work;
- (5) Compliance with reasonable general rules of the Company (including safety rules), with the reasonable rules of the department in which they are employed, and with those of other departments with which their work must be coordinated;

- (6) When required, a practical working knowledge of first aid as covered by the Red Cross Standard First Aid Course; also, when required, a thorough working knowledge of respiration or resuscitation;
- (7) The ability and willingness to always meet customers and the public in a pleasant, tactful manner and to perform their duties in such a way as to best insure the maintenance of good public relations; and
- (8) Loyalty, in the best and appropriate sense of the word, to the interests of the Company, the public and fellow employees.

B. Joint Labor Management Initiative -- To promote continual planning and implementation of joint Compact initiatives, resources will be dedicated pursuant to the Labor Management Cooperation Act of 1978 for application in lawful purposes under the authority of trustees appointed by DP&L and Local 175.

VI. TRAINING OPPORTUNITIES AND SAFETY

A. Training -- Training is critical to profitability, to maintenance of an efficient and competitive workforce, and to employee advancement. Employees will be assigned by skills and experience to progress levels encompassing a variety of functions and services; they will be able to demonstrate maintenance of these progress levels. Employees will be provided training opportunities adapted to local circumstances, and shall receive pay increases upon completion of assigned training required for increased responsibilities. We are committed to encouraging and allowing employees the opportunity to voluntarily gain additional skills.

B. Safety -- Working safely is of the utmost importance to each of us and requires the commitment of all employees. The Company will ensure safety through the implementation of a safety commitment and each area will seek input from the Union and employees in the development and maintenance of responsible safety goals and objectives, subject to regular measurements and evaluations.

VII. ISSUE RESOLUTION

The success of our mutual relations under this agreement depends on our commitment to address issues in a fair and responsible way. It is a matter of trust. The Company and Union recognize that it is necessary to resolve disputes at the lowest possible level, provided such resolutions are not inconsistent with the terms of this agreement. Through mutual pledges to approach concerns in a problem-solving manner that is characterized by vesting appropriate authority to resolve issues in supervisors, managers, Union stewards, and employees, we have established the following procedures:

A. *Unlimited Referral* - There is no limit on the nature of issues which may be referred to this process by employees, the Union, or the Company. The process will be used to advance positive ideas as well as to examine perceived wrongs. The only qualifications are that the affected person(s) certify the issue as a responsible one of genuine concern and thereafter participate firsthand in its resolution. Employees will be paid scheduled rates for work time required for issue resolution. Union representatives may participate as they choose in any phase of issue resolution.

B. *Procedure* - An issue should be addressed promptly between the affected person and those with the resources and authority to resolve the issue. The initiator and responder have the responsibility for introducing the issue constructively, for identifying the necessary participants and resources for the resolution of the issue, and any further necessary interaction to resolve the issue.

If not resolved within 20 days, the issue will be jointly defined in writing and discussed at the monthly consultative meeting. A copy of the unresolved issue will be sent to Labor Relations and Local 175. The process/issue will then be reviewed before it may be referred to mediation or arbitration.

C. *Mediation* - The Mediation Panel will be composed of a Union representative, a Company representative, and a neutral Umpire. The neutral Umpire and one other panel member must certify that the issue has not been resolved before it may be referred to arbitration. The neutral Umpire will be selected from a panel of two mediators, who have been mutually approved by the parties for participation in the issue resolution process. Each of the two mediators shall serve on the panel for a period of 18 months. Upon the expiration of the 18-month period,

either party may remove a mediator from the panel. If the parties mutually agree to mediation, each will bear their own costs. The mediator's fee will be paid from the Joint Labor Management Trust Fund.

D. Arbitration - Either party may refer an issue to arbitration. The Arbitration Panel will be composed of a Union representative, a Company representative, and an Impartial Arbitrator. The Impartial Arbitrator shall be selected from a panel of five arbitrators, who have been mutually approved by the parties for participation in the issue resolution process. Each of the five arbitrators shall serve on the panel for a period of 18 months. Upon the expiration of the 18-month period, either party may remove an arbitrator from the panel. The arbitrators shall have no power to add to or subtract from or modify the terms of this agreement. The Arbitration Panel shall announce their decision or resolution as speedily as possible in writing, and it shall be binding upon the parties. The parties shall bear their own costs of arbitration. The Impartial Arbitrator's fee will be split equally between the Union and the Company.

E. Discharge Cases - Employee discharge cases shall be referred directly to the appropriate Company officer, and may be subject to mediation upon mutual agreement. The mediation Umpire shall not serve as a discharge Arbitrator. Arbitrators for discharge cases will normally be selected through the Federal Mediation and Conciliation Service.

