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05-60-EL-AAM

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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
The Cincinnati Gas & Electric Company) Case No. 05-59-EL-AIR
for an Increase in Electric Distribution Rates)

In the Matter of the Application of)
The Cincinnati Gas & Electric Company) Case No. 05-60-EL-AAM
for Approval to Change Accounting Methods)

APPLICATION

TO THE HONORABLE PUBLIC UTILITIES COMMISSION OF OHIO:

1. The Cincinnati Gas & Electric Company (CG&E or Company) is an Ohio corporation engaged in the business of supplying electric generation, transmission and distribution service to approximately 660,000 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 R. C. 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 electric 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, Highland, Montgomery, Preble, and Warren Counties in Ohio. The electric rates that CG&E seeks to change in its tariff, P.U.C.O. Electric No. 19, are as follows:

1. Rate RS, Residential Service, Sheet No. 30;

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2. Rate ORH, Optional Residential Service with Electric Space Heating, Sheet No. 31;
3. Rate TD, Optional Time of Day Rate for Residential Service, Sheet No. 33;
4. Rate DS, Service at Secondary Distribution Voltage, Sheet No. 40;
5. Rate GS-FL, Optional Unmetered General Service Rate for Small Fixed Loads, Sheet No. 41;
6. Rate EH, Optional Rate for Electric Space Heating, Sheet No. 42;
7. Rate DM, Secondary Distribution Service – Small, Sheet No. 43;
8. Rate DP, Service at Primary Distribution Voltage, Sheet No. 44;
9. Rate SFL–ADPL, Optional Unmetered Rate for Small Fixed Loads Attached Directly to Company’s Power Lines, Sheet No. 46;
10. Rate TS, Service at Transmission Voltage, Sheet No. 50;
11. Rider DRI, Sheet No. 58;
12. Rate SL, Street Lighting Service, Sheet No. 60;
13. Rate TL, Traffic Lighting Service, Sheet No. 61;
14. Rate OL, Outdoor Lighting Service, Sheet No. 62;
15. Rate NSU, Street Lighting Service for Non-Standard Units, Sheet No. 63;
16. Rate NSP, Private Outdoor Lighting for Non-Standard Units, Sheet No. 64;
17. Rate SC, Street Lighting Service – Customer Owned, Sheet No. 65;
18. Rate SE, Street Lighting Service – Overhead Equivalent, Sheet No. 66;
19. Rate UOLS, Unmetered Outdoor Lighting Electric Service, Sheet No. 67;

20. Rider X, Line Extension Policy, Sheet No. 73;
21. Rider LM, Load Management, Sheet No. 76;
22. Rate RTP, Real Time Pricing Program, Sheet No. 90;
23. Bad Check Charge, Sheet No. 91;
24. Charge for Reconnection of Service, Sheet No. 92;
25. Rider GSS, Generation Support Service, Sheet No. 98;

CG&E also proposes two new tariff schedules:

1. Rider BDP, Backup Delivery Point Capacity Rider, Sheet No. 57. Rider BDP is a new service offering that permits customers to reserve capacity of Company facilities associated with additional, redundant customer delivery points; and
2. Rider CIR, Capital Investment Reliability Rider, Sheet No. 100. As described in its application in Case No. 03-2080-EL-ATA, Rider CIR enables CG&E to recover a return on the cost of capital expenditures related to its distribution system.
3. CG&E requests that the rates established in this proceeding be effective on January 1, 2006, for all of its customers.
4. CG&E has not proposed a rate for Rider DSMR, P. U. C. O Electric 19, Sheet No. 52. Pursuant to the Commission's Opinion and Order in case number 03-93-EL-ATA, CG&E has agreed to a collaborative process to develop demand side management programs. If CG&E agrees upon a demand side management program in these cases the rate associated with such programs shall be collected pursuant to Rider DSMR in addition to the rates proposed by CG&E herein. All such demand side management programs shall be applied for, and approved by the Commission, as a new service pursuant to R. C. 4909.18.

5. The Notice of Intent to File was served upon The Public Utilities Commission of Ohio (Commission) and the mayor and legislative authority of each municipality affected by this Application on January 18, 2005, pursuant to R.C. 4909.43(B) and in compliance with the Commission's Standard Filing Requirements set forth in Ohio Administrative Code (OAC) Chapter 4901-7.
6. CG&E proposed and the Commission approved a test year consisting of the twelve-month period ending June 30, 2005, and a date certain for property valuation of September 30, 2004.¹
7. One of CG&E's primary reasons for filing this Application is to generate sufficient revenues for CG&E to pay its distribution-related operating expenses, service its debt, and to provide an adequate rate of return on its property used and useful in the rendition of electric distribution service to its customers. CG&E's current rates, authorized by the Commission in Case No. 92-1464-EL-AIR², and further approved in Case No. 99-1658-EL-ETP et al.,³ are based on a date certain of August 31, 1992, and on an accounting test year for the twelve months ended May 31, 1993. Since that test year, the property used and useful in the rendition of electric distribution service to the customers affected by this Application has materially increased. As a result, the current rates are projected to provide a 3.82% rate of return for the

¹ See *In the Matter of the Application of The Cincinnati Gas & Electric Company for an Increase in Electric Rates, et al.*, Case No. 05-59-EL-AIR (Entry issued February 9, 2005).

