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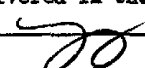
BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

- In the Matter of the Application of The Cincinnati Gas & Electric Company to Modify its Non-Residential Generation Rates to Provide for Market-Based Standard Service Offer Pricing and to Establish a Pilot Alternative Competitively-Bid Service Rate Option Subsequent to Market Development Period) Case No. 03-93-EL-ATA
- In the Matter of the Application of The Cincinnati Gas & Electric Company for Authority to Modify Current Accounting Procedures for Certain Costs Associated With The Midwest Independent Transmission System Operator) Case No. 03-2079-EL-AAM
- In the Matter of the Application of The Cincinnati Gas & Electric Company for Authority to Modify Current Accounting Procedures for Capital Investment in its Electric Transmission And Distribution System And to Establish a Capital Investment Reliability Rider to be Effective After the Market Development Period) Case No. 03-2081-EL-AAM
Case No. 03-2080-EL-ATA

**THE CINCINNATI GAS & ELECTRIC COMPANY'S
COMMENTS CONCERNING THE MARKET-BASED STANDARD
SERVICE OFFER PRICE CHARGED TO RETURNING CUSTOMERS**

On January 19, 2005, the Public Utilities Commission of Ohio granted MidAmerican Energy Company's application for rehearing "[i]n

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order to consider the pricing for returning customers.¹ The Commission invited all interested parties to file comments by January 31, 2005.² In its decision, the Commission also referenced its decision in FirstEnergy's market-based standard service offer case, case number 03-2144-EL-ATA, whereby the Commission approved the price for returning customers in that case.

In the FirstEnergy proceeding, the Commission approved FirstEnergy's pre-Midwest Independent System Operator day two price calculation methodology.³ CG&E agrees with the FirstEnergy methodology as approved by the Commission, but suggests several necessary modifications in order to adopt a methodology applicable to CG&E.

Specifically, CG&E suggests the use of published day-ahead into-Cinergy market prices, as opposed to a blended MISO and PJM West price, because CG&E is not a member of PJM West. Furthermore, CG&E suggests billing non-residential customers on their regularly scheduled billing cycle date, as opposed to FirstEnergy's methodology, and exempting all unmetered services from hourly market pricing. Unmetered services should be returned at the market-based standard service offer rate stabilized price, because these services consume a small

¹ *In re CG&E's MBSSO*, Case No. 03-93-EL-ATA (Second Entry on Rehearing at 3) (January 19, 2005).

² *Id.*

³ *In re FirstEnergy's MBSSO*, Case No. 03-2144-EL-ATA (Entry at 4) (January 19, 2005).

amount of electricity, and the benefits to CG&E of hourly market pricing do not justify the associated administrative costs. CG&E would also maintain an exception for those non-residential shopping credit customers that the Commission has permitted to return at the market-based standard service offer rate stabilized price. Otherwise, if the Commission approves the FirstEnergy price calculation methodology, as modified herein, for CG&E's returning non-residential customers, CG&E will submit compliance tariffs consistent with that methodology.

In the FirstEnergy proceeding, the Commission also approved a price calculation methodology post implementation of the Midwest Independent System Operator day two.⁴ CG&E also agrees with the post-Midwest Independent System Operator day two price calculation methodology, as modified by the Commission, with changes necessary to reflect the differences between CG&E and FirstEnergy and their respective market-based standard service offer rate stabilization plans approved by the Commission.

Specifically, CG&E suggests charging each returning non-residential customer the applicable provider of last resort components approved by the Commission. CG&E will substitute (1) the monthly load weighted average highest hourly cost of generation for the CG&E Load Zone, for (2) the energy portion of the price to compare component of its market-based standard service offer rate stabilized price. In the event

⁴ *Id.*

that the Commission approves for CG&E this price calculation methodology for returning non-residential customers, CG&E will file compliance tariffs consistent with that order.

In the FirstEnergy proceeding, some parties argued, and the Commission agreed, that FirstEnergy must apply to the Commission to recover provider of last resort costs from returning customers paying the highest hourly price market-based standard offer price.⁵ CG&E asserts that its proceeding is distinguishable from FirstEnergy's proceeding and it is inappropriate to permit returning non-residential customers to avoid provider of last resort charges that non-switching consumers must pay. CG&E's rate stabilization plan ordered by the Commission has set specified provider of last resort charges and requires Commission approval for the remaining charges. Some charges, such as the System Reliability Charge, are determined in an annual proceeding and adjusted quarterly. The Commission has already set forth appropriate due process for recovery of provider of last resort charges in CG&E's rate stabilization plan.

Permitting non-residential returning customers to avoid provider of last resort charges would reward such customers for failing to maintain their commitment to stay off of CG&E's market-based standard service offer through December 31, 2008. It would also deprive CG&E of revenue certainty to recover its costs or to require non-switching

⁵ *In re FirstEnergy's MBSSO*, Case No. 03-2144-EL-ATA (Entry at 5) (January 19, 2005).

consumers to pay increased market prices so that CG&E could recover its costs. Neither result is in the public interest.

Finally, CG&E clarifies that the only portion of the Commission's entry in FirstEnergy's case that is applicable to CG&E's case is the price charged to returning non-residential customers in addition to the provider of last resort components. CG&E believes that the price charged to returning non-residential customers ordered by the Commission in CG&E's case is consistent with the remainder of the rate stabilization plan ordered by the Commission.

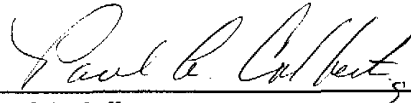
Respectfully submitted,



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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing The Cincinnati Gas & Electric Company's Initial Brief was electronically served on the following parties this 31st day of January 2005.



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