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DE-Ohio Exhibit _____

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)	
The Cincinnati Gas & Electric Company to)	Case No. 05-725-EL-UNC
Modify its Quarterly Fuel and Purchase)	
Power Component of its Market Based)	
Standard Service Offer.)	
In the Matter of the Application of)	Case No. 05-724-EL-UNC
The Cincinnati Gas & Electric Company to)	
Adjust and Set its System Reliability Tracker)	
Market Price)	
In the Matter of the Application of)	
Duke Energy Ohio, Inc. to Modify its)	Case No. 06-1068-EL-UNC
Quarterly Fuel and Purchase Power)	
Component of its Market Based)	
Standard Service Offer)	
In the Matter of the Application of)	
Duke Energy Ohio, Inc. to Adjust and Set its)	Case No. 06-1069-EL-UNC
System Reliability Tracker)	

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DIRECT TESTIMONY OF

WILLIAM DON WATHEN, JR.

ON BEHALF OF

THE CINCINNATI GAS & ELECTRIC COMPANY

D/B/A DUKE ENERGY OHIO, INC.

Date: September 1, 2006

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ATTACHMENTS:

- WDW-1 Quarterly Rider FPP Submittals for Third & Fourth Quarters of 2005 and First & Second Quarters of 2006
- WDW-2 Estimated Rider SRT for First Quarter of 2007

DIRECT TESTIMONY OF WILLIAM DON WATHEN, JR.

I. INTRODUCTION

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is William Don Wathen, Jr. My business address is 139 East Fourth
3 Street, Cincinnati, Ohio 45202.

4 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

5 A. I am employed by Duke Energy Shared Services, Inc., (Duke Energy) as Director
6 of Revenue Requirements.

7 Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL
8 QUALIFICATIONS.

9 A. I received Bachelor Degrees in Business and Chemical Engineering in 1985 and
10 1986, respectively, and a Master of Business Administration Degree in 1988, all
11 from the University of Kentucky.

12 After completing graduate studies, I was employed by Kentucky Utilities
13 Company as a planning analyst. Later in 1989, I began employment with the
14 Indiana Utility Regulatory Commission as a senior engineer. From 1992 until
15 mid-1998, I was employed by SVBK Consulting Group where I held several
16 positions as a consultant focusing primarily on utility rate matters. Since 1998, I
17 have been employed by Cinergy Services and have held positions in Budgets and
18 Forecasts, Project Management, and, since 2003, as Director of Revenue
19 Requirements in Rates.

20 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

21 A. Yes. I have previously testified in several cases before this Commission.

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1 Q. PLEASE SUMMARIZE YOUR DUTIES AS DIRECTOR OF REVENUE
2 REQUIREMENTS.

3 A. As Director of Revenue Requirements, I am responsible for the preparation of
4 financial and accounting data used in wholesale and retail rate filings for Duke
5 Energy Ohio (DE-Ohio) and Duke Energy Kentucky (DE-Kentucky), including
6 petitions for changes in fuel and gas cost adjustment factors, and various other
7 recovery mechanisms. My responsibilities include the preparation and filing of
8 the quarterly Fuel and Economy Purchased Power Rider ("Rider FPP") and the
9 quarterly System Reliability Tracker ("Rider SRT") for DE-Ohio, which are the
10 subjects of this testimony.

11 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

12 A. My testimony explains the mechanism for establishing and allocating market
13 prices for DE-Ohio's Rider FPP, which was approved by the Commission in its
14 Order in Case No. 03-93-EL-ATA approving the Company's Market-Based
15 Standard Service Offer ("MBSSO"). I discuss changes that have been made to
16 the Rider FPP filing as a result of the Commission's Order approving a
17 Stipulation that concluded last year's Audit of the Rider FPP. In light of the
18 changes, I also explain the attached schedules and support the reasonableness of
19 DE-Ohio's Rider FPP for quarterly periods from July 2005 through June 2006.

20 In the next section of my testimony, I explain the current mechanism for
21 establishing and allocating market prices for DE-Ohio's Rider SRT which was
22 also approved by the Commission in Case No. 03-93-EL-ATA. I also sponsor
23 Attachment WDW-1 and Attachment WDW-2.

1 Q. PLEASE DESCRIBE THE ATTACHMENTS TO YOUR TESTIMONY.

2 A. For ease of reference, I have included as Attachment WDW-1 complete copies of
3 the filings made by DE-Ohio to support the Rider FPP prices that were in effect
4 for the quarterly periods July 2005 through June 2006. These filings have been
5 made in the docket for Case No. 05-725-EL-UNC. Also, included as Attachment
6 WDW-2, is an estimate of the 2007 Rider SRT calculations.

7 II. OVERVIEW OF RIDER FPP CALCULATION

8 Q. PLEASE PROVIDE AN OVERVIEW OF THE CURRENT MECHANISM
9 FOR RIDER FPP.

10 A. Similar to the manner in which fuel and purchased power costs were recovered
11 prior to deregulation, Rider FPP is designed to recover the Company's actual
12 costs of fuel, purchased power, and certain environmental costs.

13 Rider FPP currently has four basic components: (1) fuel and economy
14 purchased power costs ("FC"); (2) SO₂ emission allowance costs ("EA"); (3) a
15 reconciliation adjustment ("RA"); and (4) a system loss adjustment ("SLA"). For
16 the quarterly filings made from July 2005 through March 2006, costs associated
17 with environmental reagents were also included in Rider FPP; however, pursuant
18 to the Stipulation and Order in Case No. 05-806-EL-UNC, environmental reagent
19 costs are now excluded from the Rider FPP calculation, but are recoverable in the
20 Annually Adjusted Component ("Rider AAC"). Revenues related to
21 environmental reagents collected since January 1, 2005, have been refunded to
22 consumers in subsequent quarterly filings of Rider FPP.

1 Beginning with the first quarterly filing for 2006, two other changes were
2 made to Rider FPP. First, the rate freeze ended for residential consumers;
3 therefore, Rider FPP is applied to all non-switched consumers beginning January
4 1, 2006. The second change in the calculation was to recognize the impact of
5 differences in system losses related to voltage differences among consumers.
6 This voltage differential calculation was part of the Stipulation approved by the
7 Commission in Case No. 03-93-EL-ATA. In general, a consumer taking service
8 at a lower voltage requires more kWh to be generated than a consumer taking
9 service at higher voltage.

10 **Q. PLEASE DESCRIBE THE FC COMPONENT OF RIDER FPP.**

11 A. The FC or Fuel and Economy Purchased Power Cost component is the
12 mechanism used to charge the costs of fuel and purchased power. The total
13 estimated includable fuel and purchased power costs for the upcoming quarter are
14 divided by the total projected includable energy, which results in a price on a
15 ¢/kWh basis. This price is compared to the fuel price currently embedded in the
16 unbundled generation component of the Company's MBSSO market price, which
17 is 1.2327 ¢/kWh. The difference between the current average price for fuel and
18 purchased power costs and the 1.2327 ¢/kWh is the FC component to be included
19 in the Rider FPP price.

20 **Q. HAVE THERE BEEN ANY SIGNIFICANT CHANGES TO THE**
21 **CALCULATION OF THE FC COMPONENT?**

1 A. We made one significant change that is already being reflected in the Rider FPP
2 and we are proposing to make another change beginning with the quarterly filing
3 for the first quarter of 2007.

4 Q. **DESCRIBE THE CHANGE THAT HAS ALREADY BEEN MADE TO**
5 **THE RIDER FPP?**

6 A. Beginning with the filing for the period April 1, 2006, through June 30, 2006, we
7 are including certain payments from the Midwest Independent System Operator,
8 Inc., ("MISO") as a credit against fuel costs. On our MISO bill, this credit is
9 called the revenue sufficiency guarantee ("RSG") make-whole payment.

10 Q. **WHAT IS THE NATURE OF THIS PAYMENT?**

11 A. Based on pure economic dispatch principles, the Company often will not commit
12 a peaking unit to serve load since the cost of producing the energy is higher than
13 the price that can be obtained in the market. However, for reliability purposes or
14 for congestion relief, MISO may ask that we commit an uneconomic unit,
15 typically a peaker, to serve load. For this commitment, MISO ensures that we are
16 made "whole" for any costs incurred which are not recovered by the sale of the
17 resulting generation into the market. For example, MISO may instruct us to have
18 a unit available in the day-ahead market that costs us \$100 per MWh and cost
19 \$100,000 to start up the unit. The market price for that power may only be \$50
20 per MWh. On a pure economic basis, we would not dispatch the unit to incur a
21 loss. However, in the interest of reliability or congestion relief, MISO may ask
22 that we run this unit. To the extent we incur a loss due to above-market hourly
23 cost of running the unit or because the market prices did not produce enough

1 revenue to cover the start-up costs, MISO provides us with the RSG make-whole
2 payment.

3 **Q. WHY NOT JUST CONTINUE TO PASS THIS CREDIT THROUGH THE**
4 **COMPANY'S RIDER TCR?**

5 A. The nexus between the RSG make-whole payments and fuel costs is such that it
6 makes more sense to include this credit in Rider FPP instead of the Transmission
7 Cost Recovery Rider ("Rider TCR"). The nexus I am referring to is that the fuel
8 costs associated with running the unit "out of merit" would flow through the
9 Rider FPP; therefore, we believe it is more logical to include the associated credit
10 for that "out of merit" dispatch in the same rider that the cost is flowing through.

11 **Q. WHAT ADDITIONAL CHANGE TO RIDER FPP ARE YOU**
12 **PROPOSING?**

13 A. Similar to the change we made for the RSG make-whole payment, there are two
14 other MISO charges that we believe are more appropriately included in Rider FPP
15 that have previously been recovered in Rider TCR. Specifically, we propose to
16 begin recovering charges for congestion and incremental losses in Rider FPP and
17 remove this item from Rider TCR.

18 **Q. WHAT IS THE RATIONALE FOR THIS PROPOSED CHANGE IN**
19 **RECOVERY FOR CONGESTION AND INCREMENTAL LOSSES?**

20 A. In Case No. 05-727-EL-UNC, I sponsored testimony describing the Rider TCR
21 and proposing a methodology for recovery of transmission-related costs,
22 including costs for MISO Day 2. I addressed this issue in my testimony in that
23 case explaining that congestion and losses are "arguably also appropriate for

1 recovery through the Rider FPP.” (Direct Testimony of William D. Wathen, Jr.,
2 filed June 3, 2005, in Case No. 05-727-EL-UNC, pg. 12.) Congestion is simply
3 another name for fuel cost. It is distinguished from what is typically considered
4 generation fuel cost only in that it is derived from running a unit “out of merit” to
5 relieve congestion.

6 Consider how these costs would have been handled in the past. A
7 transmission coordinator would have issued an order to redispatch our generation
8 for “transmission loading relief” if there was a congestion problem on the
9 transmission system. Substituting a higher cost resource for a lower cost resource
10 would have simply flowed through to consumers in the form of higher fuel cost.
11 This incremental cost would not have been identified as congestion cost, *per se*,
12 although that is precisely what it is. In the MISO Day 2 market congestion cost is
13 an explicit charge in that MISO includes congestion as a component of its
14 locational marginal price (“LMP”) as a direct incentive to mitigate congestion
15 across the system. Essentially, by establishing LMPs at different pricing nodes
16 that reflect congestion at that node, MISO allows pricing signals in the market to
17 manage congestion.

18 Similarly, the economic value of losses is exclusively a function of the
19 amount of extra generation required to compensate for the physical loss of power
20 from the generator to the load. Losses charged from MISO are incremental to the
21 Company.

22 **Q. WHEN DO YOU PROPOSE TO MAKE THIS CHANGE IN THE**
23 **TREATMENT OF CONGESTION AND LOSSES?**

1 A. We will begin to incorporate this change in the first quarter filing for 2007.
2 Ultimately, there is no difference to the Company or to the consumer in terms of
3 value since the consumer either pays both the TCR and FPP or, for a switching
4 customer, pays neither. We are making this change in part because, after much
5 consideration, it provides the proper symmetry in terms of the nature of costs and
6 method of recovery.

7 Q. WOULD YOU SUMMARIZE THE FC COMPONENT OF THE RIDER
8 FPP PRICES FOR THE LAST FOUR QUARTERLY FILINGS?

9 A. For the last four quarterly filings, the FC component of Rider FPP has been:

<i>Period</i>	<i>Fuel Component (\$/kWh)</i>
Q3 2005	0.6071
Q4 2005	0.5829
Q1 2006	0.9089
Q2 2006	1.1861

10 Q. WHAT ARE YOUR SOURCES FOR TOTAL INCLUDABLE ESTIMATED
11 FUEL AND PURCHASED POWER COSTS AND TOTAL PROJECTED
12 INCLUDABLE ENERGY?

13 A. DE-Ohio's witness Charles R. Whitlock is responsible for providing me with the
14 projections of includable fuel and purchased power costs and includable energy
15 prior to each quarter's submittal.

16 Q. DESCRIBE THE EA COMPONENT OF RIDER FPP.

17 A. The EA component recovers the allocable costs of SO₂ emission allowances.
18 Although the Company receives a number of zero-cost SO₂ emission allowance
19 credits from the Environmental Protection Agency ("EPA") each year in the form

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1 of tons, it is not enough to cover our total SO₂ emissions. Consequently, it is
2 necessary to buy additional credits on the open market. The cost of these credits
3 goes into the calculation of the weighted-average inventory cost of all tons,
4 including the zero-cost EAs. Each month, the number of tons of emissions
5 allocable to the Rider FPP load is relieved from inventory at the weighted-average
6 inventory cost.

7 **Q. IS THERE ANYTHING ELSE NOTEWORTHY ABOUT THE EA**
8 **CALCULATION?**

9 A. In the Stipulation that was approved by the Commission in Case No. 05-806-EL-
10 UNC, the Company agreed to two changes in the way it calculates its EA
11 component. First, it agreed to allocate zero-cost EAs between two inventories,
12 one for native and one for non-native sales, based on projected emissions
13 allocable to each group. The Company further agreed to allocate an additional
14 16,421 tons of zero-cost EAs to each year's native-load inventory through 2008;
15 thus, reducing the average cost of EAs allocable to the Rider FPP load in each
16 year through 2008. The combination of these agreements fixed the number of
17 zero-cost allowances allocable to Rider FPP load for 2005 through 2008 are as
18 follows:

<i>Year</i>	<i>Tons</i>
2005	61,121
2006	89,894
2007	
2008	

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Also, it should be noted that, for the duration of the RSP, emission allowances for NO_x are excluded from the Rider FPP altogether. This is a specific provision of the Stipulation approved by the Commission in Case No. 05-806-EL-UNC settling last year's Audit.

Q. WOULD YOU SUMMARIZE THE EA COMPONENT OF THE RIDER FPP PRICES FOR THE LAST FOUR QUARTERLY FILINGS?

A. For the last four quarterly filings, the EA component of Rider FPP has been:

<i>Period</i>	<i>EA Component (¢/kWh)</i>
Q3 2005	0.2403
Q4 2005	0.1977
Q1 2006	0.2257
Q2 2006	0.0990

As a reminder, part of the calculation of the MBSSO includes a deduction of 0.0126 ¢/kWh attributable to EA costs from the last Electric Fuel Component ("EFC") filing made by the Company in Case No. 98-103-EL-EFC. Therefore, the EA component of the Rider FPP formula market price is "net of" the legacy EA component included in the MBSSO market price.

