

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of The :
Cincinnati Gas & Electric Company to :
Modify Its Non-Residential Generation :
Rates to Provide for Market-Based : Case No. 03-93-EL-ATA
Standard Service Offer Pricing and to :
Establish an Alternative Competitively- :
Bid Service Rate Option Subsequent to :
Market Development Period. :

In the Matter of the Application of The :
Cincinnati Gas & Electric Company for :
Authority to Modify Current Accounting : Case No. 03-2079-EL-AAM
Procedures for Certain Costs Associated :
with the Midwest Independent :
Transmission System Operator. :

In the Matter of the Application of The :
Cincinnati Gas & Electric Company for :
Authority to Modify Current Accounting : Case No. 03-2081-EL-AAM
Procedures for Capital Investment in its :
Electric Transmission and Distribution :
System Case No. 03-2080-EL-ATA and :
to Establish a Capital Investment :
Reliability Rider to be Effective After the :
Market Development Period.. :

SUPPLEMENTAL
PREPARED TESTIMONY
OF
RICHARD C. CAHAAN
PUBLIC UTILITIES COMMISSION OF OHIO
FINANCIAL ANALYSIS AND AUDITS DIVISION

STAFF EX. _____

Submitted May 24, 2004

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1 1. Q. Would you please state your name, position, and background?
2 A. My name is Richard C. Cahaan, and I am employed by the Public Utilities
3 Commission of Ohio, 180 E. Broad Street, Columbus, Ohio 43215 as the
4 Chief Economist in the Financial Analysis and Audits Division of the
5 Utilities Department.
6
7 2. Q. Are you the same Richard C. Cahaan that previously filed testimony in this
8 proceeding??
9 A. Yes, I am. My prepared testimony was filed on April 22, 2004. This
10 testimony addressed the Staff's position regarding Cincinnati Gas and
11 Electric's (Company) proposed Rate Stabilization Plan.
12
13 3. Q. What is the purpose of your supplemental testimony?
14 A. I am supporting the Stipulation and Recommendation filed in this
15 proceeding on May 19, 2004 (Settlement).
16
17 4. Q. Did you participate in the discussions that lead up to the Settlement?
18 A. Yes, I did.
19
20 5. Q. Does the Settlement represent a product of serious bargaining among
21 capable, knowledgeable parties?
22 A. Yes, it does. All parties to the case were notified and were invited to
23 participate in the settlement discussions. The Staff encouraged the company

1 to meet individually with each of the parties in the case to work out their
2 individual problems. There were no restrictions about who would
3 participate in these discussions.

4

5 6. Q. Does the Settlement violate any important regulatory principle or practice?

6 A. No, it does not. Of course, the very idea of a rate stabilization plan is a
7 departure from traditional cost-based regulation. However, within this new
8 framework, the Settlement does not violate important regulatory principles.

9

10 7. Q. Does the Settlement, as a package, benefit ratepayers and the public
11 interest?

12 A. Yes, it does. As discussed in my original prepared testimony, the Staff
13 believes that, under current conditions, rate stabilization plans, if properly
14 constructed, are definitely in the public interest and benefit customers.
15 When the Staff examined the Company's original Application for a rate
16 stabilization plan and discussed the proposed plan with other parties, the
17 Staff identified features which were felt to be inappropriate in light of the
18 Commission's stated goals for rate stabilization plans and communicated
19 these views to the Company.

20

21 8. Q. Did the Company revise any of its positions from the original Application
22 for a rate stabilization plan (filed 1/26/04) to its testimony (filed April 15,
23 2004) based on Staff recommendations?

- 1 A. Yes. Several of the changes that the Company made in its testimony¹ were
2 consistent with recommendations that the Staff made to the Company
3 through informal discussions.
4
- 5 9. Q. Were all of the Staff's recommendations included in your Original Prepared
6 Testimony incorporated into the Settlement?
- 7 A. For the most part, the Staff's recommendations included in my Original
8 Prepared Testimony were incorporated into the Settlement. The differences
9 between my Prepared Testimony and the Settlement were:
- 10 - The 5% residential rate reduction will continue.
11 - The Company will withdraw its pending distribution rate case but will
12 defer revenue requirements (carrying costs, property taxes and depreciation)
13 on its incremental capital investment since its last rate case.
14 - The "justifiable" cap on POLR increases was set at 8%, rather than 7%,
15 for non-residential customers.
16 - The rate cap on residential customers was revised.
17
- 18 10. Q. Is the Staff recommending that the Commission adopt the Settlement?
- 19 A. Yes. Given that the majority of the Staff's recommendations were adopted
20 into the Settlement and that there are additional customer benefits included
21 in the Settlement, the Staff is recommending that the Commission adopt it in
22 its entirety.

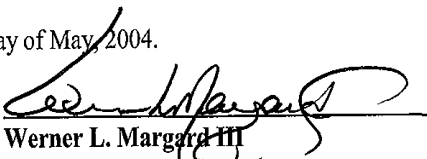
¹ Direct Testimony of Jack P. Steffen at 3-6 (April 15, 2004).

1 11. Q. Does this conclude your testimony?

2 A. Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing **Supplemental Prefiled Testimony of Richard C. Cahaan** submitted on behalf of the Staff of the Public Utilities Commission of Ohio was served by regular U.S. mail, postage prepaid, or hand-delivered to the following parties of record, this 24th day of May, 2004.


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