VIII. HOURS OF WORK

The basic work week shall consist of five days of eight hours each, or forty hours. Work is performed under two schedules, "regular work schedules" and "irregular work schedules." Employees will normally have a 15-minute break in the morning and the afternoon. Power Production employees (on non-rotating shifts) may elect to take one or both breaks at the end of their work shift.

- Employees electing to take one or both breaks at the end of the work shift will clock out and receive the commensurate 15 or 30 minutes ST pay. After clocking out, employees may leave work.
- All employees assigned to a work crew will have the same break schedule. Crews will notify their supervisor of their break schedule election on a weekly basis.
- Break duration is 15 minutes, including travel time.

A. Regular Schedules -- Regular work schedules will be Monday through Friday, between the hours of 6:00 a.m. and 6:00 p.m. They will consist of five days of eight consecutive hours each, or 40 hours.

B. Irregular Schedules -- All other working schedules shall be known as irregular work schedules. When irregular schedules include Saturday, Sunday or holidays, they shall, unless otherwise mutually agreed, be rotated in such a manner as to equalize the Saturday, Sunday and holiday work among the employees involved.

Employees on irregular work schedules may have a moving Saturday and Sunday as their days off, rather than the calendar Saturday and Sunday. When the calendar Sunday is one of their days off and they work it, it will be treated as their Sunday.

Scheduled Premium -- A premium of 4¢ per hour will be paid to all irregular scheduled employees. Shift premiums will be 50¢ and 75¢ per hour for the second and third tricks respectively, as determined by whether the majority of a shift's hours fall between 3:00 p.m.-11:00 p.m. or 11:00 p.m.-7:00 a.m. The scheduled calendar Sunday premium is 25% of the regular hourly rate.

When an employee works two consecutive tricks, the second trick will be worked on an overtime basis.

Area Service Representatives and certain other employees required to be available for on-call will be entitled to complete relief for one day (24 hours) out of every seven days.

C. Schedule Change -- When an employee's schedule is changed, every effort will be made to give as much advance notice as possible.

D. New Schedules -- Upon mutual agreement of management and at least two-thirds majority of the affected employees, new work schedules other than those outlined in the book of schedules may be implemented. A new schedule shall be reduced to writing and reviewed with the Union prior to implementation on a trial basis. They will be signed by an Officer of the Company and the President of the Union before becoming permanent.

IX. OVERTIME

A. Overtime hours are those hours worked in excess of the regularly scheduled workday or in excess of 40 hours per week. Employees may agree to accept time off in lieu of overtime pay at the applicable rate.

Time and one-half will be paid for all overtime unless double time rates apply. Double time will be paid for all overtime:

- After midnight, unless prearranged within two hours of scheduled starting time;
- On an employee's Sunday;
- In excess of scheduled hours on a holiday;
- In excess of 12 hours on an employee's Saturday;
- As a result of call-in; or
- After 17 hours while employees are working schedules other than their regular ones.

B. Overtime Minimum -- Unless it is canceled on the preceding shift or 12 hours in advance, employees will be assured three pay hours for scheduled overtime which is not consecutive with their regular shift -- four pay hours if called in, and six pay hours if the overtime was prearranged for a normal day off.

C. Overtime opportunities will be fairly equalized as nearly as practicable within the appropriate job classification in the area. Employees recognize their personal responsibility to respond to overtime requests. The parties are committed to utilizing technology and process improvement to speed up overtime response. Methods for implementing those principles will be those arranged by employees and managers on an area basis.

D. It is intended that employees working overtime will receive adequate rest. At a minimum they will be entitled to eight hours rest after working 16 hours out of the previous 24 beginning with an employee's starting time. Employees who work overtime during the eight hours preceding their normal shift may have their starting time delayed by the number of hours worked. This does not apply to

prearranged overtime if the employee has eight continuous hours off between shifts nor to overtime that starts within two hours of regularly scheduled starting time and is continuous with that starting time.

Employees entitled to rest will be paid the straight time hourly rate for any hours of a rest period that fall within their normal work schedule.

X. SENIORITY

Employees accrue and retain seniority according to length of service in a job, the company and an area. Among employees qualified for an opportunity other than career preference, priority is accorded job, company and area seniority; company seniority has priority in voluntary placement or bumping during surplus. Employees will be notified of job opportunities.

A surplus is not activated if the work (same or substantially similar job functions) for an employee or group of employees is moved from one location to another, as long as the distance between work locations is less than 35 miles.

