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MC GINNIS & ASSOCIATES, INC.
COLUMBUS, OHIO (614) 431-1344

BEFORE THE PUBLIC UTILITIES COMMISSION
STATE OF OHIO

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In the Matter of the Application of The Cincinnati Gas & Electric Company for Approval of its Electric Transition Plan and for Authorization to Collect Transition Revenues.	Case No. 99-1658-EL-ETP
In the Matter of the Application of The Cincinnati Gas & Electric Company for Approval of Tariff Changes Required to Implement Retail Electric Competition.	Case No. 99-1659-EL-ATA
In the Matter of the Application of The Cincinnati Gas & Electric Company for Approval of its New Tariffs.	Case No. 99-1660-EL-ATA
In the Matter of the Application of The Cincinnati Gas & Electric Company for Authority to Modify Current Accounting Procedures to Defer Costs Incurred Arising From the Implementation of its Electric Transition Plan.	Case No. 99-1661-EL-ATA
In the Matter of the Application of The Cincinnati Gas & Electric Company for Authority to Modify Current Accounting Procedures to Defer Transition Costs and Continue to Defer the Unrecovered Balance of Regulatory Assets.	Case No. 99-1662-EL-AAM
In the Matter of the Application of The Cincinnati Gas & Electric Company for Approval to Transfer Its Generating Assets to an Exempt Wholesale Generator.	Case No. 99-1663-EL-AAM

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Deposition of Randall J. Falkenberg, a witness herein, called by the Cincinnati Gas and Electric Company for examination under the statute, taken before us, Candace M. Hammond, Registered Professional Reporter, and Rose Marie Prater, Registered Professional Reporter, and Notaries Public in and for the State of Ohio, pursuant to notice and stipulations of counsel hereinafter set forth, at the offices of The Cincinnati Gas and Electric Company, 221 East Fourth Street, 25th Floor, Cincinnati, Ohio, on Friday, May 26, 2000, beginning at 1:39 o'clock p.m. and concluding on the same day.

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SUPPLEMENTAL FILING
EXHIBIT C G & E A

DEPOSITION EXHIBIT
Falkenberg
5-26-00

Table ES1. Selected Variables in the Carbon Reduction Cases, 1996 and 2010

Variable	1996	2010						
		Reference	1990 +24%	1990 +14%	1990 +9%	1990 -1%	1990 -3%	1990 -7%
U.S. Carbon Emissions								
(Million Metric Tons)	1,483	1,791	1,668	1,585	1,462	1,340	1,300	1,243
Emissions Reductions								
(Percent Change From Reference Case)	—	—	6.9	11.5	18.3	25.2	27.5	30.6
Total Energy Consumption								
(Quadrillion Btu)	93.8	111.2	106.5	103.8	99.6	95.2	93.9	91.7
(Percent Change From Reference Case)	—	—	-4.2	-6.7	-10.5	-14.4	-15.6	-17.5
Carbon Price								
(1996 Dollars per Metric Ton)	—	—	91	129	183	254	294	348
Carbon Revenue								
(Billion 1996 Dollars)	—	—	110	155	243	339	374	424
Gasoline Price								
(1996 Dollars per Gallon)	1.23	1.25	1.39	1.50	1.65	1.72	1.80	1.91
(Percent Change From Reference Case)	—	—	11.2	20.0	32.0	37.6	44.0	52.8
Average Electricity Price								
(1996 Cents per Kilowatthour)	6.8	6.9	7.1	8.2	8.8	10.0	10.5	11.0
(Percent Change From Reference Case)	—	—	20.3	39.0	59.2	89.5	78.0	86.4
Real Gross Domestic Product								
(Billion 1992 Dollars)	6,928	9,429	9,383	9,268	9,241	9,137	9,102	9,032
(Percent Change From Reference Case)	—	—	-1.0	-1.7	-2.0	-3.1	-3.5	-4.2
(Annual Percentage Growth Rate, 2005-2010)	—	2.0	1.8	1.7	1.6	1.4	1.3	1.2
Potential Gross Domestic Product								
(Billion 1992 Dollars)	6,930	9,482	9,459	9,455	9,448	9,429	9,420	9,410
(Percent Change From Reference Case)	—	—	-0.2	-0.3	-0.4	-0.6	-0.7	-0.8
(Annual Percentage Growth Rate, 2005-2010)	—	2.0	2.0	1.9	1.9	1.9	1.9	1.9
Change in Energy Intensity								
(Annual Percent Change, 2005-2010)	—	-1.0	-1.6	-2.0	-2.1	-2.7	-2.8	-3.0
(Percent Change From Reference Case)	—	—	55.8	96.4	108.2	161.8	177.0	199.0

Note: The carbon revenues do not include fees on the nonsequestered portion of petrochemical feedstocks, nonpurchased refinery fuels, or industrial other petroleum.

[1] Carbon permit revenues are assumed to be returned to households through personal income tax rebates.

Source: Office of Integrated Analysis and Forecasting, National Energy Modeling System runs KYBASE.D080398A, FD24ABV.D080398B, FD1998.D080398B, FD24ALV.D080398B, FD1990.D080398B, FD03BLW.D080398B, FD07BLW.D080398B.

domestic product (GDP), declines (i.e., improves) at an average annual rate of 1 percent between 2005 and 2010 in the reference case due to the availability and adoption of more efficient equipment. In the carbon reduction cases, higher rates of improvement are projected—from 1.6 percent a year in the 1990+24% case to triple the reference case rate at 3.0 percent a year in the 1990-7% case.

In 2010, reductions in carbon emissions from electricity generation account for between 68 and 75 percent of the total carbon reductions across the cases. Electricity consumption is projected to be lower than in the reference case, with more efficient, less carbon-intensive technologies used for electricity generation. In all the carbon reduction cases except the 1990+24% case, carbon emissions from electricity generation in 2010 are lower than the actual 1990 level of 477 million metric tons of carbon emissions from the electricity supply sector. Electricity generators are expected to respond more strongly than end-use consumers to higher prices because this industry has traditionally been cost-minimizing, factoring future energy price increases into investment decisions. In contrast, the end-use consumers are assumed to consider only current prices in making their investment decisions and to consider additional factors, not only price, in their decisions. In addition, there are a number of more efficient and lower-carbon technologies for electricity generation that become economically available as the cost of generating electricity from fossil fuels increases.

Total electricity generation is lower in the carbon reduction cases because electricity sales range from 4 to 17 percent below the reference case in 2010 (Figure ES4). Reduction in electricity demand in response to higher electricity prices is somewhat mitigated by the change in relative prices. In 2010, electricity prices are between 20 and 86 percent above the reference case across the carbon reduction cases; however, delivered natural gas prices are higher by between 25 and 147 percent. With a smaller percentage price increase, electricity becomes more attractive in those end uses where it competes with natural gas, such as home heating.

Although reduced demand for electricity and efficiency improvements in the generation of electricity contribute to the total reductions in carbon emissions from electricity generation, fuel switching accounts for most