Q. DESCRIBE THE RA COMPONENT OF THE RIDER FPP.

A. The actual fuel and economy purchased power costs, the EA costs, and/or the actual energy sales will vary from the projection. Differences between actual and projected data for any of these items will normally result in a situation where the Company bills either more or less to its consumers than it needs to cover the actual costs attributable to them. The RA component of Rider FPP is the methodology used to reconcile the difference between the actual costs incurred

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1 for the various components of Rider FPP (FC, EA, RA, and SLA) for the quarter
2 and the Rider FPP revenue that was billed to consumers for these same
3 components based on projections. The RA is also the mechanism the Company
4 has used to implement changes that resulted from the Audit.

5 The RA component of Rider FPP gives DE-Ohio a mechanism to ensure
6 that consumers taking service under Rider FPP are only charged the actual cost of
7 fuel and purchased power, and EAs, attributable to them. With the RA, it was
8 also possible to refund to the consumers the revenue billed for environmental
9 reagent costs which we agreed to eliminate as a result of the Stipulation reached
10 in last year's Audit.

11 **Q. HOW IS THE RA COMPONENT CALCULATED?**

12 A. The actual cost of fuel and economy purchased power, and EAs, attributable to
13 the Rider FPP component of the MBSSO market price is compared to the total
14 revenue billed for the same period under (i) the Rider FPP and (ii) the components
15 of the FC, EA, and SLA embedded in the MBSSO market price. The difference
16 between the actual costs for these items and the revenue billed during the period is
17 divided by the projected Rider FPP kWh sales for the upcoming quarter to
18 determine the RA component.

19 Since Rider FPP was not applicable to residential consumers in 2005, any
20 over- or under-recovery of costs for that period are exclusively related to non-
21 residential consumers.

22 Another change in Rider FPP that was introduced in the first quarter of
23 2006 was to recognize voltage differences between consumers. This mismatch in

1 the applicability of the Rider FPP among consumers requires that we calculate
2 three different reconciliation adjustments: one for non-residential consumers at
3 distribution voltage, one for non-residential consumers at transmission voltage,
4 and one for residential consumers.

5 For the first two quarterly filings of 2006, the RA adjustment for non-
6 residential consumers was the same regardless of voltage and, for residential
7 consumers, the RA was \$0 since we did not have complete actual data for the first
8 two quarterly filings in 2006 to reconcile.

9 **Q. IS THERE ANYTHING ELSE NOTEWORTHY ABOUT THE RA**
10 **COMPONENT?**

11 A. Yes. Every filing will contain revisions to previous reconciliation adjustments. A
12 number of factors contribute to this need for revisions. First, the calculation of
13 the Rider FPP has changed since it was first implemented in January 2005. Costs
14 we originally included, such as environmental reagents, are now excluded. To
15 reflect this change, we had to go back and revise the RA component for all
16 quarters that had previously included environmental reagents costs.

17 Another factor driving the need for revisions owes to the manner in which
18 the Company is billed from the MISO.

19 **Q. WHY DOES THE WAY MISO BILLS DE-OHIO RESULT IN REVISIONS**
20 **TO PRIOR RECONCILIATION ADJUSTMENTS?**

21 A. The timing for incorporating the reconciliation adjustment is to reflect any needed
22 changes in the first quarterly Rider FPP filing for which actual data is available.
23 Unfortunately, the MISO bills that would be included in that actual data are

1 subject to restatements. The Company commonly receives multiple restated bills
2 from MISO for the same period. In some cases, MISO can restate a charge as
3 much as one year after the fact. Consequently, costs that had been included in the
4 RA component calculation for one period may change again if the MISO provides
5 an updated bill after the quarterly Rider FPP was filed based on the then available
6 actual data for the same period.

7 **Q. DESCRIBE THE SLA COMPONENT OF RIDER FPP.**

8 A. The system loss adjustment, or SLA, is a required adjustment due to the manner
9 in which the FC is calculated. Specifically, because the energy sales used in the
10 calculation of the FC are the kilowatt-hours generated at the busbar, there must be
11 an accommodation for the fact that the sales actually metered and billed to
12 consumers will be different than the kilowatt-hour sales generated by DE-Ohio or
13 purchased for delivery into the DE-Ohio load zone due to physical losses over the
14 transmission and distribution lines.

15 The Company's MBSSO market price formula includes an amount to
16 recover a portion of these losses. Since the value of the losses is related to the
17 magnitude of the fuel cost recovery, the FC portion of the current Rider FPP, any
18 change in the FC means that the price for loss recovery must change as well. The
19 SLA provides a mechanism for ensuring that the appropriate charges for losses
20 are consistent with the then current FC portion. The SLA component is nothing
21 more than a way to translate the FC price at the busbar to an amount "at-the-
22 meter." price.

23 **Q. HOW IS THE SLA COMPONENT CALCULATED?**

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1 A. The component for recovery for losses included in the Company's MBSSO
2 market price is 0.0999 ¢/kWh. For consumers taking service at transmission level
3 voltage, it is 0.0882 ¢/kWh. These figures are based on the legacy EFC price,
4 1.5353 ¢/kWh, and loss factors at the time of the Company's last traditional base
5 rate case, Case No. 92-1464-EL-AIR. The distribution and transmission loss
6 factor are 6.504% and 3.134%, respectively. To transform the "busbar" price to
7 the "at-the-meter" price, it is simply a matter of dividing the FC component by (1
8 – loss rate). The difference between the two prices is the total price that needs to
9 be recovered to compensate for losses. From this amount, we deduct the amount
10 already included in the MBSSO market price in order to determine the SLA
11 component.

12 **Q. WHY ARE THERE TWO SLA COMPONENTS OF RIDER FPP SHOWN**
13 **IN THE QUARTERLY FILINGS?**

14 A. As part of the RSP settlement, the Company agreed to calculate different Rider
15 FPP market prices in a manner that recognizes the difference in losses that
16 consumers experience if they take power at higher voltage. In order to implement
17 this provision, the Company established a process in Rider FPP to calculate the
18 SLA for consumers above and below transmission level voltage. The impact of
19 this change is essentially to give Rider FPP consumers taking service at
20 transmission level voltage a discount of around 3.6% of the FC price (equivalent
21 to the distribution losses).

22 **Q. WHAT WERE THE SLA COMPONENTS INCLUDED IN THE LAST**
23 **FOUR QUARTERLY RIDER FPP SUBMITTALS?**

1 A. For the last four quarterly filings, the SLA component of the Rider FPP has been:

<i>Period</i>	<i>Distribution Level (¢/kWh)</i>	<i>Transmission Level (¢/kWh)</i>
Q3 2005	0.0198	0.0198
Q4 2005	0.0182	0.0182
Q1 2006	0.0461	0.0236
Q2 2006	0.0672	0.0344

2 Q. ARE THE SCHEDULES SHOWN IN ATTACHMENT WDW-1 THE FPP
3 FILINGS THAT DE-OHIO MADE WITH THE COMMISSION FOR THE
4 PERIOD JULY 1, 2005, THROUGH JUNE 30, 2006?

5 A. Yes. These are the filings we made that were applicable for that period.

6 **III. OVERVIEW OF SRT CALCULATION**

7 Q. PLEASE PROVIDE AN OVERVIEW OF THE CURRENT MECHANISM
8 FOR THE RIDER SRT MARKET PRICE, COST ALLOCATION, AND
9 RATE & PRICE DESIGN.

10 A. For 2006, DE-Ohio's Rider SRT price was based on (1) estimates of the total
11 dollars it expected to spend on capacity products available in the power markets
12 in 2006 with the objective of maintaining at least a 15% reserve margin and (2)
13 the amount of over-recovered 2005 Rider SRT costs to be refunded to non-
14 residential consumers. Mr. Whitlock describes the capacity products DE-Ohio
15 has purchased in 2006 to meet its reliability requirements.

16 Using the projected cost of capacity purchases, DE-Ohio allocated the
17 costs between residential and non-residential consumer classes subject to Rider
18 SRT. The total cost allocated to non-residential consumer classes was reduced by
19 the amount of over-recovered Rider SRT costs for 2005. The allocated cost of the

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1 “reliability” purchases, net of the 2005 over-recovery for non-residential
2 consumers, was divided by the projected number of kWhs, and in some cases
3 kWhs, for all of 2006 in each of those classes. The result is a price, in ¢/kWh or
4 ¢/kW, which is applied to each DE-Ohio consumer class subject to the Rider SRT
5 in 2006.

6 **Q. HOW OFTEN ARE RIDER SRT FILINGS MADE?**

7 A. Beginning in 2006, the Company, with Commission approval in Case No. 05-724-
8 EL-UNC, began making quarterly filings for Rider SRT. The benefit of using
9 quarterly filings has been evident this year. Consider that the initial Rider SRT
10 price was based on a much higher estimate of capacity purchase costs than has
11 been experienced. By filing quarterly, instead of annually, consumers and the
12 Company are less likely to be in a position of being excessively and persistently
13 over- or under-recovered for Rider SRT. Although purchases under Rider SRT
14 have been much lower in 2006 than initially estimated at the end of 2005, we will
15 be in a position by the end of the year of being only minimally over- or under-
16 recovered. If we were still under the annual filing, we would have been
17 significantly over-recovered and it would take a much longer period of time to
18 remedy the situation. Quarterly filings help mitigate this problem.

19 **Q. HOW ARE RIDER SRT COSTS ALLOCATED BETWEEN**
20 **RESIDENTIAL AND NON-RESIDENTIAL CONSUMER CLASSES?**

21 A. In the Stipulation approved by the Commission in Case No. 05-724-EL-UNC, it
22 was agreed that 42.382% of the 2006 Rider SRT costs are allocated to residential
23 consumers. The remaining costs are allocated among the various non-residential

1 consumers based on their load ratio share using the average of 12 coincident
2 monthly peaks.

3 **Q. ARE ALL CONSUMERS CHARGED THE RIDER SRT?**

4 A. Pursuant to the Stipulation Agreement reached in the 2005 SRT proceeding, Case
5 No. 05-724-EL-UNC, the Rider SRT price is applicable to all consumers except
6 those non-residential consumers who “have or will sign a contract with [DE-
7 Ohio] or provide a CRES contract to [DE-Ohio], or provide a release in the form
8 approved by the Commission in Case No. 03-93-EL-ATA, indicating that the
9 customer will remain off of MBSSO service through December 31, 2008.” The
10 Rider SRT is therefore bypassable to these non-residential customers subject to
11 meeting these conditions.

12 **Q. DOES DE-OHIO PROFIT FROM RELIABILITY PURCHASES MADE**
13 **UNDER THE RIDER SRT?**

14 A. No. Because Rider SRT has a true-up mechanism, it only collects from its
15 consumers the actual cost of making reliability purchases used to serve its system
16 load, net of the proceeds of the resale of any unused Rider SRT reliability
17 purchases.

18 **Q. IS THE COST OF ENERGY PURCHASED THROUGH THESE**
19 **RELIABILITY PURCHASES RECOVERED THROUGH THE RIDER**
20 **SRT?**

21 A. No. To the extent energy is a separately identifiable component of the purchase,
22 the cost of energy purchased is recovered through DE-Ohio’s Fuel and Rider FPP.

1 Q. PLEASE EXPLAIN THE CURRENT PROCESS FOR TRUING UP COSTS
2 WITH REVENUE.

3 A. Rider SRT is trued-up quarterly based on actual results and revised estimates of
4 planned reliability purchases for the balance of the calendar year. At the time of
5 the initial filing for 2006 Rider SRT prices, we had only estimates of the expected
6 purchases required for 2006 reliability requirements. With each quarterly update,
7 our estimate improved either because we have a better estimate of the projected
8 costs of the required system reliability purchases for the remainder of the year or
9 we have incurred actual costs for reliability purchases.

10 The Company compares the updated projected cost, net of any remaining
11 true-up amounts due to non-residential consumers from 2005 for the remainder of
12 the year, with the actual revenue collected up to that date. The amount of dollars
13 left to be collected (*i.e.*, the total estimated amount for the year minus the amount
14 collected up to that date) will be collected over the remainder of the year using
15 similar allocations and billing determinants.

16 Q. EXPLAIN WHY YOU "NET" REMAINING TRUE-UPS DUE TO NON-
17 RESIDENTIAL CONSUMERS FROM 2005?

18 A. The Rider SRT produced a significant over-recovery for 2005. Following the
19 methodology used for all of the SRT prices, we allocate the over-recovery (or
20 under-recovery if that occurs) over the remainder of the year. Since only non-
21 residential consumers were eligible for the Rider SRT in 2005, any over- or
22 under-recovery for that year is exclusively attributable to this group of consumers.
23 In each quarterly update to the Rider SRT in 2006, we applied the remaining

balance of over-recovery from 2005 to the non-residential share of 2006 Rider SRT costs. By netting the over-recovery from last year, we will have returned all of the over-recovery from 2005 to non-residential consumers by the end of 2006.

Q HOW, AND WHEN, WILL THE FINAL ANNUAL TRUE-UP BE MADE?

A. As we did for true-ups related to the 2005 Rider SRT, after year end, actual costs and collections for Rider SRT for that year will be known. The actual costs are allocated to the consumer classes and subtracted from actual collections for each class. The over- or under-collection will be included in the Rider SRT filing for the second quarter of the following calendar year. This will allow DE-Ohio to recover any under-collection or consumers to receive any over-collection during the remaining months of the next year.

IV. ESTIMATED RIDER 2007 SRT

Q. PLEASE EXPLAIN THE ATTACHED SCHEDULES RELATED TO RECOVERY OF COSTS FOR THE YEAR 2007.

A. The first page of Attachment WDW-2 summarizes the current factors used to allocate the costs of system reliability purchases among the consumer classes and, using projected billing determinant data, calculates the prices for the 2007 Rider SRT. It is similar to the summary schedule filed in the initial case setting the Rider SRT price for 2006 in Case No. 05-724-EL-UNC.

Some non-residential classes have prices that are either blocked (*i.e.*, prices are different at different levels of usage) or separated into demand and energy prices. In order to implement Rider SRT prices fairly and consistently across classes and among consumers in a given class, the next three pages are

1 used to allocate the Rider SRT revenue requirement in a manner which follows
2 the way each consumer class is billed. Essentially, the revenue requirement is
3 allocated to each block on the basis of the MBSSO revenue generated from each
4 block. In my opinion, this is a reasonable approach.

5 The cost data associated with the Rider SRT capacity purchases comes
6 from schedules which will be discussed by DE-Ohio's witness Charles R.
7 Whitlock.

8 **Q. ARE THE PRICES SHOWN IN ATTACHMENT WDW-2 THE PRICES**
9 **THAT DE-OHIO PROPOSES BE SET FOR 2007?**

10 **A.** No. Attachments WDW-2 sets forth the Company's best estimate of the Rider
11 SRT prices for 2007 at this time. DE-Ohio will update these schedules and set its
12 estimate for the 2007 Rider SRT rate. Although the Company has already made
13 some purchases for 2007, more purchases are required for the Company to meet
14 its reliability requirement as discussed by Mr. Whitlock. Consequently, the
15 Company believes that it is still too early to set these prices for 2007. DE-Ohio
16 will update and set its estimate for 2007 when it makes its quarterly Rider SRT
17 Application for 2007, no later than December 1, 2006.

18 **V. CONCLUSION**

19 **Q. DO YOU HAVE ANY FINAL COMMENTS REGARDING THE RIDER**
20 **FPP BEING ADDRESSED IN THIS FILING?**

21 **A.** I believe that DE-Ohio is calculating and applying the Rider FPP appropriately.
22 We use reasonable methods for developing the Rider FPP prices and have

1 mechanisms in place to ensure that consumers paying the Rider FPP are charged

2 only for the Company's actual costs.

