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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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In the Matter of the Joint Application of)
Cinergy Corp., on Behalf of the)
Cincinnati Gas & Electric Company, and)
Duke Energy Holding Corp. for Consent) **Case No. 05-732-EL-MER**
and Approval of a Change of Control of)
The Cincinnati Gas & Electric Company.)

In the Matter of the Application of The)
Cincinnati Gas & Electric Company for)
Authority to Modify Current Accounting)
Procedures in Order to Defer Costs Incurred) **Case No. 05-733-EL-AAM**
in Order to Realize Cost Savings as a Result)
of the Merger Transaction.)

In the Matter of the Application of The)
Cincinnati Gas & Electric Company for)
Authority to Modify Current Accounting)
Procedures in Order to Defer Costs Incurred) **Case No. 05-974-GA-AAM**
in Order to Realize Cost Savings as a Result)
of the Merger Transaction.)

**THE CITY OF LEBANON'S INITIAL COMMENTS
TO STAFF'S COMMENTS AND RECOMMENDATIONS**

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Pursuant to the Commission's Oct. 26, 2005, Entry, The City of Lebanon ("Lebanon") provides below its initial comments to the comments and recommendations provided by the Commission's Staff. In its Oct. 26, 2005, Entry, the Commission directed Staff to examine the Application¹ and comments by interested parties, and make recommendations concerning the same. In its comments Staff states that "[w]hile not precluding any important matter, the Staff review did focus on the issues [that it] identified."² Thus, Staff's comments are not

¹ See Joint Application (June 1, 2005) (hereinafter "Application").

² See Staff Recommendations at p. 2 (Nov. 14, 2005).

comprehensive, and apparently highlight those issues that are most relevant to Staff's perspective. However, given the scope and impact of Applicants'³ request and RC § 4905.402(B)'s broad "public convenience" test, Lebanon respectfully submits that the Commission's review should not be limited to the narrow list issues commented on by Staff. Indeed, RC § 4905.402(B) broad "public convenience" test provides the Commission an opportunity to expediently resolve issues in this proceeding that might otherwise appear before the Commission in separate proceedings, if not amicably resolved by the parties.

Specifically, as noted in Lebanon's intervention, Lebanon owns and operates a municipal electric utility, Lebanon Municipal Electric ("Lebanon Municipal"). Lebanon Municipal serves almost the entire retail load within Lebanon's municipal boundaries, consisting of approximately 8,500 retail customers. However, CG&E provides retail service to certain end-users in an industrial park located within Lebanon's municipal boundaries ("Industrial Park") pursuant to a 'Retail Service Agreement' ("Retail Agreement") between Lebanon and CG&E.⁴ The Retail Agreement requires CG&E to construct and operate necessary facilities to provide adequate service to the Industrial Park ("Electric Facilities"). Article 5 of the Retail Agreement entitles Lebanon to exclusively provide retail electric service to the Industrial Park, and for CG&E to sell the Electric Facilities to Lebanon at fair value,⁵ and discontinue retail service to the Industrial Park. As a back stop to achieving that end, the Retail Agreement expressly permits Lebanon to acquire the Industrial Park and the Electric Facilities by eminent domain.

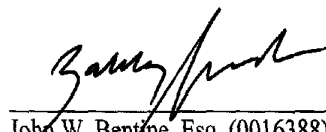
³ Cinergy Corp. ("Cinergy"), on behalf of the Cincinnati Gas & Electric Company ("CG&E"), and Duke Energy Holding Corp. ("Duke") are collectively the "Applicants."

⁴ See Attachment A to Lebanon's initial comments.

⁵ Article 5.1 of the Retail Agreement provides that "Lebanon shall compensate Company for such facilities by payment of an amount equivalent to the fair value (as of the date of notice of Company's exercise of this provision) of the facilities to be conveyed." Article 5.3 further states, "For purposes of this Agreement 'fair value' shall not be less than Company's original cost less book depreciation for any facilities conveyed nor shall "fair value" be more than the reproduction cost new less book depreciation of any facilities conveyed."

Pursuant to Article 5 of the Retail Agreement, Lebanon determined to provide retail service to the Industrial Park, and began to pursue purchase of the Electric Facilities from CG&E. In the ensuing years, Lebanon has attempted to consummate the transaction with CG&E; however, CG&E has uncooperatively frustrated the transaction. Therefore, Lebanon requested the Commission to direct CG&E to work diligently on consummating the above-described transaction, and to condition any approval of the Applicants' request on CG&E completing the asset sale transaction with Lebanon. Accordingly, Lebanon respectfully submits that in the interest of judicial economy the Commission should dispose of this issue in this proceeding, rather than addressing it in a separate proceeding, if CG&E continues its apparent frustration of its obligations under the Retail Agreement.

Respectfully submitted,



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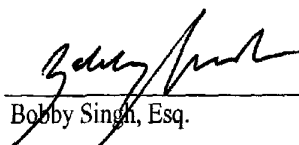
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following parties of record or as a courtesy, via U.S. Mail postage prepaid, express mail, hand delivery, or electronic transmission, on December 1, 2005.


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