

Confidential Release

Case Number: 95-203-EL-FOR

95-657-EL-FOR

95-658-EL-FOR

95-661-EL-AAM

95-663-EL-AAM

95-664-EL-AAM

95-747-EL-ECP

Date of Confidential Document:

April 1, 1996

Today's Date:

August 20, 2009

**Confidential portion of the post hearing brief
submitted by the Cincinnati Gas & Electric Co.,
filed under seal.**

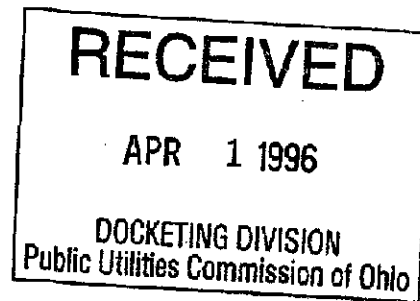
This is to certify that the images appearing are an
accurate and complete reproduction of a case file
document delivered in the regular course of business.
Technician Bm Date Processed AUG 20 2009

Cinergy Corp.
139 East Fourth Street
P.O. Box 960
Cincinnati, OH 45201-0960

April 1, 1996

VIA COURIER

Docketing Department
Public Utility Commission of Ohio
180 East Broad Street, 10th Floor
Columbus, Ohio 43215-3793



CINERGY.

Re: Case Nos. 95-203-EL-FOR, 95-⁶⁵⁷~~957~~-EL-AAM, 95-658-EL-AAM, 95-659-EL-AAM,
95-660-EL-AAM, 95-661-EL-AAM, 95-662-EL-AAM, 95-663-EL-AAM,
95-664-EL-AAM, 95-665-EL-AAM, 95-666-EL-AAM, and 95-747-EL-ECP.

Dear Sir or Madam:

Enclosed for filing are an original and 20 copies of the Confidential Portion of the Post Hearing Brief of The Cincinnati Gas & Electric Company in the above-captioned cases. This document should be FILED UNDER SEAL. An extra copy is also enclosed for you to date-stamp and return to me in the enclosed self-addressed stamped envelope.

Please call me at (513) 287-3020 or Anita Schafer (513) 287-3842 if you have any questions.

Sincerely,

A handwritten signature in dark ink, appearing to be "David L. Musselman", with a long horizontal line extending to the right.

David L. Musselman
Senior Counsel

BEFORE THE
PUBLIC UTILITY COMMISSION OF OHIO

IN THE MATTER OF THE 1995 LONG-TERM)
ELECTRIC FORECAST REPORT OF THE) CASE NO. 95-203-EL-FOR
CINCINNATI GAS & ELECTRIC COMPANY)

IN THE MATTER OF THE APPLICATION OF THE)
CINCINNATI GAS & ELECTRIC COMPANY FOR)
AUTHORITY TO MODIFY CURRENT ACCOUNTING)
PROCEDURES TO DEFER EXPENDITURES)
INCURRED ARISING FROM THE IMPLEMENTATION)
OF COST-EFFECTIVE DEMAND-SIDE)
MANAGEMENT OPTIONS:)

GREEN LIGHTS PROGRAM) CASE NO. 95-657-EL-AAM
COMMERCIAL/INDUSTRIAL ENERGY AUDIT) CASE NO. 95-658-EL-AAM
PROGRAM)
BANK LOAN PILOT PROGRAM) CASE NO. 95-659-EL-AAM
RESIDENTIAL LOW INCOME DIRECT INSTALL PILOT) CASE NO. 95-660-EL-AAM
PILOT)
CUSTOMIZED FINANCIAL INCENTIVE PROGRAM) CASE NO. 95-661-EL-AAM
CHILLER/HVAC SYSTEM)
NON-PROFIT ENERGY MANAGEMENT PROGRAM) CASE NO. 95-662-EL-AAM
CUSTOMIZED FINANCIAL INCENTIVE PROGRAM) CASE NO. 95-663-EL-AAM
HVAC ROOFTOP UNITS)
RESIDENTIAL DIRECT INSTALL PROGRAM) CASE NO. 95-664-EL-AAM
REAL-TIME PRICING PILOT PROGRAM) CASE NO. 95-665-EL-AAM
DSM COLLABORATIVE (RESEARCH,)
DEVELOPMENT AND ADMINISTRATIVE COSTS) CASE NO. 95-666-EL-AAM

IN THE MATTER OF THE TWO-YEAR REVIEW)
OF THE CINCINNATI GAS & ELECTRIC COMPANY'S)
ENVIRONMENTAL COMPLIANCE PLAN PURSUANT) CASE NO. 95-747-EL-ECF
TO SECTION 4913.05, REVISED CODE)

CONFIDENTIAL PORTION OF THE
POST HEARING BRIEF OF THE CINCINNATI GAS & ELECTRIC COMPANY

RECEIVED

APR 1 1996

DOCKETING DIVISION
Public Utilities Commission of Ohio

David T. Musselman
James L. Turner
Cinergy Corp.
139 East Fourth Street, Room 1303
Cincinnati, Ohio 45202

Attorneys for The Cincinnati Gas & Electric
Company

CONFIDENTIAL – FILED UNDER SEAL

- iii. The recommendations of Ms. Prentiss with respect to the consideration of the QF should not be accepted.**

Ms. Prentiss was critical of CG&E's exclusion of a qualifying facility ("QF") offer from the resources considered in the ELTFR. She also conducted an evaluation of this potential qualifying facility within the CG&E service territory which is not currently under contract to sell CG&E power. CG&E believes that the criticisms raised by Ms. Prentiss concerning this QF offer are not valid.

