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John J. Finnigan, Jr.
Senior Counsel

February 7, 2005

VIA OVERNIGHT MAIL

Docketing Division, 13th Floor
The Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43266-0573

RE: The Cincinnati Gas & Electric Company's Application for an Increase in Gas Rates in its
Service Territory and Approval to Change Accounting Methods
Case No. 01-1228-GA-AIR
Case No. 01-1539-GA-AAM

Dear Docketing Clerk:


Enclosed please find an original and 22 copies of The Cincinnati Gas & Electric Company's
Application for an Increase in Gas Rates and for Approval to Change Accounting Methods and an
original and 22 copies of the testimony of Gary J. Hebbeler and William Don Wathen, Jr., for
docketing in the above-referenced case.

Please date stamp and return the two extra copies in the enclosed return envelope.

Should you have any questions, please call me at 513-287-3601.

Thank you.

Very truly yours,


John J. Finnigan, Jr.
Senior Counsel

JJF/sew
Enclosures

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BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)	
The Cincinnati Gas & Electric)	Case No. 01-1228-GA-AIR
Company for an Increase in Gas)	
Rates in Its Service Territory)	

In the Matter of the Application of)	
The Cincinnati Gas & Electric)	Case No. 01-1539-GA-AAM
Company for Approval to Change)	
Accounting Methods)	

APPLICATION OF
THE CINCINNATI GAS & ELECTRIC COMPANY
FOR AN INCREASE IN GAS RATES AND
FOR APPROVAL TO CHANGE ACCOUNTING METHODS

TO THE HONORABLE
THE PUBLIC UTILITIES COMMISSION OF OHIO:

1. The Cincinnati Gas & Electric Company (CG&E) is an Ohio corporation engaged in the business of supplying natural gas to approximately 400,000 customers in Southwestern Ohio, all of whom will be affected by this Application, and is a public utility as defined by R. C. 4905.02 and 4905.03.
2. This Application is made pursuant to R. C. 4909.18 and related sections of the Ohio Revised Code for authority to make changes and increases in gas rates applicable in incorporated communities and unincorporated territory within CG&E's entire service area, which includes all or part of Adams, Brown, Butler, Clinton, Clermont, Hamilton, Montgomery, and Warren Counties in Ohio.

The gas rates that CG&E seeks to change in its tariff, P.U.C.O. Gas No. 18, are as follows:

Rider AMRP, Accelerated Main Replacement Program Rider, Sheet No. 65

3. The Notice of Intent to File was served on the mayor and legislative authority of each municipality affected by this Application on November 29, 2004, and filed with The Public Utilities Commission of Ohio (Commission) on November 30, 2004, pursuant to R.C. 4909.43(B) and in compliance with the Commission's Standard Filing Requirements set forth in OAC 4901-7-1.
4. Pursuant to the Commission's Entry dated December 19, 2002 in this proceeding, the test year is the twelve-month period ending December 31, 2004, and the date certain for property valuation is December 31, 2004.
5. CG&E estimates that the rate changes proposed herein, if granted in full, would increase gross revenues by \$6.6 million or 1.2% annually over the estimated test period gross revenues generated from providing service to customers.
6. CG&E is filing this Application pursuant to the terms and conditions of a Stipulation and Recommendation filed with the Commission on April 17, 2002 in *In the Matter of the Application of The Cincinnati Gas & Electric Company for an Increase in Rates*, Case No. 01-1228-GA-AIR, and approved by the Commission in its

Opinion and Order dated May 30, 2002. The Stipulation and Recommendation states:

6. CG&E will file an application annually, beginning November, 2002, with a pre-filing notice demonstrating the justness and reasonableness of the level of recovery of expenditures associated with the accelerated main replacement program (AMRP). The annual filing will support the adjustment to CG&E's revenue requirement for increases to Rider AMRP as set forth in this paragraph. The November pre-filing notice will consist of nine months of actual and three months of projected data, and will set the then-current calendar year as the test year, and will set December 31 of the applicable year as the date certain. CG&E shall make its Application and file an update of full year actual data by February 28 of each year.

(Stipulation and Recommendation at 6-7).

7. CG&E has filed with its Pre-Filing Notice, and incorporates herein by reference, as required by R. C. 4909.18 and the Commission's Standard Filing Requirements, the current Rider AMRP and the proposed new Rider AMRP. CG&E also filed the following schedules with the Commission on or about November 30, 2004, in accordance with the Stipulation and Recommendation, and CG&E incorporates such schedules by reference:

- (a) Schedule 1, Annualized Revenue Requirement
- (b) Schedules 2-A and 2-B, Plant Additions by Month
- (c) Schedules 3-A and 3-B, Cost of Removal by Month
- (d) Schedules 4-A and 4-B, Original Cost Retired by Month

- (e) Schedules 5-A and 5-B, Provision for Depreciation
- (f) Schedules 6-A and 6-B, Net Regulatory Asset -- Post In-Service Carrying Cost
- (g) Schedules 7-A and 7-B, Net Deferred Tax Balance -- PISCC
- (h) Schedules 8-A, 8-B and 8-C, Deferred Taxes on Liberalized Depreciation
- (i) Schedules 9-A and 9-B, Annualized Depreciation Associated with Additions
- (j) Schedules 10-A and 10-B, Annualized Reduction in Depreciation for Retirements
- (k) Schedules 11-A and 11-B, Annualized Amortization of PISCC
- (l) Schedule 12, Meter Relocation Expenses
- (m) Schedule 13, Customer-Owned Service Line Expense
- (n) Schedules 14-A and 14-B, Annualized Property Tax Expense Calculation
- (o) Schedule 15, Gas Maintenance Accounts Savings Calculation
- (p) Schedule 16, Cap Calculation by Rate Class
- (q) Schedule 17, Aged Survivors of Mains and Services as of September 30, 2004
- (r) Schedule 18, Calculation of Depreciation Expense and Accumulated Depreciation

8. At the time of filing this Application, no municipal corporation has

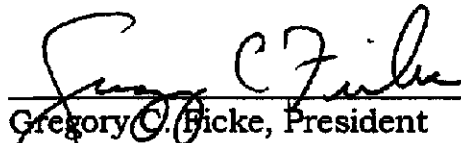
in effect any ordinance or franchise that does, or will, regulate the rates or charges to any customer affected by this Application.