² See *In the Matter of the Application of The Cincinnati Gas & Electric Company for an Increase in Electric Rates in its Service Area*, Case No. 92-1464-EL-AIR (Order issued August 26, 1993) (Case No. 92-1464-EL-AIR).

³ See *In the Matter of the Application of the Cincinnati Gas & Elec. Co. for Approval of its Elec. Transition Plan*, Case No. 99-1658-EL-ETP, et al. (Order issued August 31, 2000) (Case No. 99-1658-EL-ETP).

proposed test period. This is substantially below the 10.36% return found reasonable for CG&E by this Commission in CG&E's last electric rate proceeding. The Company submits that a return of 9.15% is fair and reasonable.

8. CG&E's other primary reason for filing this Application is to establish the Capital Investment Reliability Rider. CG&E will support the Capital Investment Reliability Rider in testimony to be filed in this proceeding. CG&E believes that a more progressive regulatory treatment of capital expenditures in distribution facilities is warranted in light of the increasing concerns regarding electric system reliability.
9. CG&E estimates that the rate changes proposed herein, if granted in full, would increase gross revenues from electric distribution service by \$77,944,814 or 30% annually over the test period gross revenues generated from providing distribution service to customers.
10. CG&E has attached to this Application, as required by R. C. 4909.18 and the Commission's Standard Filing Requirements, the following:

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- a. Schedule A-1 which provides certain financial data for the proposed test year and date certain; and Schedule A-2, which reports that CG&E does not propose a mirrored CWIP revenue sur-credit rider in this proceeding;
- b. Schedules B-1 through B-9, which report CG&E's property used and useful in rendering electric distribution service to those customers affected by this Application, as provided in R.C. 4909.05;
- c. Schedules C-1 through C-13, which contain:

- i. detailed schedules of CG&E's receipts, revenues and incomes from all sources, CG&E's operating costs and other expenditures, and certain adjustments which CG&E deems applicable; and
 - ii. a statement of the income and expense anticipated under this Application;
- d. Schedules D-1 through D-5, which, in conjunction with the schedules mentioned in paragraph 10(a) above, contain a statement of CG&E's financial condition summarizing assets, liabilities, and net worth;

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- e. Schedule E-1, which sets forth CG&E's proposed tariff schedules, which are scored to indicate changes from the current tariff schedules;
- f. Schedule E-2, which sets forth CG&E's current tariff schedules that are proposed to be changed, and which are scored to indicate the provisions to be changed;
- g. Schedules E-3 through E-5, which set forth cost of service study, the rationale for tariff changes, the class and schedule revenue summary and the typical bill comparison;
- h. Schedules F-1 through F-4, which set forth the projected financial data under two scenarios: (1) assuming that the rate increase is granted; and (2) assuming that the rate increase is not granted;
- i. Schedules S-1 and S-2, setting forth five-year projected capital expenditure and revenue requirements; and
- j. Schedule S-3, which is a proposed notice for newspaper publication, fully

disclosing the substance of the Application and the specific requirements of R.C. 4909.18 (E).

11. Concurrent with the filing of this Application, CG&E is providing the utilities department, office of rate case management, four copies of the Supplemental Information required by OAC 4901-7-01, Appendix A, Chapter II(C) (Volume 3 through Volume 6).
12. CG&E notes that the Commission has granted a waiver to CG&E with respect to the following standard filing requirements:⁴
 - a. OAC 4901-7-01, Appendix A, Chapter II (I) - detailed information regarding the costs in CG&E's rate base and operating income relating to any supply-side or demand-side projects or programs from CG&E's latest Commission-approved IRP.
 - b. Certain standard filing requirements to the extent they call for generation or fuel-related information:
 1. Schedule S2 - Capital Expenditures (Generation-related);
 2. Schedule S2.1 – Mix of generation, mix of fuel;
 3. Schedule B-8 – Generation data;
 4. Schedule D-5, page 4 of 4, Rate of Return Measures, Other Financial and Operating Data - Mix of fuel;
 5. Supplemental Information, Chapter II (C)(23) – fuel stock component listed in Schedule B-5.1;

⁴ See *In the Matter of the Application of The Cincinnati Gas & Electric Company for an Increase in Electric Rates, et al.*, Case No. 05-59-EL-AIR (Entry issued February 9, 2005).