As an initial matter, CG&E believes it correctly excluded the non-contracted-for power from the supply-side resource analysis because it would be imprudent to include the QF as a resource without some level of certainty that it would or could ever be built. To hold otherwise would be to subject the Company's planning process in general, and the ELTFR process in particular, to an added dimension of extreme and unnecessary uncertainty. Ms. Prentiss's evaluations are beyond the scope of this proceeding.

Ms. Prentiss's criticisms of CG&E's use of a modified avoided-cost methodology in furtherance of good faith negotiations are unwarranted. Up to now, the Commission has not expressly adopted an "avoided cost" test for use in QF cases. CG&E has flexibility to negotiate on avoided costs tests and other terms, as appropriate with QF developers. *In the Matter of the Promulgation of Rules Pertaining to Cogeneration and Small Power Production in Compliance with the Public Utility Regulatory Policies Act,*

CONFIDENTIAL – FILED UNDER SEAL

Case No. 80-836-EL-ORD (November 17, 1982). Of course, if a contract had been executed, it would have been brought before this Commission for review. At that time, it would be appropriate for the Commission to review the contract and evaluate whether the contract was fair and consistent with the PURPA requirements and Commission Orders.

Ms. Prentiss's testimony is also out of step with Staff witnesses Scheck and Puican who recognize that there are changes coming to the industry. Indeed Mr. Puican's testimony challenging the appropriateness of cost-effectiveness tests for DSM apply with equal force to qualifying facility avoided cost tests and evaluation methodologies. Tr. II at 27. While Mr. Puican distinguished the DSM and QF situations based on the lower risk of delivery of promised results and the relative ease of measurement (energy saving v. actual generation), he recognized that the risks that an ELTFR plan, against which these QFs were competing will never be built are similar. If the Commission accepts Mr. Puican's analysis with respect to DSM, it must make a similar finding with respect to QF avoided-cost analysis.

Ms. Prentiss is also critical of CG&E's market price analysis. She did not approve of CG&E selected market price proxy, a contract for sale of power. Instead, Ms. Prentiss conducted an analysis of a twenty-year sale contract offer¹ which would start in 1999, using her own proxy. Ms. Prentiss's proxy was a purchase power market price based on a bid received by Cinergy to supply power over a ten-year period, and a bid

¹ Ms. Prentiss's analysis does not consider the prudence of entering a twenty-year contract at this time. Mr. Puican stated:

CONFIDENTIAL – FILED UNDER SEAL

which she acknowledged was not selected as a resource in the IRP. Confidential Tr. III at 92-93. To conduct her analysis, she assumed the purchase was made, and made for twenty, instead of ten years as specified in the bid. Thus, her purported conclusion that the project was cost-effective is questionable based on use of a non-optimal (least cost) resource in her QF analysis. In addition, her arbitrary conversion of a 10-year to a 20-year contract increases the uncertainty in the analysis.

Ms. Prentiss's analysis is also flawed because it is too simplistic, in that it is strictly price-driven. She fails to recognize or consider there may be non-price terms which can make a QF offer unacceptable or that make it more or less attractive. This pure price driven analysis does not give a complete picture of any QF proposal.

For the reasons stated above, CG&E believes that the Commission should disregard the recommendations of Ms. Prentiss with respect to the QF analysis.

Respectfully submitted



David T. Musselman

Trial Attorney

James L. Turner

Cinergy Corp.

139 East Fourth Street, Rm. 1303-M

Cincinnati, Ohio 45202

(513) 287-3020

Attorneys for The Cincinnati Gas &
Electric Company

If we can see how the market is going to turn out in, let's say as short as five years, I doubt anybody, any utility, would want to tie itself down at a market clearing price in even five years to a contract signed this year or last year.

Tr. II at 47.

CONFIDENTIAL – FILED UNDER SEAL

Certificate of Service

I hereby certify that copies of this document has been served by fax, U. S. first class mail, postage prepaid, hand delivered, or overnight delivery to the following parties of record this 1st day of April, 1996.



David T. Musselman
James L. Turner

PARTIES OF RECORD

THOMAS W. MCNAMEE
Assistant Attorney General
Public Utilities Section
180 East Broad Street
Columbus, Ohio 43266-0573

COLLEEN L. MOONEY
Office of the Consumers' Counsel
77 South High Street
Columbus, Ohio 43266-0550

DAVID F. BOEHM
MICHAEL L. KURTZ
2119 Society Bank Center
36 East 7th Street
Cincinnati, Ohio 45202

MAUREEN R. GRADY
Hahn, Loeser & Parks
10 West Broad Street
Suite 1800
Columbus, Ohio 43215

JANINE L. MIGDEN
Hahn, Loeser & Parks
10 West Broad Street
Suite 1800
Columbus, Ohio 43215