WHEREFORE, since the rates, prices, charges and other provisions in the current rate schedules do not yield just and reasonable compensation to CG&E for supplying gas service to the customers to which they are applicable, do not yield a just and reasonable return to CG&E on the value of the property used for furnishing gas service to such customers, and result in the taking of CG&E's property for public use without compensation and without due process of law, CG&E respectfully prays that your Honorable Commission:

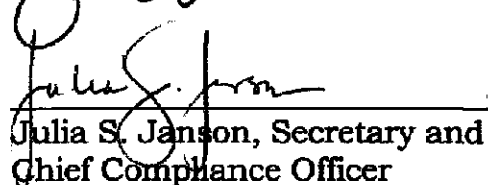
- (a) Accept this Application for filing;
- (b) Find that this Application and the schedules incorporated by reference herein, are in accordance with R. C. 4909.18 and the Rules of the Commission;
- (c) Find that the current rates, prices and charges for gas service are unjust, unreasonable and insufficient to yield reasonable compensation to CG&E for the gas service rendered;
- (d) Find that the proposed rates, prices, and charges are just and reasonable based upon the test period for the twelve months ending December 31, 2004 and approve such schedules in the form tendered herewith or incorporated by reference herein;
- (e) Find that CG&E is in compliance with R. C. 4905.35;
- (f) Approve the proposed notice for newspaper publication attached hereto as Attachment A.
- (g) Approve CG&E's Application for Approval to Change Accounting Methods consistent with proposed Rider AMRP; and
- (h) Fix the date on or after which deliveries made are subject to the proposed rates.

Respectfully submitted,

THE CINCINNATI GAS &
ELECTRIC COMPANY



Gregory C. Bicke, President

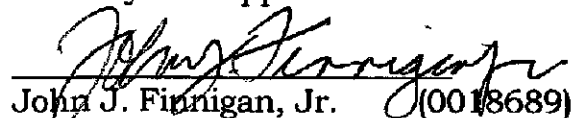


Julia S. Janson, Secretary and
Chief Compliance Officer

Company Official to be contacted
regarding the Application:

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VERIFICATION


STATE OF OHIO)
)
COUNTY OF HAMILTON)

I, GREGORY C. FICKE, President, and I, JULIA S. JANSON, Secretary and Chief Compliance Officer, of The Cincinnati Gas & Electric Company, being first duly sworn, hereby verify that the information contained in this Application is true and correct to the best of our knowledge and belief.

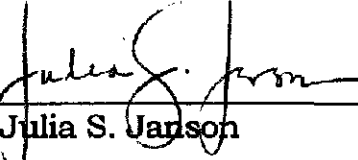


Gregory C. Ficke

Sworn to and subscribed in my presence this 7th day of February, 2005.

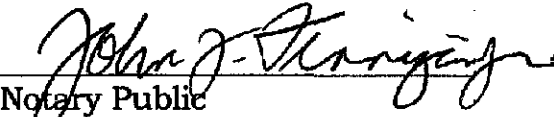


Notary Public



Julia S. Janson

Sworn to and subscribed in my presence this 7th day of February, 2005.



Notary Public



JOHN J. FINNIGAN, JR. Attorney at Law
NOTARY PUBLIC, STATE OF OHIO
My commission has no expiration
date, Section 147.03 O.R.C.

ATTACHMENT A
PROPOSED NOTICE FOR NEWSPAPER PUBLICATION

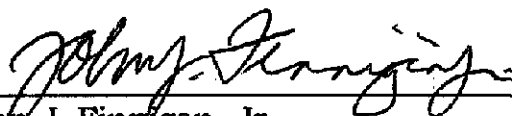
Please take notice that, pursuant to Ohio Revised Code Section 4909.18, The Cincinnati Gas & Electric Company (CG&E) has filed an application with the Public Utilities Commission of Ohio (PUCO) for an increase in its gas rates. The purpose of the application is to allow CG&E to recover the costs it incurred in 2004 related to its Accelerated Main Replacement Program (AMRP). Under the AMRP, CG&E is replacing cast iron and bare steel gas mains and service lines on an accelerated basis, in order to improve the safety and reliability of its distribution system. The PUCO approved the AMRP in an order dated May 30, 2002 in Case No. 01-1228-GA-AIR.

CG&E estimates that the rate changes proposed herein, if granted in full, would increase gross revenues by \$6.6 million or 1.2% annually over the estimated test period gross revenues generated from providing service to customers. The average percentage increase that a typical residential customer will bear should the increase be granted in full is 0.8% based on December 2004 billings. The proposed AMRP charges applicable to CG&E tariffed gas rates are as follows: Rate RS -- \$3.84 per month; Rate RFT - \$3.84 per month; Rate GS - \$20.60 per month; Rate FT - \$20.60 per month; and, Rate IT - \$0.03 per Mcf.

Any person, firm, corporation, or association may file, pursuant to Ohio Revised Code Section 4909.19, an objection to such increase that may allege that such application contains proposals that are unjust and discriminatory or unreasonable.

CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that a copy of the foregoing Memorandum was served on the following parties of record by first class, U.S. mail, postage prepaid this 7th day of February, 2005.


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