While receiving personal illness pay, an employee will accumulate seniority. After the expiration of such benefits, the employee will continue to accumulate seniority for a period equal to that for which the employee received benefits.

After the accumulation of seniority, as described above, an employee will retain, but will not accumulate any further seniority until the employee has returned for regular employment, or is eligible for further illness pay benefits.

For the purposes of this section, 40 hours of illness pay shall constitute one week of seniority. When employees return after absence due to illness, they shall be re-employed on their previous job unless circumstances beyond the control of the Company make this impossible or such re-employment would necessitate the layoff of employees with greater Company seniority.

In order to avoid unfairness which may be caused by this section, the application of this section may be varied by agreement between the Union and the Company.

The seniority of an employee who suffers industrial disability shall accrue while absent by reason of such disability. On return from absence because of industrial disability, an employee shall return to the same classification, provided the employee is physically and mentally able to perform the assigned duties therein.

XI. PAY FOR PERFORMANCE

Employees' compensation will consist of hourly pay rates, incentives, an annual lump sum payment, and an Employee Stock Ownership Plan, all of which are set forth in "The Dayton Power and Light Pay Schedule." For new or substantially changed jobs, the Company will set a new rate subject to referral for issue resolution between 60 and 90 days after the rate is implemented.

Temporarily transferred employees will be paid the higher of their regular job rate or the temporary job rate, a minimum premium of 10¢/hour if the temporary job minimum rate is higher than the employee's regular rate (20¢/hour minimum if to crew leader). Employees upgraded to non-bargaining unit positions will receive 30¢/hour.

XII. BENEFITS

The following negotiated Union benefits appear in the Union Employee's Handbook:

- Special Employees – Those employees who have become incapacitated and cannot perform their job may be reassigned.
- Leave of Absence
- Wellness Program
- Retirement
- Medical
- Life Insurance
- Military Service
- Disability
- Employee Savings Plan
- Employee Stock Ownership Plan

The following are additional negotiated benefits:

A. *Holidays* -- Every employee who works the scheduled day before or after the celebration day for the following holidays will be paid straight

time for eight hours on the agreed celebration day for New Year's Day, Good Friday, Memorial Day, Fourth of July, Labor Day, Thanksgiving Day, the day after Thanksgiving Day, the day before Christmas Day, Christmas Day and the day before New Year's Day. As many employees as possible will be given time off on such holidays. Employees who do work during a holiday celebration shall be paid an additional one and one-half times straight time rate for the hours worked. For irregular scheduled employees, this holiday work pay shall apply to the calendar holiday unless the employee is scheduled to work the celebration day and not the calendar holiday, in which case it shall apply to the celebration day. Any employee may be granted a day off in lieu of the holiday through mutual consent.

B. Vacations -- Employees shall be entitled to the following vacation time as accrued while on the active payroll in the preceding vacation year (April 1-March 31).

Years of Service as of April 1 Qualifying Date	Vacation Hours
0-1	4 hours for each month not to exceed 40 hours
1-9	40 hours plus 4 hours for each month of service over 1 year not to exceed 80 hours
9	120 hours
14	160 hours
24	200 hours

Scheduling of vacation time will be with supervisor approval and based on sign-up order and/or by Company seniority. Pro rata vacation entitlement shall not be affected by resignation, retirement, death or military leave. Vacation entitlements of employees will not be affected after their qualifying date.

Solely at the employee's option, employees may volunteer to sell back to the Company all annual vacation entitlement in excess of two weeks. Employees with two weeks or less annual vacation entitlement may volunteer to sell back to the Company annual vacation entitlement in excess of one week. Elections to sell back vacation must be made on the first working day of April, July, October and January. On each election date, employees may elect to sell back up to 1 week (40 hours). On the

first working day of March, employees may volunteer to sell back any remaining vacation entitlement eligible to be sold.

C. Paid Absence Days -- Each employee on the payroll January 1 of each year shall be entitled to two paid absence days to be taken during such calendar year.

D. Bereavement Leave -- Employees will be permitted time off with scheduled straight time pay from the date of death to the funeral date of the employee's father, mother, husband, wife, son, daughter, siblings, parents-in-law, grandchildren or persons living in an employee's household. Scheduled time off with pay will be granted to attend the funeral of grandparents and son (daughter)-in law. Time off for a friend or relative not mentioned above will be without pay.