3 **Q. WERE ATTACHMENTS WDW-1 AND WDW-2 PREPARED BY YOU OR**
4 **UNDER YOUR SUPERVISION?**

5 **A. Yes.**

6 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

7 **A. Yes.**

FILE

WDW-1

16

RECEIVED-DOCKETING DIV **CINERGY.**
SERVICES

2006 MAR -2 AM 10:22

PUCO

139 East Fourth Street
P.O. Box 960
Room 2802-AT II
Cincinnati, OH 46201-0960
Tel 613.287.3060
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Robert P. Butts, Jr.
Rate Analyst

March 1, 2006

The Public Utilities Commission of Ohio
ATTENTION: Docketing Division
180 East Broad Street
13th Floor
Columbus, Ohio 43215-3793

RE: In the Matter of The Application of The Cincinnati)
Gas & Electric Company to Modify its Fuel,)
Economy Purchased Power Component of Its) Case No. 05-725-EL-UNC
Market-Based Standard Service Offer for the)
Summary Report Period of March 31, 2006)
To June 28, 2006)

Docketing Division:

Enclosed for filing are fifteen (15) copies of the following attachments containing the Facts, Data, and Other Information pertinent to The Cincinnati Gas & Electric Company's ("CG&E") fuel, economy purchased power, and emission allowance component of its market-based standard service offer (FPP), pursuant to the Commission's Entry in Case No. 05-725-EL-UNC, dated June 29, 2005:

- (a) Attachment I - Statement of Fuel Procurement Policies and Practices;
- (b) Attachment II - Narrative statement and applicable quarterly FPP forms supporting the proposed calculation of the fuel, economy purchased power, and emission allowance component of its market-based standard service offer for the base period of April through June 2006. The FPP component will be applied to bills rendered during the quarter ending June 2006.

Please time-stamp the enclosed extra copy and return for our file. Thank you for your timely assistance in this regard.

Very truly yours,



Robert P. Butts, Jr.

RPB:ga
Enclosures

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business
Technician RPB Date Processed 3-2-2006

ATTACHMENT I

STATEMENT OF FUEL PROCUREMENT PRACTICES AND POLICIES

Cinergy Corp.'s ("Company") Energy Portfolio Strategy & Management (EPSM) group is responsible for managing the power, fuel and emission allowance positions for the Company's operating units', including CG&E's, generation portfolio. Within EPSM, the Portfolio Optimization department manages the Company's power, fuel and emissions allowance positions, while the Commercial Fuels department provides fuel procurement and transportation services for each of the Company's operating units' fossil fuel generating stations. Portfolio Optimization and Commercial Fuels share the common goal of achieving security of supply at the most economical cost per megawatt hour generated.

Portfolio Optimization is responsible for establishing and implementing the multi-commodity risk management strategy for power, fuel and emission allowances. The scope of management services provided by Portfolio Optimization includes planning, projection, forecasting and budgeting functions, and establishment of the fuel requirements for the Company's operating units' generating stations. Portfolio Optimization reviews the optimal contract mix on an ongoing basis as market conditions change; the optimal contract mix varies as market and operating conditions change during the time horizon being evaluated. Fuel purchases are made through a combination of long-term and spot market purchases.

Commercial Fuel's fuel procurement and transportation services include issuing solicitations, evaluating proposals for fuel and transportation contracts, selecting and qualifying suppliers and shippers, contract negotiation, administration and enforcement, and ongoing transportation maintenance and operations support. Commercial Fuels is responsible for complying with fuel procurement regulations.

Commercial Fuels evaluates its fuel and transportation services practices on a continuing basis and updates them as needed. This continuous self-evaluation ensures that Commercial Fuels follows the best available practices as they relate to the changing business environment of the Company and the industry, the effect of state and/or federal legislation, the orders or rules of any state commission, or any other event that may impact the Company's procurement and use of fuel.

A balancing of short-term and long-term contracts is an effective way to achieve critical procurement goals such as:

- Assurance of adequate supply from reliable suppliers
- Competitive pricing
- Market intelligence
- Continuing evaluation of suppliers
- Flexibility in responding to changing market or economic conditions
- Efficient delivery of shipments.

Commercial Fuels makes every effort to purchase according to the operating requirements for the power generation equipment for which it purchases fuel. Further, the cost of complying with environmental regulations regarding emissions is factored into purchasing decisions.

ATTACHMENT I

STATEMENT OF FUEL PROCUREMENT PRACTICES AND POLICIES

Coal quality specifications may include moisture, ash, calorific value, sulfur, volatility, grindability, hydrogen, chlorine, ultimate analysis, mineral ash analysis, fusion temperature, etc. These parameters assure that the coal will be compatible with equipment operation and environmental regulations. Quality price adjustments will be made for deliveries not within contract specifications.

For longer term commitments, suppliers are generally evaluated on the basis of delivered cost, busbar evaluation of coal quality, uncommitted proven reserves, reputation, credit strength, proximity to transportation, and willingness to extend commercial terms. Additional evaluation is done, as needed, concerning by-product handling, disposal, and various environmental limits at the station sites. For short-term purchases, the evaluation focuses primarily on evaluated cost relative to the market.

ATTACHMENT II

THE CINCINNATI GAS & ELECTRIC COMPANY (CG&E) **NARRATIVE STATEMENT SUPPORTING ITS PROPOSED FPP COMPONENT**

Pursuant to the Commission's Entry on Rehearing in Case No. 03-93-EL-ATA issued on November 23, 2004, CG&E has calculated a proposed Quarterly Fuel, Economy Purchased Power and Emission Allowance Component (FPP Component) of its market-based standard service offer for the three-month projected period of April through June 2006.

The proposed FPP Rates are segregated into three types of customers, Residential, Non-Residential and Voltage Reduction customers. Depending on the type of customer, the appropriate rate will be applied to all bills, excluding consumers taking generation service from Certified Retail Electric Service providers, rendered on and after March 31, 2006, and will coincide with the billing of Cycle 1 of the April 2006 revenue month and remain in effect through June 2006.

The methodology for calculating the proposed FPP Component of 1.3523 cents per kilowatt-hour for Residential, 1.0504 cents per kilowatt-hour for Non-Residential and 1.0176 cents per kilowatt-hour for Voltage Reduction type customers is consistent with the Commission's Entry on Rehearing and is composed of the following components:

FUEL COMPONENT (FC)

The base period of April through June 2006 was utilized to calculate the proposed fuel and economy purchased power component (FC). The proposed FC is composed of three months projected includable fuel cost and economy purchased power data. The total FC calculated portion of the FPP Component is 2.4188 cents per kilowatt-hour for all types of customers. From this number, the Company has subtracted a baseline rate of 1.2327 cents per kilowatt-hour that is already included in rates as established in Case No. 99-103-EL-EFC. Based upon this information, the proposed FC should be established at 1.1861 cents per kilowatt-hour for all customers subject to the FPP. This proposed FC is supported by the attached calculations on Page 1 of 5 of Schedule 1.

EMISSION ALLOWANCES (EA)

The base period of April through June 2006 was utilized to calculate the emission allowance component (EA) for all types of customers. The proposed EA is composed of three months projected includable emission allowance data. The total EA calculated portion of the FPP Component is 0.1116 cents per kilowatt-hour for all types of customers. From this number, the Company has subtracted a baseline rate of 0.0126 cents per kilowatt-hour that is already included in rates as established in Case No. 99-103-EL-EFC. Based upon this information, the proposed EA should be established at 0.0990 cents per kilowatt-hour. This proposed EA is supported by the attached calculations on Page 2 of 5 of Schedule 1.

ATTACHMENT II
ENVIRONMENTAL REAGENT (ER)

In accordance with PUCO Order in Case No. 05-806-EL-UNC, the Environmental Reagent (ER) component of Rider FPP should be eliminated from the calculation of the FPP Rate. It was also ordered that any monies collected under the ER component to date should be refunded during the 2nd quarter 2006. This quarterly filing reflects the refund of the monies collected through December 2005. The monies collected during the 1st quarter 2006 will be refunded during the 3rd quarter after the actual amount has been determined.

RECONCILIATION ADJUSTMENT (RA)

The proposed RA component is based on the reconciliation of actual fuel, economy purchased power, emission allowance costs, and system loss adjustment to the FPP Component revenues for the three month period ending December 2005. The RA amount for the three month period ending December, 2005 included in this filing is (\$9,374,894.99) or (0.3019) cents per kilowatt-hour. Included in this RA amount is (\$73,768.36) which represents an updated adjustment to the 1st quarter 2005 RA amount filed in the 1st Quarter 2006 filing and is supported by the attached calculations on Page 5A&B of 5 of Schedule 1. Also, in this RA amount is (\$3,466,814.32) which represents an updated adjustment to the 2nd quarter 2005 RA amount filed in the 1st Quarter 2006 filing and is supported by the attached calculations on Page 5C&D of 5 of Schedule 1. Also, in this RA amount is (\$3,252,930.68) which represents an updated adjustment to the 3rd quarter 2005 RA amount filed in the 1st Quarter 2006 filing and is supported by the attached calculations on Page 5E&F of 5 of Schedule 1. The total RA, including the previous quarter adjustments, reflects the refund adjustment for the monies collected through the ER component for 2005 as ordered by PUCO in Case No. 05-806-EL-UNC. The monies collected during the 1st quarter 2006 will be refunded during the 3rd quarter through the RA component after the actual amount has been determined. The total proposed RA is supported by the attached calculations on Page 3 of 5 of Schedule 1.

SYSTEM LOSS ADJUSTMENT (SLA)

The proposed SLA Component is based on the estimated system loss fuel cost to be incurred during the three month period ending June 2006. The total SLA calculated portion of the FPP Component is 0.1656 cents per kilowatt-hour for Residential and Non-Residential type customers, and 0.0758 cents per kilowatt-hour for Voltage Reduction type customers. From the number for Residential and Non-Residential type customers, the Company has subtracted a baseline rate of 0.1051 cents per kilowatt-hour that is already included in rates. From the number for Voltage Reduction type customers, the Company has subtracted a baseline rate of 0.0481 cents per kilowatt-hour that is already included in rates. Both rates are increased by 0.0087 cents per kilowatt-hour which represents a Synchronization Adjustment. Based upon this information, the proposed SLA should be established at 0.0672 cents per kilowatt-hour for Residential and Non-Residential type customers and at 0.0344 cents per kilowatt-hour for Voltage Reduction type customers. The proposed SLA is supported by the attached calculations on Page 4 of 5 of Schedule 1.

ATTACHMENT II

FUEL, ECONOMY, PURCHASED POWER AND EMISSION ALLOWANCE COMPONENT

Based on the aforementioned projected includable fuel and economy purchased power cost data (FC) summarized on Page 1 of Schedule 1, the Emission Allowance Component (EA) on Page 2 of Schedule 1, the Reconciliation Adjustment (RA) on Page 3 of Schedule 1, and the System Loss Adjustment (SLA) on Page 4 of Schedule 1, the Company proposes that a FPP Component of 1.3523 cents per kilowatt-hour be established for Residential type customers, 1.0504 cents per kilowatt-hour be established for Non-Residential type customers and 1.0176 cents per kilowatt-hour be established for Voltage Reduction type customers. These rates should be effective with bills rendered on and after March 31, 2006, to all consumers other than consumers taking generation service from Certified Retail Electric Suppliers. This will coincide with Cycle 1 billing for the April 2006 revenue month.

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing During
April 2006 through June 2006

Line	Description	(A) Includable Fuel Cost \$	(B) Includable Energy (kWh)	(C) FPP Rate Components (Col. 1 + Col. 2)						
<u>Fuel & Economy Purchased Power Cost Expense (FC) - by Month (Projected)</u>										
1	April 2006	\$ 36,486,719.46	1,651,382,772							
2	May 2006	\$ 48,210,780.99	1,671,104,076							
3	June 2006	<u>\$ 45,151,286.21</u>	<u>1,962,169,343</u>							
4	Total Fuel & Economy Purchased Power Cost Expense	<u>\$ 127,827,776.66</u>	<u>5,284,656,191</u>	2.4188 ¢/kWh						
5	Less: Baseline EFC Rate from Case No. 99-103-EL-EFC ^(A)			<u>1.2327 ¢/kWh</u>						
6	Total FC Portion to be Included in FPP			<u>1.1861 ¢/kWh</u>						
7	Emission Allowances Adjustment (EA) From Page 2			0.0090 ¢/kWh						
8	Total Residential FPP Rate before SLA			1.2851 ¢/kWh						
9	Reconciliation Adjustment (RA) From Page 3			<u>(0.3019) ¢/kWh</u>						
10	Total Non-Residential FPP Rate before SLA Voltage Reduction Calculation			<u>0.9832 ¢/kWh</u>						
<table><tr><th colspan="3">FPP Rate</th></tr><tr><th>Residential</th><th>Non-Residential</th><th>Voltage Reduction ^(B)</th></tr></table>					FPP Rate			Residential	Non-Residential	Voltage Reduction ^(B)
FPP Rate										
Residential	Non-Residential	Voltage Reduction ^(B)								
11	Total Residential FPP Rate (Line 8)	1.2851		¢/kWh						
12	Total Non-Residential FPP Rate before SLA Voltage Reduction Calculation (Line 10)		0.9832	0.9832 ¢/kWh						
13	System Loss Adjustment (SLA) From Page 4	<u>0.0672</u>	<u>0.0672</u>	<u>0.0344 ¢/kWh</u>						
14	Total FPP Rate	<u>1.3523</u>	<u>1.0504</u>	<u>1.0176 ¢/kWh</u>						

Notes: ^(a) Reflects only the FC component and excludes EA costs.

^(b) Rate for Customers taking service at 69 KV or greater.

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Emission Allowances Component for Billing During
April 2006 through June 2006

Line	Description	(1) Includable Emission Allowances \$	(2) Includable Energy (kWh)	(3) EA Rate Components (Col. 1 + Col. 2)
<u>Emission Allowances (EA) - by Month (Projected)</u>				
1	April 2006	\$ 1,914,188.33	1,570,638,281	
2	May 2006	\$ 1,681,043.34	1,664,019,381	
3	June 2006	\$ 2,138,275.94	1,909,936,679	
4	EA Auction Proceeds Credits	\$ -		
5	Total Emission Allowance Expense	<u>\$ 5,743,507.61</u>	<u>5,144,594,341</u>	0.1116 \$/kWh
6	Less: Baseline EA Rate from Case No. 99-103-EL-EFC ^(a)			<u>0.0128 \$/kWh</u>
7	Quarterly Emission Allowance Rate (Rate will never be less than 0-) To Page 1 Line 7			<u>0.0990 \$/kWh</u>

Notes: ^(a) Reflects only the EA costs.