6. Supplemental Information, Chapter II (C)(28) - Copy of yearly kWh generated by unit or by station and purchased power received and delivered by type of transaction for the test year;
 7. Supplemental Information, Chapter II (C)(29) - Monthly expense data by accounts for fuel in accounts 501, 518, and 547, and purchased power in account 555.
13. CG&E also notes that it intends, and the Commission has approved, that it will update the Management, Practices, Policies, and Organization filed in case number 04-680-EL-AIR. The update shall include all changes, enhancements, and modifications to CG&E's management process that have occurred since the previous filing.
 14. 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.

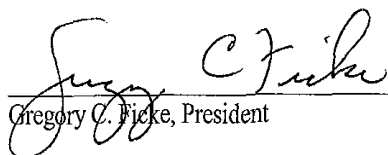
WHEREFORE, since the rates, prices, charges, and other provisions in CG&E's current electric rate schedules do not yield just and reasonable compensation to CG&E for supplying electric distribution service to the customers to which they are applicable; do not yield a just and reasonable return to CG&E on the value of the property used for furnishing such electric distribution 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 attached Schedules filed herewith and incorporated herein, are in accordance with R. C. 4909.18 and the Rules of the Commission;
- (c) Approve the Form of Notice in the attached Schedule S-3;
- (d) Find that the current rates, prices, and charges for electric service are unjust, unreasonable and insufficient to yield reasonable compensation to CG&E for the electric distribution service rendered;
- (e) Find that the proposed rates, prices, and charges are just and reasonable based upon the test period for the twelve months ending June 30, 2005, and approve such schedules in the form tendered herewith;
- (f) Find that CG&E is in compliance with R. C. 4905.35;
- (g) Approve CG&E's Application for Approval to Change Accounting Methods consistent with the Commission's approval of CG&E's proposed deferrals and its Capital Investment Reliability Rider;
- (h) Fix the date on or after which applicable services provided to all customers are subject to the proposed rates at January 1, 2006.

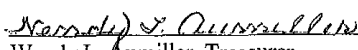
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Respectfully submitted,

THE CINCINNATI GAS & ELECTRIC COMPANY



Gregory C. Ficke, President




Wendy L. Aumiller, Treasurer

Company Official to be contacted
regarding the Application:

John P. Steffen
Vice President, Rates
Cinergy Services, Inc.
139 East Fourth Street (EA028)
28th Floor Atrium II Building
Cincinnati, Ohio 45201
(513) 287-2560
e-mail: jsteffen@cinergy.com

Attorneys for Applicant:

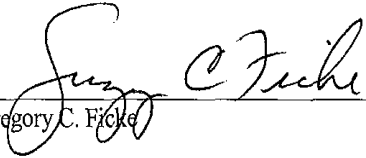


Paul A. Colbert (0058582)
Kate Moriarty (0067274)
James B. Gainer (0033015)
Cinergy Services, Inc.
139 East Fourth Street (EA025)
25th Floor Atrium II Building
Cincinnati, Ohio 45201
(513) 287-3015
e-mail: pcolbert@cinergy.com

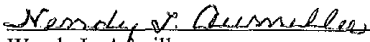
VERIFICATION

STATE OF OHIO)
) SS.
COUNTY OF HAMILTON)

I, GREGORY C. FICKE, President, and I, WENDY L. AUMILLER, Treasurer of The Cincinnati Gas & Electric Company, being first duly cautioned and sworn, hereby verify that the information contained in this Application is true and correct to the best of our knowledge and belief.

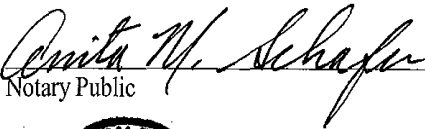


Gregory C. Ficke



Wendy L. Aumiller

Sworn to and subscribed in my presence this 16th day of February, 2005



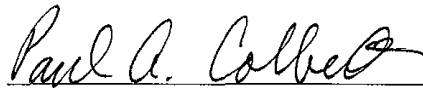
Notary Public



ANITA M. SCHAFER
Notary Public, State of Ohio
My Commission Expires
November 4, 2009

CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that a copy of the foregoing Application was served on the following parties of record by first class, U.S. mail, postage prepaid this 17th day of February, 2005.



Paul A. Colbert

Kimberly Bojko, Esq.
Larry Sauer, Esq.
Ohio Consumers Counsel
10 West Broad Street
Suite 1800
Columbus, Ohio 43215-3485