E. Illness Pay – Employees unable to perform regular work or available light duty due to illness or injury will receive pay per the following schedule:

Years of Service	Weeks at Full Pay (40 Hrs.)	Weeks at Half Pay (20 Hrs.)
6 Mo. - Less than 1 Yr.	1	1
1 Yr. - Less than 2 Yr.	2	2
2 Yr. - Less than 3 Yr.	3	3
3 Yr. - Less than 4 Yr.	4	4
4 Yr. - Less than 5 Yr.	5	5
5 Yr. - Less than 6 Yr.	6	6
6 Yr. - Less than 7 Yr.	7	7
7 Yr. - Less than 8 Yr.	8	8
8 Yr. - Less than 9 Yr.	9	9
9 Yr. - Less than 10 Yr.	10	10
10 Yr. - Less than 15 Yr.	15	15
15 Yr. And Over	20	20

“All employees will have an unpaid waiting period of 8 hours for the first occasion and 24 hours for subsequent occasions unless they are confined to a hospital or have out patient surgery. The unpaid waiting period of 8 hours for the first occasion is reset after the employee has no illness for 12 consecutive months. Illness credits are earned in 16 hour increments by having no illness for twelve months and are applied against the

waiting period. Calendar year entitlements are established by being actively at work in the calendar year. Vacation and/or paid absence days may be applied against the waiting period. All unused illness credits will be purchased by the Company at the employees' straight time rate upon the employees' retirement."

Employees unable to perform regular work or available light duty due to work related illness or injury will receive a separate allowance of the full difference between industrial commission payments and regular pay for twenty weeks, then one-half that difference for an additional twenty weeks per illness or injury.

F. Disability Allowance – Employees will be entitled to a monthly disability allowance when they have medical certification of total disability from performing their assigned job duties for a minimum of two years and illness allowances have been exhausted. Once an employee is eligible for PTD, they will receive \$30 for each year of service plus \$200 for a maximum of 24 months or until they are eligible and receive social security disability, whichever occurs first. After the above time, the disability allowance, payable to normal retirement, will be equal to \$20 for each year of service plus \$150. The Company and Union will continue their current practice for "Special Employees."

G. Jury and Witness Pay – Employees will be permitted time off with scheduled straight time pay for all time reasonably required to discharge duties resulting from subpoena for jury duty or as a witness in an action to which the employee is not a party.

H. Travel Pay – Reimbursement for employees assigned to other than their regular reporting location is as follows:

- Less than 50 miles: for actual miles driven, mileage at the prevailing I.R.S. rate.
- Beyond 50 miles: round-trip transportation or mileage on Company time plus reasonable meals, lodging and a \$2 daily incidental fee, or at the employee's election, a \$25 per diem.

In emergency situations when lodging is required, meals, lodging and a \$2 daily incidental fee will be provided.

I. Use of Personal Vehicle – Agreed employee use of insured private vehicles for Company business will be reimbursed at the prevailing I.R.S. rate.

J. Moving Expense – The Company will pay reasonable moving expenses for employees it requires to relocate to satisfy residence proximity needs.

K. Inclement Weather – Existing inclement weather practices will continue unless employees and managers agree on an area basis to improve them. Employees and managers will cooperate in arranging for productive work during inclement weather periods.

L. Meal Expenses – During overtime, meal expenses of \$6.00 per meal will be reimbursed at five-hour intervals, after ten consecutive hours of work and after five hours on call-ins. Employees who return to work within one and one-half hours of their normal quitting time shall continue to receive meal allowances as if they continued to work.

M. Licensing Fees – The Company will pay all licensing fees and physical examination costs incurred in order to comply with state or federal laws and regulations.

XIII. TERM OF COMPACT

This agreement is effective upon signing and remains in effect until 11:59 p.m. October 31, 2008.

It shall continue in effect from year to year thereafter unless, by written notice delivered by certified mail not less than 60 days prior to its expiration, a party gives notice of its termination. Agreement of the parties to renegotiate wages or benefits shall not operate as a termination of this agreement.

Any provision of the agreement invalidated by law or governmental proclamation is severable and negotiable, and shall not affect the validity of other provisions of this agreement.

THE DAYTON POWER AND
LIGHT COMPANY

LOCAL 175, UTILITY WORKERS
UNION OF AMERICA, AFL-CIO

James V. Mahoney
President & CEO

Kelly J. Cooper
President

William L. Mercer
Director, Human Resources and
Labor Relations

Gregory B. Williams
Vice President

Bryce W. Nickel
Director, Service Operations

Rebecca J. Mount
REVCO Representative

Kevin W. Crawford
Director, Power Production

Daniel E. Pertuset
Killen Station Representative

James L. Peoples
Central Electric Distribution
Representative

Donald Opatka
Regional Director
Utility Workers Union of America