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing
Reconciliation Adjustment
Actual Fuel and Economy Purchased Power Costs Incurred, Actual FPP Revenues Billed Summary
April 2006 through June 2006

Schedule 1
Page 3 of 5

Line	Reconciliation Adjustment (RA)	(A) October 2005	(B) November 2005	(C) December 2005
Fuel Component (FC)				
1	Net Includable Fuel	\$ 36,846,237.70	\$ 34,612,362.72	\$ 40,083,803.80
2	Ratio Metered Sales/Generation Sales	0.938933	0.938933	0.938933
3	Fuel Cost @ Meter Sales Level (Line 1 x Line 2)	\$ 34,596,148.50	\$ 32,498,889.57	\$ 40,086,121.47
4	Coal Sales Margin Credits (per books current year contracts only)	\$ 2,100,893.85	\$ 2,478,980.14	\$ 3,273,358.04
5	Net Fuel Cost (Line 3 - Line 4)	\$ 32,495,554.85	\$ 30,019,729.43	\$ 42,812,765.43
6	Total Generation and Purchase Power (per books)	1,837,586,366	1,832,607,808	2,283,558,483
7	Losses (kWh) (1-Line 2)/(Line 6)	112,216,487	111,905,742	140,060,735
8	Total Generation After Losses (kWh) (Line 6-Line 7)	1,725,379,869	1,720,601,860	2,153,497,728
9	kWh Subject to FPP	924,155,524	880,802,285	925,531,826
10	Ratio of FPP Sales to Total Generation (Line 9/Line 8)	53.56%	50.03%	42.98%
11	Amount Recovered in Base Rates (@ 1.2327 ¢/kWh x Line 9)	\$ 11,392,085.14	\$ 10,611,109.77	\$ 11,406,030.82
12	Amount Recovered via FPP (per books)	\$ 5,358,789.18	\$ 5,012,134.16	\$ 5,367,275.33
13	Total Fuel Costs Recovered (Line 11 + Line 12)	\$ 16,748,834.32	\$ 15,623,243.93	\$ 16,778,306.16
14	Total Actual Fuel Costs Attributable to FPP Sales (Line 5 x Line 10)	\$ 17,404,619.18	\$ 15,018,870.83	\$ 18,400,928.58
15	Under/(Over) Recovery of Fuel Costs (Line 14 - Line 13)	\$ 655,784.86	\$ (804,373.30)	\$ 1,624,620.43
Emissions Allowance Component (EA)				
16	Retail SO2 EA Consumed (Tons)	6,381.41	5,827.90	7,910.90
17	Inventory Rate per Ton (Rate)	\$ 384.90	\$ 376.03	\$ 458.37
18	SO2 EA Expense (Line 16 x Line 17)	\$ 2,456,205.46	\$ 2,191,464.68	\$ 3,628,117.66
19	Total Retail Load (kWh)	1,478,434,482	1,430,780,516	1,775,979,377
20	Incremental EA Rate (¢/kWh) (Line 22 / Line 23)	0.1681	0.1532	0.2042
21	kWh Subject to FPP (Line 9)	924,155,524	880,802,285	925,531,826
22	EA Expense Allocated to FPP (Line 24 x Line 25)	\$ 1,535,022.33	\$ 1,318,749.10	\$ 1,889,935.99
23	EA Expense Recovered in Base Rates (Line 25 x 0.0126 ¢/kWh)	\$ 116,443.60	\$ 108,461.09	\$ 116,617.01
24	EA Revenue in FPP (per books)	\$ 1,817,047.66	\$ 1,700,145.43	\$ 1,820,611.41
25	Under/(Over) Recovery of EA Costs (Line 26 - Line 27 - Line 28)	\$ (398,468.93)	\$ (489,857.42)	\$ (47,292.43)
Environmental Reagent Component (ER)				
26	Amount Recovered in Base Rates (0.0330 ¢/kWh x Line 9)	\$ -	\$ -	\$ -
27	ER Revenue in FPP (per books)	\$ 140,856.41	\$ 131,794.22	\$ 141,132.67
28	Total Actual Lime Costs for Quarter (per books)	\$ -	\$ -	\$ -
29	Total Actual Ammonia Costs for Quarter (per books)	\$ -	\$ -	\$ -
30	Total Actual ER Costs for Quarter (per books) (Line 28 + Line 29)	\$ -	\$ -	\$ -
31	Total Actual ER Costs Allocated to FPP Sales (Line 10 x Line 30)	\$ -	\$ -	\$ -
32	Under/(Over) Recovery of ER Costs (Line 31 - Line 26 - Line 27)	\$ (140,856.41)	\$ (131,794.22)	\$ (141,132.67)
Reconciliation Adjustment Amortization (RA)				
33	RA Amount from 4th Quarter Filing (spread evenly)	\$ 5,379,812.38	\$ 5,379,812.38	\$ 5,379,812.39
34	Actual RA recovery through FPP	\$ 6,603,348.38	\$ 6,178,513.00	\$ 6,819,299.44
35	Under/(Over) Recovery of RA (Line 33 - Line 34)	\$ (1,223,536.00)	\$ (798,700.62)	\$ (1,238,487.05)
System Loss Component (SLA)				
36	Losses in Base Rates (from Case No. 92-1464-EL-AIR) (cents per kWh)	0.0999	0.0999	0.0999
37	Total Losses Recovered in Base Rates (Line 9 x Line 36)	\$ 923,231.37	\$ 859,941.48	\$ 924,606.29
38	Actual SLA recovery through FPP	\$ 187,819.12	\$ 156,835.12	\$ 187,947.87
39	Actual Losses on FPP Sales ((Line 1 - Line 3) x (line 10))	\$ 1,205,147.78	\$ 1,057,470.68	\$ 1,288,274.93
40	Under/(Over) Recovery of Losses (Line 39 - Line 37 - Line 38)	\$ 114,287.29	\$ 40,894.08	\$ 195,720.77
41	Net Under/(Over) Recovery of FPP Costs (Line 15+Line 25+Line 32+Line 35+Line 40)	\$ (992,779.19)	\$ (1,984,031.48)	\$ 395,429.05
42	1st Quarter Adjustments (See Page 5B)	\$ (73,768.36)		
43	2nd Quarter Adjustments (See Page 5D)	\$ (3,466,814.32)		
44	3rd Quarter Adjustments (See Page 5F)	\$ (3,252,930.88)		
45	Total Costs to Be Recovered (Line 41, Columns A + B + C) + Line 42 + Line 43 + Line 44	\$ (8,374,894.99)		
46	Projected Retail Energy (kWh)	3,104,912,000		
47	Total RA Rate (Line 48/Line 49) To Page 1 Line 9	(0.3019) ¢/kWh		

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Voltage-Adjusted System Loss Adjustment
April 2006 through June 2006

				Total Losses	
Line	Description	Distribution (A)	Transmission (B)	Voltage Adjusted Methodology (C)	No Voltage Adjustment (D)
<u>Calculation of Base Rate Recovery of Losses</u>					
1	FC Rate Basis for SLA (\$/kWh)	1.5353	1.5353	1.5353	1.5353
2	Energy Loss Factors from 92-1464-EL-AIR	6.847%	3.134%	5.743%	6.604%
3	Losses in MBSSO (\$/kWh) (Line 1 * Line 2)	0.1051	0.0481	0.0882	0.0999
4	Current FC Rate (\$/kWh) (Per Filing)	2.4188	2.4188	2.4188	2.4188
5	Projected Sales at Meter (kWh) ^(a)	3,798,849,000	806,776,000	4,605,625,000	4,605,625,000
6	Energy Loss Factors from 92-1464-EL-AIR (Line 2)	6.847%	3.134%	5.743%	6.604%
7	Energy Sales at the Busbar (kWh) (Line 5 * (1 + Line 6))	4,058,947,016	832,058,470	4,870,123,826	4,905,168,952
8	Energy Losses (kWh) (Line 7 - Line 5)	260,098,016	25,280,470	264,498,626	299,543,962
9	Value of Losses (Line 8 * Line 4)	8,291,250.81	611,484.01	8,397,892.77	7,245,369.11
10	Average Losses Rate (\$/kWh) (Line 9 + Line 5)	0.1856	0.0758	0.1369	0.1673
11	Losses in MBSSO (\$/kWh) (Line 3)	0.1051	0.0481	0.0882	0.0999
12	System Loss Adjustment (\$/kWh) (Line 10 - Line 11)	0.0805	0.0277	0.0507	0.0574
13	Synchronization Adj. (\$/kWh) (L. 12, Column D - Column C)	0.0087	0.0087	0.0087	-
14	Adjusted SLA (\$/kWh) (Line 12 + Line 13)	0.0872	0.0344	0.0574	0.0574
Total SLA Rate (Line 14, Columns A & B) To Page 1 Line 13					

Notes: ^(a) Projected Sales at Meter for 2nd quarter 2006 were provided by the Load Forecasting Department.

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing
1st Quarter Changes to the Reconciliation Adjustment
Actual Fuel and Economy Purchased Power Costs Incurred, Actual FPP Revenues Billed Summary
April 2006 through June 2006

Line	Reconciliation Adjustment (RA) (As Filed with the 1st Quarter 2006 Filing)	(A) January 2005	(B) February 2005	(C) March 2005
Fuel Component (FC)				
1	Net Includable Fuel	\$ 40,291,703.44	\$ 36,266,981.36	\$ 39,783,651.55
2	Ratio Metered Sales/Generation Sales	0.938933	0.938933	0.938933
3	Fuel Cost @Meter Sales Level (Line 1 x Line 2)	\$ 37,831,209.99	\$ 34,052,246.83	\$ 37,354,089.41
4	Coal Sales Credits (per books)	\$ -	\$ 719,378.36	\$ 941,611.76
5	Net Fuel Cost (Line 3 - Line 4)	\$ 37,831,209.99	\$ 33,332,868.47	\$ 36,412,477.65
6	Total Generation and Purchase Power (per books)	2,320,459,996	1,971,872,000	2,080,368,999
7	Losses (kWh) (1 - Line 2) x (Line 6)	141,703,531	120,416,307	125,820,564
8	Total Generation After Losses (kWh) (Line 6 - Line 7)	2,178,756,465	1,851,455,693	1,954,548,435
9	kWh Billed @ meter per books	970,427,454	871,926,259	860,614,768
10	Ratio of FPP Sales to Total Generation (Line 9/Line 8)	44.54%	47.09%	44.49%
11	Amount Recovered in Base Rates (@ 1.2327 ¢/kWh x Line 9)	\$ 11,962,459.23	\$ 10,748,234.99	\$ 10,808,798.26
12	Amount Recovered via FPP (per books)	\$ 1,325,772.37	\$ 2,219,695.99	\$ 2,194,328.87
13	Total Fuel Costs Recovered (Line 11 + Line 12)	\$ 13,288,231.60	\$ 12,967,930.98	\$ 12,903,125.12
14	Total Actual Fuel Costs Attributable to FPP Sales (Line 5 x Line 10)	\$ 16,850,020.93	\$ 15,696,447.78	\$ 16,199,911.31
15	Under/(Over) Recovery of Fuel Costs (Line 14 - Line 13)	\$ 3,561,789.33	\$ 2,728,516.78	\$ 3,396,786.19
Emissions Allowance Component (EA)				
16	Retail SO2 EA Consumed (Tons)	9,409.88	8,620.31	12,323.37
17	Inventory Rate per Ton (Rate)	\$ -	\$ -	\$ 289.92
18	SO2 EA Expense (Line 16 x Line 17)	\$ -	\$ -	\$ 3,572,791.43
19	Total Retail Load (kWh)	1,641,385,090	1,408,749,000	1,505,767,000
20	Incremental EA Rate (¢/kWh) (Line 18 / Line 19)	0.0000	0.0000	0.2373
21	kWh Subject to FPP (Line 9)	970,427,454	871,926,259	860,614,768
22	EA Expense Allocated to FPP (Line 20 x Line 21)	\$ -	\$ -	\$ 2,042,238.84
23	EA Expense Recovered in Base Rates (Line 21 x 0.0128 ¢/kWh)	\$ 122,273.86	\$ 109,862.71	\$ 108,437.46
24	EA Revenue in FPP (per books)	\$ 475,793.56	\$ 796,605.13	\$ 787,500.85
25	Under/(Over) Recovery of EA Costs (Line 22 - Line 23 - Line 24)	\$ (598,067.42)	\$ (906,467.84)	\$ 1,146,300.73
Environmental Reagent Component (ER)				
26	Amount Recovered in Base Rates (0.0330 ¢/kWh x Line 9)	\$ 320,241.06	\$ 287,735.67	\$ 284,002.87
27	ER Revenue in FPP (per books)	\$ -	\$ -	\$ -
28	Total Actual Line Costs for Quarter (per books)	\$ 926,761.58	\$ 700,600.75	\$ 501,360.88
29	Total Actual Ammonia Costs for Quarter (per books)	\$ -	\$ -	\$ -
30	Total Actual ER Costs for Quarter (per books)(Line 28 + Line 29)	\$ 926,761.58	\$ 700,600.75	\$ 501,360.88
31	Total Actual ER Costs Allocated to FPP Sales (Line 10 x Line 30)	\$ 412,779.61	\$ 329,912.89	\$ 223,055.46
32	Under/(Over) Recovery of ER Costs (Line 31 - Line 26 - Line 27)	\$ 92,538.55	\$ 42,177.22	\$ (60,947.41)
System Loss Component (SLA)				
33	Losses in Base Rates (from Case No. 92-1464-EL-AIR) (cents per kWh)	0.0999	0.0999	0.0999
34	Total Losses Recovered in Base Rates (Line 9 x Line 33)	\$ 969,457.03	\$ 871,054.33	\$ 859,754.15
35	Actual Losses on FPP Sales (Line 1 - Line 3) x (line 10)	\$ 1,095,903.78	\$ 1,042,909.07	\$ 1,080,897.71
36	Under/(Over) Recovery of Losses (Line 35 - Line 34)	\$ 126,446.75	\$ 171,854.74	\$ 221,113.66
37	Net Under/(Over) Recovery of FPP Costs (Line 15 +Line 25 + Line 32 + Line 36))	\$ 3,182,707.21	\$ 2,036,080.90	\$ 4,703,253.07

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing
1st Quarter Changes to the Reconciliation Adjustment
Actual Fuel and Economy Purchased Power Costs Incurred, Actual FPP Revenues Billed Summary
April 2006 through June 2006

Line	Reconciliation Adjustment (RA) (As Updated)	(A) January 2005	(B) February 2005	(C) March 2005
Fuel Component (FC)				
38	Net Includable Fuel	\$ 40,291,703.44	\$ 36,266,961.36	\$ 39,783,551.55
39	Ratio Metered Sales/Generation Sales	0.938933	0.938933	0.938933
40	Fuel Cost @Meter Sales Level (Line 38 x Line 39)	\$ 37,831,209.99	\$ 34,052,246.83	\$ 37,354,080.41
41	Coal Sales Credits (per books)	\$ -	\$ 719,378.36	\$ 941,611.76
42	Net Fuel Cost (Line 40 - Line 41)	\$ 37,831,209.99	\$ 33,332,868.47	\$ 36,412,477.65
43	Total Generation and Purchase Power (per books)	2,320,459,996	1,971,872,000	2,060,368,999
44	Losses (kWh) (1 - Line 39) x (Line 43)	141,703,531	120,416,307	125,820,564
45	Total Generation After Losses (kWh) (Line 43-Line 44)	2,178,756,465	1,851,455,693	1,934,548,435
46	kWh Billed @ meter per books	970,427,454	871,926,259	860,614,768
47	Ratio of FPP Sales to Total Generation (Line 46/Line 45)	44.64%	47.09%	44.49%
48	Amount Recovered in Base Rates (@ 1.2327 ¢/kWh x Line 46)	\$ 11,962,459.23	\$ 10,748,234.99	\$ 10,608,798.25
49	Amount Recovered via FPP (per books)	\$ 1,326,772.37	\$ 2,219,695.99	\$ 2,194,326.87
50	Total Fuel Costs Recovered (Line 48 + Line 49)	\$ 13,289,231.60	\$ 12,967,930.98	\$ 12,803,125.12
51	Total Actual Fuel Costs Attributable to FPP Sales (Line 42 x Line 47)	\$ 16,850,020.93	\$ 15,696,447.76	\$ 16,199,911.31
52	Under/(Over) Recovery of Fuel Costs (Line 51 - Line 50)	\$ 3,561,789.33	\$ 2,728,516.78	\$ 3,396,786.19
Emissions Allowance Component (EA)				
53	Retail SO2 EA Consumed (Tons)	9,409.88	8,620.31	12,323.37
54	Inventory Rate per Ton (Rate)	\$ -	\$ -	\$ 289.92
55	SO2 EA Expense (Line 53 x Line 54)	\$ -	\$ -	\$ 3,572,791.43
56	Total Retail Load (kWh)	1,641,385,090	1,408,749,000	1,505,767,000
57	Incremental EA Rate (¢/kWh) (Line 55 / Line 56)	0.0000	0.0000	0.2373
58	kWh Subject to FPP (Line 46)	970,427,454	871,926,259	860,614,768
59	EA Expense Allocated to FPP (Line 57 x Line 58)	\$ -	\$ -	\$ 2,042,238.84
60	EA Expense Recovered in Base Rates (Line 58 x 0.0126 ¢/kWh)	\$ 122,273.86	\$ 109,862.71	\$ 108,437.46
61	EA Revenue in FPP (per books)	\$ 475,793.56	\$ 796,605.13	\$ 787,500.65
62	Under/(Over) Recovery of EA Costs (Line 59 - Line 60 - Line 61)	\$ (598,067.42)	\$ (906,467.84)	\$ 1,148,300.73
Environmental Reagent Component (ER)				
63	Amount Recovered in Base Rates (0.0330 ¢/kWh)	\$ -	\$ -	\$ -
64	ER Revenue in FPP (per books)	\$ -	\$ -	\$ -
65	Total Actual Lime Costs for Quarter (per books)	\$ -	\$ -	\$ -
66	Total Actual Ammonia Costs for Quarter (per books)	\$ -	\$ -	\$ -
67	Total Actual ER Costs for Quarter (per books)(Line 65+ Line 66)	\$ -	\$ -	\$ -
68	Total Actual ER Costs Allocated to FPP Sales (Line 47 x Line 67)	\$ -	\$ -	\$ -
69	Under/(Over) Recovery of ER Costs (Line 68 - Line 63 - Line 64)	\$ -	\$ -	\$ -
System Loss Component (SLA)				
70	Losses in Base Rates (from Case No. 92-1464-EL-AIR) (cents per kWh)	0.0999	0.0999	0.0999
71	Total Losses Recovered in Base Rates (Line 48 x Line 70)	\$ 869,457.03	\$ 871,054.33	\$ 859,754.15
72	Actual Losses on FPP Sales (Line 38 - Line 40) x (Line 47)	\$ 1,095,903.78	\$ 1,042,909.07	\$ 1,080,867.71
73	Under/(Over) Recovery of Losses (Line 72 - Line 71)	\$ 126,446.75	\$ 171,854.74	\$ 221,113.56
74	Net Under/(Over) Recovery of FPP Costs (Line 52 +Line 62 + Line 69 + Line 73))	\$ 3,090,168.66	\$ 1,993,903.68	\$ 4,764,200.48
75	Net Under/(Over) Recovery of FPP Costs (Page 5A, Line 37)	\$ 3,182,707.21	\$ 2,036,080.90	\$ 4,703,253.07
76	Net Adjustment for 1st Quarter 2005 (Line 75 - Line 74)	\$ (82,538.55)	\$ (42,177.22)	\$ 60,947.41
77	Net Adjustment (Line 76, Column A + B + C) To Page 3 Line 42	\$ (73,768.36)		

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing
Reconciliation Adjustment
Actual Fuel and Economy Purchased Power Costs Incurred, Actual FPP Revenues Billed Summary
April 2006 through June 2006

Line	Reconciliation Adjustment (RA) (As Filed with the 1st Quarter 2006 Filing)	(A) April 2005	(B) May 2005	(C) June 2005
Fuel Component (FC)				
1	Fuel Component (FC)	\$ 34,802,205.83	\$ 32,281,356.61	\$ 45,448,896.71
2	Ratio Metered Sales/Generation Sales	0.938933	0.938933	0.938933
3	Fuel Cost @ Meter Sales Level (Line 1 x Line 2)	\$ 32,676,939.53	\$ 30,310,031.01	\$ 42,673,470.81
4	Coal Sales Margin Credits (per books current year contracts only)	\$586,979.51	(\$458,627.23)	\$81,257.45
5	Net Fuel Cost (Line 3 - Line 4)	\$ 32,079,960.02	\$ 30,768,658.24	\$ 42,592,213.36
6	Total Generation and Purchase Power (per books)	1,700,124,331	1,785,444,048	2,283,862,144
7	Losses (kWh) (1 - Line 2) x (Line 6)	103,821,493	109,031,712	139,468,010
8	Total Generation After Losses (kWh) (Line 6-Line 7)	1,596,302,838	1,676,412,336	2,144,393,534
9	kWh Billed @ meter per books	865,589,831	853,147,961	953,553,766
10	Ratio of FPP Sales to Total Generation (Line 9/Line 8)	54.22%	50.89%	44.47%
11	Amount Recovered in Base Rates (@ 1.2327 ¢/kWh x Line 9)	\$ 10,669,879.31	\$ 10,516,754.92	\$ 11,754,457.27
12	Amount Recovered via FPP (per books)	\$ 3,776,178.24	\$ 3,829,247.55	\$ 4,288,659.76
13	Total Fuel Costs Recovered (Line 11 + Line 12)	\$ 14,446,057.55	\$ 14,346,002.47	\$ 16,043,117.03
14	Total Actual Fuel Costs Attributable to FPP Sales (Line 5 x Line 10)	\$ 17,393,764.32	\$ 15,658,119.29	\$ 18,940,757.28
15	Under/(Over) Recovery of Fuel Costs (Line 14 - Line 13)	\$ 2,947,696.77	\$ 1,312,116.82	\$ 2,897,640.25
Emissions Allowance Component (EA)				
16	Retail SO2 EA Consumed (Tons)	6,167.00	5,761.66	9,109.54
17	Inventory Rate per Ton (Rate)	\$ 362.10	\$ 375.98	\$ 353.51
18	SO2 EA Expense (Line 16 x Line 17)	\$ 2,233,070.70	\$ 2,166,288.93	\$ 3,220,313.49
19	Total Retail Load (kWh)	1,334,278,205	1,393,543,646	1,800,898,982
20	Incremental EA Rate (¢/kWh) (Line 18 / Line 19)	0.1674	0.1555	0.1788
21	kWh Subject to FPP (Line 9)	865,589,831	853,147,961	953,553,766
22	EA Expense Allocated to FPP (Line 20 x Line 21)	\$ 1,448,963.90	\$ 1,326,845.08	\$ 1,704,954.13
23	EA Expense Recovered in Base Rates (Line 21 x 0.0126 ¢/kWh)	\$ 109,061.80	\$ 107,496.64	\$ 120,147.77
24	EA Revenue in FPP (per books)	\$ 816,943.46	\$ 828,424.55	\$ 927,814.41
25	Under/(Over) Recovery of EA Costs (Line 22 - Line 23 - Line 24)	\$ 522,958.64	\$ 390,723.89	\$ 656,991.95
Environmental Reagent Component (ER)				
26	Amount Recovered in Base Rates (0.0330 ¢/kWh x Line 9)	\$ 285,638.04	\$ 281,538.83	\$ 314,872.74
27	ER Revenue in FPP (per books)	\$ 131,826.04	\$ 133,678.69	\$ 149,716.73
28	Total Actual Lime Costs for Quarter (per books)	\$ 713,478.64	\$ 1,018,788.62	\$ 1,156,883.84
29	Total Actual Ammonia Costs for Quarter (per books)	\$ 56,569.35	\$ 79,331.83	\$ 530,989.89
30	Total Actual ER Costs for Quarter (per books)(Line 28 + Line 29)	\$ 770,047.99	\$ 1,098,120.45	\$ 1,687,873.53
31	Total Actual ER Costs Allocated to FPP Sales (Line 10 x Line 30)	\$ 417,520.62	\$ 658,833.50	\$ 750,597.36
32	Under/(Over) Recovery of ER Costs (Line 31 - Line 26 - Line 27)	\$ 55.94	\$ 143,615.98	\$ 286,207.89
System Loss Component (SLA)				
33	Losses in Base Rates (from Case No. 92-1464-EL-AIR) (cents per kWh)	0.0999	0.0999	0.0999
34	Total Losses Recovered in Base Rates (Line 9 x Line 33)	\$ 864,704.26	\$ 852,294.81	\$ 952,600.21
35	Actual Losses on FPP Sales ((Line 1 - Line 3) x (line 10))	\$ 1,152,319.39	\$ 1,003,207.60	\$ 1,234,232.79
36	Under/(Over) Recovery of Losses (Line 35 - Line 34)	\$ 287,615.13	\$ 160,912.79	\$ 281,632.58
37	Net Under/(Over) Recovery of FPP Costs (Line 15 + Line 25 + Line 32 + Line 36)	\$ 3,758,326.48	\$ 1,997,369.48	\$ 4,122,472.67

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing
Reconciliation Adjustment
Actual Fuel and Economy Purchased Power Costs Incurred, Actual FPP Revenues Billed Summary
April 2006 through June 2006

Line	Reconciliation Adjustment (RA) (As Updated)	(A) April 2005	(B) May 2005	(C) June 2005
Fuel Component (FC)				
38	Fuel Component (FC)	\$ 34,802,205.83	\$ 32,281,358.61	\$ 38,993,878.99
39	Ratio Metered Sales/Generation Sales	0.938933	0.938933	0.938933
40	Fuel Cost @Meter Sales Level (Line 38 x Line 39)	\$ 32,676,939.53	\$ 30,310,031.01	\$ 38,812,462.00
41	Coal Sales Margin Credits (per books current year contracts only)	\$ 598,979.61	(\$ 468,527.23)	\$ 81,267.45
42	Net Fuel Cost (Line 40 - Line 41)	\$ 32,079,960.02	\$ 30,768,558.24	\$ 38,531,194.55
43	Total Generation and Purchase Power (per books)	1,700,124,331	1,785,444,048	2,264,497,089
44	Losses (kWh) (1 - Line 39) x (Line 43)	103,821,493	109,031,712	138,286,044
45	Total Generation After Losses (kWh) (Line 43 - Line 44)	1,596,302,838	1,676,412,336	2,126,211,045
46	kWh Billed @ meter per books	885,618,017	853,013,838	953,638,907
47	Ratio of FPP Sales to Total Generation (Line 46/Line 45)	54.22%	50.88%	44.85%
48	Amount Recovered in Base Rates (@ 1.2327 ¢/kWh x Line 46))	\$ 10,869,240.60	\$ 10,515,101.58	\$ 11,755,506.81
49	Amount Recovered via FPP (per books)	\$ 3,776,178.24	\$ 3,829,247.55	\$ 4,288,859.78
50	Total Fuel Costs Recovered (Line 48 + Line 49)	\$ 14,445,418.84	\$ 14,344,349.13	\$ 16,044,366.59
51	Total Actual Fuel Costs Attributable to FPP Sales (Line 42 x Line 47)	\$ 17,393,754.32	\$ 15,855,042.43	\$ 16,384,240.76
52	Under/(Over) Recovery of Fuel Costs (Line 51 - Line 50)	\$ 2,948,335.48	\$ 1,310,693.30	\$ 340,074.19
Emissions Allowance Component (EA)				
53	Retail SO2 EA Consumed (Tons)	6,167.00	5,761.88	8,838.21
54	Inventory Rate per Ton (Rate)	\$ 362.10	\$ 375.98	\$ 353.51
55	SO2 EA Expense (Line 53 x Line 54)	\$ 2,233,070.70	\$ 2,168,268.93	\$ 3,124,395.62
56	Total Retail Load (kWh)	1,293,738,673	1,351,203,445	1,730,289,930
57	Incremental EA Rate (¢/kWh) (Line 55 / Line 56)	0.1728	0.1603	0.1808
58	kWh Subject to FPP (Line 46)	885,618,017	853,013,838	953,638,907
59	EA Expense Allocated to FPP (Line 57 x Line 58)	\$ 1,493,884.10	\$ 1,367,381.18	\$ 1,722,271.87
60	EA Expense Recovered in Base Rates (Line 58 x 0.0126 ¢/kWh)	\$ 109,055.27	\$ 107,479.74	\$ 120,168.50
61	EA Revenue in FPP (per books)	\$ 818,943.46	\$ 828,424.55	\$ 927,814.41
62	Under/(Over) Recovery of EA Costs (Line 59 - Line 60 - Line 61)	\$ 667,885.37	\$ 431,476.89	\$ 674,298.96
Environmental Reagent Component (ER)				
63	Amount Recovered in Base Rates (0.0330 ¢/kWh x Line 46)	\$ 131,826.04	\$ 133,678.89	\$ 149,716.73
64	ER Revenue in FPP (per books)			
65	Total Actual Lime Costs for Quarter (per books)			
66	Total Actual Ammonia Costs for Quarter (per books)			
67	Total Actual ER Costs for Quarter (per books) (Line 65 + Line 66)	\$ -	\$ -	\$ -
68	Total Actual ER Costs Allocated to FPP Sales (Line 47 x Line 67)	\$ -	\$ -	\$ -
69	Under/(Over) Recovery of ER Costs (Line 68 - Line 63 - Line 64)	\$ (131,826.04)	\$ (133,678.89)	\$ (149,716.73)
System Loss Component (SLA)				
70	Losses in Base Rates (from Case No. 92-1464-EL-AIR) (cents per kWh)	0.0999	0.0999	0.0999
71	Total Losses Recovered in Base Rates (Line 46 x Line 70)	\$ 864,652.50	\$ 852,160.82	\$ 952,886.27
72	Actual Losses on FPP Sales ((Line 38 - Line 40) x (Line 47))	\$ 1,152,319.39	\$ 1,003,010.47	\$ 1,087,980.31
73	Under/(Over) Recovery of Losses (Line 72 - Line 71)	\$ 287,666.89	\$ 150,849.65	\$ 115,295.04
74	Net Under/(Over) Recovery of FPP Costs (Line 52 + Line 62 + Line 69 + Line 73)	\$ 3,872,061.70	\$ 1,759,341.15	\$ 979,951.48
75	Net Under/(Over) Recovery of FPP Costs (Page 5C, Line 37)	\$ 3,768,326.48	\$ 1,987,389.48	\$ 4,122,472.67
76	Net Adjustment for 2nd Quarter 2005 (Line 74 - Line 75)	\$ (86,264.78)	\$ (238,028.33)	\$ (3,142,521.22)
77	Net Adjustment (Line 76, Column A + B + C) To Page 3 Line 43	\$ (3,466,814.32)		

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing
Reconciliation Adjustment
Actual Fuel and Economy Purchased Power Costs Incurred, Actual FPP Revenues Billed Summary
January 2006 through March 2006

Schedule 1
Page 5E of 5

Line	Reconciliation Adjustment (RA) (As Filed with the 1st Quarter 2006 Filing)	(A) July 2006	(B) August 2006	(C) September 2006
Fuel Component (FC)				
1	Net Includable Fuel	\$ 53,859,678.92	\$ 58,578,107.20	\$ 45,586,281.41
2	Ratio Metered Sales/Generation Sales	0.938933	0.938933	0.938933
3	Fuel Cost @Meter Sales Level (Line 1 x Line 2)	\$ 50,382,843.31	\$ 55,000,917.93	\$ 42,802,445.18
4	Coal Sales Margin Credits (per books current year contracts only)	\$ 1,221,882.64	\$ 1,168,712.07	\$ 1,853,156.81
5	Net Fuel Cost (Line 3 - Line 4)	\$ 49,161,180.77	\$ 53,832,205.86	\$ 40,949,288.37
6	Total Generation and Purchase Power (per books)	2,476,406,774	2,528,135,673	2,088,412,326
7	Losses (kWh) (1-Line 2)*(Line 6)	151,226,732	154,385,661	127,533,076
8	Total Generation After Losses (kWh) (Line 6 - Line 7)	2,325,180,042	2,373,750,012	1,960,879,250
9	kWh Subject to FPP	1,002,821,249	1,037,060,410	1,016,960,570
10	Ratio of FPP Sales to Total Generation (Line 9/Line 8)	43.13%	43.69%	51.86%
11	Amount Recovered in Base Rates (@ 1.2327 ¢/kWh x Line 9))	\$ 12,381,777.54	\$ 12,783,843.67	\$ 12,535,949.68
12	Amount Recovered via FPP (per books)	\$ 6,079,916.71	\$ 6,292,918.90	\$ 6,986,200.54
13	Total Fuel Costs Recovered (Line 11 + Line 12)	\$ 18,440,694.25	\$ 18,076,762.57	\$ 18,522,150.22
14	Total Actual Fuel Costs Attributable to FPP Sales (Line 3 x Line 10)	\$ 21,730,120.32	\$ 24,029,901.04	\$ 22,187,348.07
15	Under/(Over) Recovery of Fuel Costs (Line 14 - Line 13)	\$ 3,289,426.07	\$ 4,953,138.47	\$ 3,575,197.85
Emissions Allowance Component (EA)				
16	Retail SO2 EA Consumed (Tons)	9,342.00	9,794.08	8,102.68
17	Inventory Rate per Ton (Rate)	\$ 329.00	\$ 402.72	\$ 399.54
18	SO2 EA Expense (Line 16 x Line 17)	\$ 3,073,518.00	\$ 3,944,271.90	\$ 3,237,344.77
19	Total Retail Load (kWh)	1,973,537,433	2,020,077,476	1,672,532,760
20	Incremental EA Rate (¢/kWh) (Line 18 / Line 19)	0.1557	0.1953	0.1936
21	kWh Subject to FPP (Line 9)	1,002,821,249	1,037,060,410	1,016,960,570
22	EA Expense Allocated to FPP (Line 20 x Line 21)	\$ 1,561,392.68	\$ 2,025,378.98	\$ 1,968,810.30
23	EA Expense Recovered in Base Rates (Line 21 x 0.0126 ¢/kWh)	\$ 128,355.48	\$ 130,669.61	\$ 128,135.77
24	EA Revenue in FPP (per books)	\$ 2,405,768.65	\$ 2,490,461.33	\$ 2,408,651.27
25	Under/(Over) Recovery of EA Costs (Line 22 - Line 23 - Line 24)	\$ (970,731.45)	\$ (585,751.96)	\$ (567,970.74)
Environmental Reagent Component (ER)				
26	Amount Recovered in Base Rates (0.0330 ¢/kWh x Line 9)	\$ 330,931.01	\$ 342,229.94	\$ 335,593.69
27	ER Revenue in FPP (per books)	\$ 77,803.58	\$ 80,542.58	\$ 77,896.81
28	Total Actual Lime Costs for Quarter (per books)	\$ 1,251,791.05	\$ 1,215,920.10	\$ 942,428.08
29	Total Actual Ammonia Costs for Quarter (per books)	\$ 395,008.82	\$ 480,868.05	\$ 319,352.50
30	Total Actual ER Costs for Quarter (per books) (Line 28 + Line 29)	\$ 1,646,799.87	\$ 1,706,788.15	\$ 1,261,781.58
31	Total Actual ER Costs Allocated to FPP Sales (Line 10 x Line 30)	\$ 710,264.78	\$ 745,695.74	\$ 654,359.93
32	Under/(Over) Recovery of ER Costs (Line 31 - Line 28 - Line 27)	\$ 301,530.19	\$ 322,923.22	\$ 240,868.43
Reconciliation Adjustment Amortization (RA)				
33	RA Amount from 4th Quarter Filing (spread evenly)	\$ 1,407,789.33	\$ 1,407,789.33	\$ 1,407,789.34
34	Actual RA recovery through FPP	\$ 1,476,220.60	\$ 1,528,189.46	\$ 1,477,989.42
35	Under/(Over) Recovery of RA (Line 33 - Line 34)	\$ (68,431.27)	\$ (120,400.13)	\$ (70,200.08)
System Loss Component (SLA)				
36	Losses in Base Rates (from Case No. 92-1484-EL-AIR) (cents per kWh)	0.0999	0.0999	0.0999
37	Total Losses Recovered in Base Rates (Line 9 x Line 36)	\$ 1,001,818.43	\$ 1,036,023.35	\$ 1,016,933.62
38	Actual SLA recovery through FPP	\$ 198,603.88	\$ 205,595.53	\$ 198,841.86
39	Actual Losses on FPP Sales ((Line 1 - Line 3) x (Line 10))	\$ 1,413,299.20	\$ 1,582,873.99	\$ 1,443,687.10
40	Under/(Over) Recovery of Losses (Line 39 - Line 37 - Line 38)	\$ 212,876.69	\$ 321,255.11	\$ 228,911.63
41	Net Under/(Over) Recovery of FPP Costs (Line 15+Line 25+Line 32+Line 35+Line 40)	\$ 2,764,670.43	\$ 4,881,164.71	\$ 3,406,808.09

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing
Reconciliation Adjustment
Actual Fuel and Economy Purchased Power Costs Incurred, Actual FPP Revenues Billed Summary
January 2006 through March 2006

Schedule 1
Page 5F of 5

Line	Reconciliation Adjustment (RA)	(A) July 2005	(B) August 2005	(C) September 2005
	Fuel Component (FC)			
42	Net Includable Fuel	\$ 52,435,548.51	\$ 58,310,147.77	\$ 45,977,927.52
43	Ratio Metered Sales/Generation Sales	0.938933	0.938933	0.938933
44	Fuel Cost @Meter Sales Level (Line 42 x Line 43)	\$ 49,233,466.87	\$ 54,749,321.98	\$ 43,170,193.42
45	Coal Sales Margin Credits (per books current year contracts only)	\$ 1,221,862.54	\$ 1,189,712.07	\$ 1,853,156.82
46	Net Fuel Cost (Line 44 - Line 45)	\$ 48,011,604.33	\$ 53,580,609.91	\$ 41,317,036.60
47	Total Generation and Purchase Power (per books)	2,465,805,863	2,518,028,941	2,077,674,886
48	Losses (kWh) (1-Line 43)*(Line 47)	150,579,354	153,768,473	128,877,380
49	Total Generation After Losses (kWh) (Line 47-Line 48)	2,315,226,309	2,364,260,468	1,950,797,326
50	kWh Subject to FPP	1,002,821,249	1,037,080,410	1,016,950,570
51	Ratio of FPP Sales to Total Generation (Line 50/Line 49)	43.31%	43.86%	52.13%
52	Amount Recovered in Base Rates (@ 1.2327 ¢/kWh x Line 50))	\$ 12,361,777.54	\$ 12,783,843.87	\$ 12,635,949.68
53	Amount Recovered via FPP (per books)	\$ 6,078,916.71	\$ 6,292,918.90	\$ 6,086,200.54
54	Total Fuel Costs Recovered (Line 52 + Line 53)	\$ 18,440,694.25	\$ 19,076,762.57	\$ 18,622,150.22
55	Total Actual Fuel Costs Attributable to FPP Sales (Line 46 x Line 51)	\$ 20,783,912.46	\$ 23,500,455.51	\$ 21,538,871.18
56	Under/(Over) Recovery of Fuel Costs (Line 55 - Line 54)	\$ 2,353,218.21	\$ 4,423,692.94	\$ 2,916,420.96
	Emissions Allowance Component (EA)			
57	Retail SO2 EA Consumed (Tons)	9,431.37	9,672.46	7,554.34
58	Inventory Rate per Ton (Rate)	\$ 329.00	\$ 402.72	\$ 389.54
59	SO2 EA Expense (Line 57 x Line 58)	\$ 3,102,920.07	\$ 3,895,294.30	\$ 3,018,261.60
60	Total Retail Load (kWh)	1,907,487,873	1,948,470,501	1,877,289,000
61	Incremental EA Rate (¢/kWh) (Line 59 / Line 60)	0.1627	0.2001	0.1799
62	kWh Subject to FPP (Line 50)	1,002,821,249	1,037,080,410	1,016,950,570
63	EA Expense Allocated to FPP (Line 61 x Line 62)	\$ 1,631,590.17	\$ 2,075,157.88	\$ 1,829,404.08
64	EA Expense Recovered in Base Rates (Line 62 x 0.0126 ¢/kWh)	\$ 126,355.48	\$ 130,669.61	\$ 126,135.77
65	EA Revenue in FPP (per books)	\$ 2,405,788.65	\$ 2,480,481.33	\$ 2,408,851.27
66	Under/(Over) Recovery of EA Costs (Line 63 - Line 64 - Line 65)	\$ (900,533.96)	\$ (545,973.06)	\$ (707,292.98)
	Environmental Reagent Component (ER)			
67	Amount Recovered in Base Rates (0.0330 ¢/kWh x Line 50)	\$ -	\$ -	\$ -
68	ER Revenue in FPP (per books)	\$ 77,803.58	\$ 80,542.58	\$ 77,896.81
69	Total Actual Lime Costs for Quarter (per books)	\$ -	\$ -	\$ -
70	Total Actual Ammonia Costs for Quarter (per books)	\$ -	\$ -	\$ -
71	Total Actual ER Costs for Quarter (per books) (Line 69 + Line 70)	\$ -	\$ -	\$ -
72	Total Actual ER Costs Allocated to FPP Sales (Line 51 x Line 71)	\$ -	\$ -	\$ -
73	Under/(Over) Recovery of ER Costs (Line 72 - Line 67 - Line 68)	\$ (77,803.58)	\$ (80,542.58)	\$ (77,896.81)
	Reconciliation Adjustment Amortization (RA)			
74	RA Amount from 4th Quarter Filing (spread evenly)	\$ 1,407,789.33	\$ 1,407,789.33	\$ 1,407,789.34
75	Actual RA recovery through FPP	\$ 1,476,220.60	\$ 1,528,189.48	\$ 1,477,989.42
76	Under/(Over) Recovery of RA (Line 74 - Line 75)	\$ (68,431.27)	\$ (120,400.13)	\$ (70,200.08)
	System Loss Component (SLA)			
77	Losses in Base Rates (from Case No. 92-1484-EL-AIR) (cents per kWh)	0.0999	0.0999	0.0999
78	Total Losses Recovered in Base Rates (Line 50 x Line 77)	\$ 1,001,818.43	\$ 1,036,023.35	\$ 1,015,933.62
79	Actual SLA recovery through FPP	\$ 196,803.88	\$ 205,595.53	\$ 198,841.85
80	Actual Losses on FPP Sales ((Line 42 - Line 44) x (line 51))	\$ 1,386,821.56	\$ 1,561,778.19	\$ 1,463,671.79
81	Under/(Over) Recovery of Losses (Line 80 - Line 78 - Line 79)	\$ 186,399.25	\$ 320,159.31	\$ 248,898.32
82	Net Under/(Over) Recovery of FPP Costs (Line 56+Line 66+Line 73+Line 76+Line 81)	\$ 1,492,848.65	\$ 3,996,838.48	\$ 2,309,927.43
83	Net Under/(Over) Recovery of FPP Costs (Page 5E, Line 41)	\$ 2,764,670.43	\$ 4,881,164.71	\$ 3,406,808.09
84	Net Adjustment for 2nd Quarter 2005 (Line 82 - Line 83)	\$ (1,271,821.78)	\$ (884,226.23)	\$ (1,096,880.67)
85	Net Adjustment (Line 76, Column A + B + C) To Page 3 Line 44	\$ (3,262,830.68)		

FILE

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PUCO

CINERGY.
SERVICES

Cinergy Services, Inc.
139 East Fourth Street
Mail Drop EA025
P.O. Box 960
Cincinnati, OH 45201-0960
tel 513.287.3402
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dianne.kuhnell@cinergy.com

Dianne B. Kuhnell
Paralegal

VIA OVERNIGHT DELIVERY

December 2, 2005

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

Re: Case No. 05-725-EL-UNC


Dear Docketing Division:

Please find enclosed an original and fifteen copies of the Facts, Data, and Other Information pertinent to CG&E's fuel, economy and purchase power as prefaced in the letter from Robert Butts of our office. This document was sent previously to your office by facsimile for filing on Friday, December 02, 2005.

Please return date-stamped extra copies in the envelope provided.

Should you have any questions, please contact me at (513) 287-3402.

Very truly yours,


Dianne Kuhnell
Paralegal

Enclosure

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
Technician JW Date Processed 12-05-05

CINERGY.
SERVICES

138 East Fourth Street
P.O. Box 960
Room 2802-AT II
Cincinnati, OH 45201-4960
Tel 513.287.3060
Fax 513.287.4148

Robert P. Butts, Jr.
Rate Analyst

December 2, 2005

The Public Utilities Commission of Ohio
ATTENTION: Docketing Division
180 East Broad Street
13th Floor
Columbus, Ohio 43215-3793

RE: In the Matter of The Application of The Cincinnati)
Gas & Electric Company to Modify its Fuel,)
Economy Purchased Power Component of Its) Case No. 05-725-EL-UNC
Market-Based Standard Service Offer for the)
Summary Report Period of January 3, 2006)
To March 30, 2006)


Docketing Division:

Enclosed for filing are fifteen (15) copies of the following attachments containing the Facts, Data, and Other Information pertinent to The Cincinnati Gas & Electric Company's ("CG&E") fuel, economy purchased power, and emission allowance component of its market-based standard service offer (FPP), pursuant to the Commission's Entry in Case No. 05-725-EL-UNC, dated June 29, 2005:

- (a) Attachment I – Statement of Fuel Procurement Policies and Practices;
- (b) Attachment II – Narrative statement and applicable quarterly FPP forms supporting the proposed calculation of the fuel, economy purchased power, and emission allowance component of its market-based standard service offer for the base period of January through March 2006. The FPP component will be applied to bills rendered during the quarter ending March 2006.

Please time-stamp the enclosed extra copy and return for our file. Thank you for your timely assistance in this regard.

Very truly yours,



Robert P. Butts, Jr.

RPB:ga
Enclosures

ATTACHMENT I

STATEMENT OF FUEL PROCUREMENT PRACTICES AND POLICIES

Cinergy Corp.'s ("Company") Energy Portfolio Strategy & Management (EPSM) group is responsible for managing the power, fuel and emission allowance positions for the Company's operating units', including CG&E's, generation portfolio. Within EPSM, the Portfolio Optimization department manages the Company's power, fuel and emissions allowance positions, while the Commercial Fuels department provides fuel procurement and transportation services for each of the Company's operating units' fossil fuel generating stations. Portfolio Optimization and Commercial Fuels share the common goal of achieving security of supply at the most economical cost per megawatt hour generated.

Portfolio Optimization is responsible for establishing and implementing the multi-commodity risk management strategy for power, fuel and emission allowances. The scope of management services provided by Portfolio Optimization includes planning, projection, forecasting and budgeting functions, and establishment of the fuel requirements for the Company's operating units' generating stations. Portfolio Optimization reviews the optimal contract mix on an ongoing basis as market conditions change; the optimal contract mix varies as market and operating conditions change during the time horizon being evaluated. Fuel purchases are made through a combination of long-term and spot market purchases.

Commercial Fuel's fuel procurement and transportation services include issuing solicitations, evaluating proposals for fuel and transportation contracts, selecting and qualifying suppliers and shippers, contract negotiation, administration and enforcement, and ongoing transportation maintenance and operations support. Commercial Fuels is responsible for complying with fuel procurement regulations.

Commercial Fuels evaluates its fuel and transportation services practices on a continuing basis and updates them as needed. This continuous self-evaluation ensures that Commercial Fuels follows the best available practices as they relate to the changing business environment of the Company and the industry, the effect of state and/or federal legislation, the orders or rules of any state commission, or any other event that may impact the Company's procurement and use of fuel.

A balancing of short-term and long-term contracts is an effective way to achieve critical procurement goals such as:

- Assurance of adequate supply from reliable suppliers
- Competitive pricing
- Market intelligence
- Continuing evaluation of suppliers
- Flexibility in responding to changing market or economic conditions
- Efficient delivery of shipments.

Commercial Fuels makes every effort to purchase according to the operating requirements for the power generation equipment for which it purchases fuel. Further, the cost of complying with environmental regulations regarding emissions is factored into purchasing decisions.

ATTACHMENT I

STATEMENT OF FUEL PROCUREMENT PRACTICES AND POLICIES

Coal quality specifications may include moisture, ash, calorific value, sulfur, volatility, grindability, hydrogen, chlorine, ultimate analysis, mineral ash analysis, fusion temperature, etc. These parameters assure that the coal will be compatible with equipment operation and environmental regulations. Quality price adjustments will be made for deliveries not within contract specifications.

For longer term commitments, suppliers are generally evaluated on the basis of delivered cost, busbar evaluation of coal quality, uncommitted proven reserves, reputation, credit strength, proximity to transportation, and willingness to extend commercial terms. Additional evaluation is done, as needed, concerning by-product handling, disposal, and various environmental limits at the station sites. For short-term purchases, the evaluation focuses primarily on evaluated cost relative to the market.

ATTACHMENT II

THE CINCINNATI GAS & ELECTRIC COMPANY (CG&E) NARRATIVE STATEMENT SUPPORTING ITS PROPOSED FPP COMPONENT

Pursuant to the Commission's Entry on Rehearing in Case No. 03-93-EL-ATA issued on November 23, 2004, CG&E has calculated a proposed Quarterly Fuel, Economy Purchased Power and Emission Allowance Component (FPP Component) of its market-based standard service offer for the three-month projected period of January through March 2006.

The proposed FPP Rates are segregated into three types of customers, Residential, Non-Residential and Voltage Reduction customers. Depending on the type of customer, the appropriate rate will be applied to all bills, excluding consumers taking generation service from Certified Retail Electric Service providers, rendered on and after January 3, 2006, and will coincide with the billing of Cycle 1 of the January 2006 revenue month and remain in effect through March 2006.

The methodology for calculating the proposed FPP Component of 1.1865 cents per kilowatt-hour for Residential, 1.5280 cents per kilowatt-hour for Non-Residential and 1.5055 cents per kilowatt-hour for Voltage Reduction type customers is consistent with the Commission's Entry on Rehearing and is composed of the following components:

FUEL COMPONENT (FC)

The base period of January through March 2006 was utilized to calculate the proposed fuel and economy purchased power component (FC). The proposed FC is composed of three months projected includable fuel cost and economy purchased power data. The total FC calculated portion of the FPP Component is 2.1416 cents per kilowatt-hour for all types of customers. From this number, the Company has subtracted a baseline rate of 1.2327 cents per kilowatt-hour that is already included in rates as established in Case No. 99-103-EL-EFC. Based upon this information, the proposed FC should be established at 0.9089 cents per kilowatt-hour. This proposed FC is supported by the attached calculations on Page 1 of 6 of Schedule 1.

EMISSION ALLOWANCES (EA)

The base period of January through March 2006 was utilized to calculate the emission allowance component (EA) for all types of customers. The proposed EA is composed of three months projected includable emission allowance data. The total EA calculated portion of the FPP Component is 0.2383 cents per kilowatt-hour for all types of customers. From this number, the Company has subtracted a baseline rate of 0.0126 cents per kilowatt-hour that is already included in rates as established in Case No. 99-103-EL-EFC. Based upon this information, the proposed EA should be established at 0.2257 cents per kilowatt-hour. This proposed EA is supported by the attached calculations on Page 2 of 6 of Schedule 1.

ATTACHMENT II

ENVIRONMENTAL REAGENT (ER)

The base period of January through March 2006 was utilized to calculate the Environmental Reagent component (ER). The proposed ER is composed of three months projected includable environmental reagent data. The total ER calculated portion of the FPP Component is 0.0388 cents per kilowatt-hour for all types of customers. From this number, the Company has subtracted a baseline rate of 0.0330 cents per kilowatt-hour that represents costs from calendar year 2000. Based upon this information, the proposed ER should be established at 0.0058 cents per kilowatt-hour for all types of customers. This proposed ER is supported by the attached calculations on Page 3 of 6 of Schedule 1.

RECONCILIATION ADJUSTMENT (RA)

The proposed RA component is based on the reconciliation of actual fuel, economy purchased power, emission allowance costs, environmental reagent costs and system loss adjustment to the FPP Component revenues for the three month period ending September 2005. The RA amount for the three month period ending September, 2005 included in this filing is \$10,490,047.90 or 0.3415 cents per kilowatt-hour. Included in this RA amount is (\$1,035,427.49) which represents an updated adjustment to the 1st quarter 2005 RA amount filed in the 4th Quarter 2005 filing and is supported by the attached calculations on Page 6A&B of 6 of Schedule 1. Also, in this RA amount is \$472,832.16 which represents an updated adjustment to the 2nd quarter 2005 RA amount filed in the 4th Quarter 2005 filing and is supported by the attached calculations on Page 6C&D of 6 of Schedule 1. The total proposed RA is supported by the attached calculations on Page 4 of 6 of Schedule 1.

SYSTEM LOSS ADJUSTMENT (SLA)

The proposed SLA Component is based on the estimated system loss fuel cost to be incurred during the three month period ending March 2006. The total SLA calculated portion of the FPP Component is 0.1466 cents per kilowatt-hour for Residential and Non-Residential type customers, and 0.0671 cents per kilowatt-hour for Voltage Reduction type customers. From the number for Residential and Non-Residential type customers, the Company has subtracted a baseline rate of 0.1051 cents per kilowatt-hour that is already included in rates. From the number for Voltage Reduction type customers, the Company has subtracted a baseline rate of 0.0481 cents per kilowatt-hour that is already included in rates. Both rates are increased by 0.0046 cents per kilowatt-hour which represents a Synchronization Adjustment. Based upon this information, the proposed SLA should be established at 0.0461 cents per kilowatt-hour for Residential and Non-Residential type customers and at 0.0236 cents per kilowatt-hour for Voltage Reduction type customers. The proposed SLA is supported by the attached calculations on Page 5 of 6 of Schedule 1.

ATTACHMENT II

FUEL, ECONOMY PURCHASED POWER AND EMISSION ALLOWANCE COMPONENT

Based on the aforementioned projected includable fuel and economy purchased power cost data (FC) summarized on Page 1 of Schedule 1, the Emission Allowance Component (EA) on Page 2 of Schedule 1, the Environmental Reagent cost (ER) on Page 3 of Schedule 1, the Reconciliation Adjustment (RA) on Page 4 of Schedule 1, and the System Loss Adjustment (SLA) on Page 5 of Schedule 1, the Company proposes that a FPP Component of 1.1865 cents per kilowatt-hour be established for Residential type customers, 1.5280 cents per kilowatt-hour be established for Non-Residential type customers and 1.5055 cents per kilowatt-hour be established for Voltage Reduction type customers. These rates should effective with bills rendered on and after January 3, 2006, to all consumers other than consumers taking generation service from Certified Retail Electric Suppliers. This will coincide with Cycle 1 billing for the January 2006 revenue month.

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing During
January 2006 through March 2006

Line	Description	(A) Includable Fuel Cost \$	(B) Includable Energy (kWh)	(C) FPP Rate Components (Col. 1 + Col. 2)
Fuel & Economy Purchased Power Cost Expense (FC) - by Month (Projected)				
1	January 2006	\$ 49,123,285.36	2,312,825,497	
2	February 2006	\$ 43,164,199.20	2,030,479,552	
3	March 2006	\$ 42,858,049.05	1,957,205,846	
4	Total Fuel & Economy Purchased Power Cost Expense	\$ 135,145,533.61	6,310,510,896	2.1416 \$/kWh
5	Less: Baseline EFC Rate from Case No. 99-103-EL-EFC ^(a)			1.2327 \$/kWh
6	Total FC Portion to be Included in FPP			0.9089 \$/kWh
7	Emission Allowances Adjustment (EA) From Page 2			0.2257 \$/kWh
8	Environmental Reagent Adjustment (ER) From Page 3			0.0058 \$/kWh
9	Total Residential FPP Rate before SLA			1.1404 \$/kWh
10	Reconciliation Adjustment (RA) From Page 4			0.3415 \$/kWh
11	Total Non-Residential FPP Rate before SLA Voltage Reduction Calculation			1.4819 \$/kWh
FPP Rate				
		Residential	Non-Residential	Voltage Reduction ^(b)
12	Total Residential FPP Rate (Line 9)	1.1404		\$/kWh
13	Total Non-Residential FPP Rate before SLA Voltage Reduction Calculation (Line 11)		1.4819	1.4819 \$/kWh
14	System Loss Adjustment (SLA) From Page 5	0.0481	0.0461	0.0236 \$/kWh
15	Total FPP Rate	1.1885	1.5280	1.5055 \$/kWh

Notes: ^(a) Reflects only the FC component and excludes EA costs.
^(b) Rate for Customers taking service at 69 kV or greater.

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Emission Allowances Component for Billing During
January 2006 through March 2006

Line	Description	(1) Includable Emission Allowances \$	(2) Includable Energy (kWh)	(3) EA Rate Components (Col. 1 + Col. 2)
<u>Emission Allowances (EA) - by Month (Projected)</u>				
1	January 2006	\$ 4,571,440.24	1,908,771,112	
2	February 2006	\$ 4,035,568.35	1,673,379,161	
3	March 2006	\$ 4,025,633.25	1,718,171,772	
4	EA Auction Proceeds Credits	\$ -		
5	Total Emission Allowance Expense	<u>\$ 12,632,641.84</u>	<u>5,300,322,045</u>	0.2383 \$/kWh
6	Less: Baseline EA Rate from Case No. 99-103-EL-EFC ⁽⁴⁾			<u>0.0126 \$/kWh</u>
7	Quarterly Emission Allowance Rate (Rate will never be less than -0-) To Page 1 Line 7			<u>0.2257 \$/kWh</u>

Notes: ⁽⁴⁾ Reflects only the EA costs.

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Environmental Reagent Cost Component for Billing During
January 2006 through March 2006

Line	Description	(1) Includable Fuel Cost \$	(2) Includable Energy (kWh)	(3) Lime Rate Components (Col. 1 + Col. 2)
<u>Environmental Reagent Cost (ER) - by Month (Projected)</u>				
1	January 2006	\$ 708,457.70	1,908,771,112	
2	February 2006	\$ 639,787.50	1,673,379,161	
3	March 2006	\$ 708,700.91	1,718,171,772	
4	Total Environmental Reagent Expense	<u>\$ 2,054,946.11</u>	<u>5,300,322,045</u>	0.0388 \$/kWh
5	Less: Baseline ER Cost ^(a)			<u>0.0330 \$/kWh</u>
6	Quarterly Environmental Reagent Rate (Rate will never be less than -0-) To Page 1 Line 8			<u>0.0058 \$/kWh</u>

Notes: ^(a) Environmental Reagent costs based on Year 2000.

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing
Reconciliation Adjustment
Actual Fuel and Economy Purchased Power Costs Incurred, Actual FPP Revenues Billed Summary
January 2006 through March 2006

Schedule 1
Page 4 of 6

	(A) July 2005	(B) August 2005	(C) September 2005
10 Reconciliation Adjustment (RA)			
Fuel Component (FC)			
1 Net Includable Fuel	\$ 53,659,678.92	\$ 58,578,107.20	\$ 45,586,281.41
2 Ratio Metered Sales/Generation Sales	0.938933	0.938933	0.938933
3 Fuel Cost @Meter Sales Level (Line 1 x Line 2)	\$ 50,382,843.31	\$ 55,000,917.93	\$ 42,802,445.18
4 Coal Sales Margin Credits (per books current year contracts only)	\$ 1,221,662.64	\$ 1,188,712.07	\$ 1,853,156.81
5 Net Fuel Cost (Line 3 - Line 4)	\$ 49,161,180.77	\$ 53,832,205.86	\$ 40,949,288.37
6 Total Generation and Purchase Power (per books)	2,476,406,774	2,528,135,673	2,088,412,326
7 Losses (kWh) (1-Line 2)/(Line 6)	151,226,732	154,385,661	127,833,078
8 Total Generation After Losses (kWh) (Line 6-Line 7)	2,325,180,042	2,373,750,012	1,960,579,248
9 kWh Subject to FPP	1,002,821,249	1,037,080,410	1,016,950,570
10 Ratio of FPP Sales to Total Generation (Line 9/Line 8)	43.13%	43.69%	51.86%
11 Amount Recovered in Base Rates (@ 1.2327 ¢/kWh x Line 9))	\$ 12,361,777.54	\$ 12,783,843.87	\$ 12,536,948.88
12 Amount Recovered via FPP (per books)	\$ 6,078,916.71	\$ 6,292,918.90	\$ 6,096,200.54
13 Total Fuel Costs Recovered (Line 11 + Line 12)	\$ 18,440,694.25	\$ 19,076,762.57	\$ 18,633,149.42
14 Total Actual Fuel Costs Attributable to FPP Sales (Line 3 x Line 10)	\$ 21,730,120.32	\$ 24,029,901.04	\$ 22,197,348.07
15 Under/(Over) Recovery of Fuel Costs (Line 14 - Line 13)	\$ 3,289,426.07	\$ 4,953,138.47	\$ 3,575,197.85
Emissions Allowance Component (EA)			
16 Retail SO2 EA Consumed (Tons)	9,342.00	9,794.08	8,102.68
17 Inventory Rate per Ton (Rate)	\$ 329.00	\$ 402.72	\$ 399.54
18 SO2 EA Expense (Line 16 x Line 17)	\$ 3,073,518.00	\$ 3,944,271.90	\$ 3,237,344.77
19 Total Retail Load (kWh)	1,973,537,433	2,020,077,476	1,872,532,760
20 Incremental EA Rate (¢/kWh) (Line 22 / Line 23)	0.1557	0.1963	0.1936
21 kWh Subject to FPP (Line 9)	1,002,821,249	1,037,080,410	1,016,950,570
22 EA Expense Allocated to FPP (Line 24 x Line 25)	\$ 1,561,392.68	\$ 2,025,378.98	\$ 1,968,816.30
23 EA Expense Recovered in Base Rates (Line 25 x 0.0126 ¢/kWh)	\$ 128,355.48	\$ 130,689.61	\$ 128,135.77
24 EA Revenue in FPP (per books)	\$ 2,405,768.65	\$ 2,490,461.33	\$ 2,408,651.27
25 Under/(Over) Recovery of EA Costs (Line 26 - Line 27 - Line 28)	\$ (970,731.45)	\$ (595,751.96)	\$ (567,970.74)
Environmental Reagent Component (ER)			
26 Amount Recovered in Base Rates (0.0330 ¢/kWh x Line 9)	\$ 330,931.01	\$ 342,229.94	\$ 335,593.89
27 ER Revenue in FPP (per books)	\$ 77,803.58	\$ 80,542.58	\$ 77,896.81
28 Total Actual Lime Costs for Quarter (per books)	\$ 1,251,791.05	\$ 1,215,920.10	\$ 942,428.08
29 Total Actual Ammonia Costs for Quarter (per books)	\$ 395,008.82	\$ 490,888.05	\$ 319,352.50
30 Total Actual ER Costs for Quarter (per books) (Line 28 + Line 29)	\$ 1,646,799.87	\$ 1,706,788.15	\$ 1,261,781.58
31 Total Actual ER Costs Allocated to FPP Sales (Line 10 x Line 30)	\$ 710,284.78	\$ 745,895.74	\$ 654,359.83
32 Under/(Over) Recovery of ER Costs (Line 31 - Line 26 - Line 27)	\$ 301,530.19	\$ 322,823.22	\$ 240,886.43
Reconciliation Adjustment Amortization (RA)			
33 RA Amount from 3rd Quarter Filing (spread evenly)	\$ 1,407,789.33	\$ 1,407,789.33	\$ 1,407,789.34
34 Actual RA recovery through FPP	\$ 1,476,220.80	\$ 1,528,189.48	\$ 1,477,989.42
35 Under/(Over) Recovery of RA (Line 33 - Line 34)	\$ (68,431.27)	\$ (120,400.13)	\$ (70,200.08)
System Loss Component (SLA)			
36 Losses in Base Rates (from Case No. 92-1484-EL-AIR) (cents per kWh)	0.0999	0.0999	0.0999
37 Total Losses Recovered in Base Rates (Line 9 x Line 36)	\$ 1,001,818.43	\$ 1,036,023.36	\$ 1,015,933.62
38 Actual SLA recovery through FPP	\$ 198,603.88	\$ 205,595.53	\$ 198,841.85
39 Actual Losses on FPP Sales ((Line 1 - Line 3) x (Line 10))	\$ 1,413,299.20	\$ 1,562,873.99	\$ 1,443,687.10
40 Under/(Over) Recovery of Losses (Line 39 - Line 37 - Line 38)	\$ 212,676.89	\$ 321,255.11	\$ 228,911.63
1 Net Under/(Over) Recovery of FPP Costs (Line 15+Line 25+Line 32+Line 35+Line 40)	\$ 2,764,870.43	\$ 4,881,164.71	\$ 3,406,806.09
2 1st Quarter Adjustments (See Page 6B)	\$ (1,035,427.49)		
3 2nd Quarter Adjustments (See Page 6D)	\$ 472,832.16		
4 Total Costs to Be Recovered (Line 1 + Columns A + B + C) + Line 42 + Line 43	\$ 10,490,047.90		
5 Projected Retail Energy (kWh)	3,071,525,000		
6 Total RA Rate (Line 48/Line 49) To Page 1 Line 9	0.3415 ¢/kWh		

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Voltage-Adjusted System Loss Adjustment
January 2006 through March 2006

Line	Description	Distribution (A)	Transmission (B)	Total Losses	
				Voltage Adjusted Methodology (C)	No Voltage Adjustment (D)
<u>Calculation of Base Rate Recovery of Losses</u>					
1	FC Rate Basis for SLA (\$/kWh)	1.5353	1.5353	1.5353	1.5353
2	Energy Loss Factors from 92-1464-EL-AIR	6.847%	3.134%	5.743%	6.504%
3	Losses in MBSSO (\$/kWh) (Line 1 * Line 2)	0.1051	0.0481	0.0882	0.0999
4	Current FC Rate (\$/kWh) (Per Filing)	2.1416	2.1416	2.1416	2.1416
5	Projected Sales at Meter (kWh) ^(a)	4,328,007,000	787,872,000	5,115,679,000	5,115,679,000
6	Energy Loss Factors from 92-1464-EL-AIR (Line 2)	6.847%	3.134%	5.743%	6.504%
7	Energy Sales at the Busbar (kWh) (Line 5 * (1 + Line 6))	4,624,335,187	812,353,843	5,409,489,759	5,448,386,211
8	Energy Losses (kWh) (Line 7 - Line 5)	296,328,187	24,681,843	293,790,759	332,717,211
9	Value of Losses (Line 8 * Line 4)	6,346,164.45	528,588.35	6,291,822.89	7,125,471.79
10	Average Losses Rate (\$/kWh) (Line 9 + Line 5)	0.1486	0.0671	0.1230	0.1393
11	Losses in MBSSO (\$/kWh) (Line 3)	0.1051	0.0481	0.0882	0.0999
12	System Loss Adjustment (\$/kWh) (Line 10 - Line 11)	0.0415	0.0190	0.0346	0.0394
13	Synchronization Adj. (\$/kWh) (L.12, Column D - Column C)	0.0046	0.0046	0.0046	-
14	Adjusted SLA (\$/kWh) (Line 12 + Line 13)	0.0461	0.0236	0.0394	0.0394

Notes: ^(a) Projected Sales at Meter for 1st quarter 2006 were provided by the Load Forecasting Department.

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing
1st Quarter Changes to the Reconciliation Adjustment
Actual Fuel and Economy Purchased Power Costs Incurred, Actual FPP Revenues Billed Summary
January 2006 through March 2006

	(A) January 2005	(B) February 2005	(C) March 2005
10 Reconciliation Adjustment (RA) (As Filed with the 4th Quarter 2005 Filing)			
<u>Fuel Component (FC)</u>			
1 Net Includable Fuel	\$ 40,291,703.44	\$ 36,266,961.36	\$ 39,783,551.55
2 Ratio Metered Sales/Generation Sales	0.938933	0.938933	0.938933
3 Fuel Cost @ Meter Sales Level (Line 1 x Line 2)	\$ 37,831,209.99	\$ 34,052,246.83	\$ 37,354,089.41
4 Coal Sales Credits (per books)	\$ -	\$ -	\$ -
5 Net Fuel Cost (Line 3 - Line 4)	\$ 37,831,209.99	\$ 34,052,246.83	\$ 37,354,089.41
6 Total Generation and Purchase Power (per books)	2,320,459,996	1,971,872,000	2,060,368,999
7 Losses (kWh) (1 - Line 2) x (Line 6)	141,703,531	120,416,307	125,820,554
8 Total Generation After Losses (kWh) (Line 6-Line 7)	2,178,756,465	1,851,455,693	1,934,548,445
9 kWh Billed @ meter per books	970,427,454	871,926,259	860,614,768
0 Ratio of FPP Sales to Total Generation (Line 9/Line 8)	44.54%	47.09%	44.49%
1 Amount Recovered in Base Rates (@ 1.2327 ¢/kWh x Line 9)	\$ 11,962,459.23	\$ 10,748,234.99	\$ 10,606,798.25
2 Amount Recovered via FPP (per books)	\$ 1,325,772.37	\$ 2,219,695.99	\$ 2,194,326.87
3 Total Fuel Costs Recovered (Line 11 + Line 12)	\$ 13,288,231.60	\$ 12,967,930.98	\$ 12,801,125.12
4 Total Actual Fuel Costs Attributable to FPP Sales (Line 5 x Line 10)	\$ 18,850,020.93	\$ 16,035,203.03	\$ 16,816,834.38
5 Under/(Over) Recovery of Fuel Costs (Line 14 - Line 13)	\$ 3,561,789.33	\$ 3,067,272.05	\$ 3,815,708.26
<u>Emissions Allowance Component (EA)</u>			
6 Retail EA Consumed (Tons)	9,409.88	8,620.31	12,323.37
7 Inventory Rate per Ton (Rate)	\$ -	\$ -	\$ 289.92
8 EA Expense (Line 6 x Line 7)	\$ -	\$ -	\$ 3,572,791.43
9 Total Retail Sales (kWh)	1,705,696,000	1,460,103,000	1,556,937,000
0 Incremental EA Rate (¢/kWh) (Line 8 / Line 9)	0.0000	0.0000	0.2300
1 kWh Subject to FPP (Line 9)	970,427,454	871,926,259	860,614,768
2 EA Expense Allocated to FPP (Line 20 x Line 21)	\$ -	\$ -	\$ 1,979,413.97
3 EA Revenue in FPP (per books)	\$ 475,793.56	\$ 796,605.13	\$ 787,500.65
4 Under/(Over) Recovery of EA Costs (Line 22 - Line 23)	\$ (475,793.56)	\$ (796,605.13)	\$ 1,191,913.32
<u>Environmental Reagent Component (ER)</u>			
5 Amount Recovered in Base Rates (0.0330 ¢/kWh x Line 9)	\$ 320,241.06	\$ 287,735.67	\$ 284,002.87
6 Amount Recovered via FPP	\$ -	\$ -	\$ -
7 Total Actual ER Costs for Quarter (per books)	\$ 926,781.58	\$ 700,600.75	\$ 501,360.88
8 Total Actual ER Costs Allocated to FPP Sales (Line 10 x Line 27)	\$ 412,779.61	\$ 329,912.89	\$ 223,056.46
9 Under/(Over) Recovery of ER Costs (Line 28 - Line 25 - Line 26)	\$ 92,538.55	\$ 42,177.22	\$ (60,947.41)
<u>System Loss Component (SLA)</u>			
0 Losses in Base Rates (from Case No. 92-1464-EL-AJR) (cents per kWh)	0.0999	0.0999	0.0999
1 Total Losses Recovered in Base Rates (Line 9 x Line 30)	\$ 969,457.03	\$ 871,054.33	\$ 859,754.15
2 Actual Losses on FPP Sales (Line 1 - Line 3) x (line 10)	\$ 1,095,903.78	\$ 1,042,909.07	\$ 1,080,867.71
3 Under/(Over) Recovery of Losses (Line 32 - Line 31)	\$ 126,446.75	\$ 171,854.74	\$ 221,113.56
4 Net Under/(Over) Recovery of FPP Costs (Line 15 +Line 24 + Line 29 + Line 33)	\$ 3,304,981.07	\$ 2,484,698.88	\$ 5,167,788.73

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing
1st Quarter Changes to the Reconciliation Adjustment
Actual Fuel and Economy Purchased Power Costs Incurred, Actual FPP Revenues Billed Summary
January 2006 through March 2006

	(A) January 2005	(B) February 2005	(C) March 2005
Reconciliation Adjustment (RA) (As Updated)			
Fuel Component (FC)			
15 Net Includable Fuel	\$ 40,291,703.44	\$ 36,266,981.36	\$ 39,783,551.55
16 Ratio Metered Sales/Generation Sales	0.938833	0.938833	0.938833
17 Fuel Cost @Meter Sales Level (Line 35 x Line 36)	\$ 37,831,209.99	\$ 34,052,246.83	\$ 37,354,089.41
18 Coal Sales Credits (per books)	\$ -	\$ 719,378.38	\$ 941,811.76
19 Net Fuel Cost (Line 37 - Line 38)	\$ 37,831,209.99	\$ 33,332,868.47	\$ 36,412,477.65
20 Total Generation and Purchase Power (per books)	2,320,459,996	1,971,872,000	2,060,368,999
21 Losses (kWh) (1 - Line 2) x (Line 40)	141,703,531	120,418,307	125,820,554
22 Total Generation After Losses (kWh) (Line 40-Line 41)	2,178,756,465	1,851,455,693	1,934,548,445
23 kWh Billed @ meter per books	970,427,454	871,926,259	860,614,768
24 Ratio of FPP Sales to Total Generation (Line 43/Line 42)	44.54%	47.00%	44.49%
25 Amount Recovered in Base Rates (@ 1.2327 ¢/kWh x Line 43)	\$ 11,962,459.23	\$ 10,748,234.99	\$ 10,608,788.25
26 Amount Recovered via FPP (per books)	\$ 1,325,772.37	\$ 2,219,695.99	\$ 2,194,325.87
27 Total Fuel Costs Recovered (Line 45 + Line 46)	\$ 13,288,231.60	\$ 12,967,930.98	\$ 12,803,125.12
28 Total Actual Fuel Costs Attributable to FPP Sales (Line 39 x Line 44)	\$ 18,850,020.93	\$ 15,896,447.76	\$ 16,199,911.31
29 Under/(Over) Recovery of Fuel Costs (Line 48 - Line 47)	\$ 3,561,789.33	\$ 2,728,516.78	\$ 3,396,786.19
Emissions Allowance Component (EA)			
30 Retail SO2 EA Consumed (Tons)	9,409.88	8,620.31	12,323.37
31 Inventory Rate per Ton (Rate)	\$ -	\$ -	\$ 289.92
32 SO2 EA Expense (Line 50 x Line 51)	\$ -	\$ -	\$ 3,572,791.43
33 Total Retail Load (kWh)	1,641,385,090	1,408,749,000	1,505,767,000
34 Incremental EA Rate (¢/kWh) (Line 52 / Line 53)	0.0000	0.0000	0.2373
35 kWh Subject to FPP (Line 43)	970,427,454	871,926,259	860,614,768
36 EA Expense Allocated to FPP (Line 54 x Line 55)	\$ -	\$ -	\$ 2,042,238.84
37 EA Expense Recovered in Base Rates (Line 55 x 0.0126 ¢/kWh)	\$ 122,273.88	\$ 109,862.71	\$ 108,437.46
38 EA Revenue in FPP (per books)	\$ 475,793.58	\$ 798,605.13	\$ 787,500.65
39 Under/(Over) Recovery of EA Costs (Line 56 - Line 57 - Line 58)	\$ (598,067.42)	\$ (908,467.84)	\$ 1,146,300.73
Environmental Reagent Component (ER)			
40 Amount Recovered in Base Rates (0.0330 ¢/kWh x Line 43)	\$ 320,241.06	\$ 287,735.67	\$ 284,002.87
41 ER Revenue in FPP (per books)	\$ -	\$ -	\$ -
42 Total Actual Lime Costs for Quarter (per books)	\$ 926,761.58	\$ 700,600.75	\$ 501,360.88
43 Total Actual Ammonia Costs for Quarter (per books)	\$ -	\$ -	\$ -
44 Total Actual ER Costs for Quarter (per books)(Line 62 + Line 63)	\$ 926,761.58	\$ 700,600.75	\$ 501,360.88
45 Total Actual ER Costs Allocated to FPP Sales (Line 44 x Line 64)	\$ 412,779.61	\$ 329,912.89	\$ 223,055.46
46 Under/(Over) Recovery of ER Costs (Line 65 - Line 60 - Line 61)	\$ 92,538.55	\$ 42,177.22	\$ (80,847.41)
System Loss Component (SLA)			
47 Losses in Base Rates (from Case No. 92-1464-EL-AIR) (cents per kWh)	0.0999	0.0999	0.0999
48 Total Losses Recovered in Base Rates (Line 43 x Line 67)	\$ 969,457.03	\$ 871,054.33	\$ 850,754.15
49 Actual Losses on FPP Sales (Line 35 - Line 37) x (Line 44)	\$ 1,095,903.78	\$ 1,042,909.07	\$ 1,080,867.71
50 Under/(Over) Recovery of Losses (Line 69 - Line 68)	\$ 126,446.75	\$ 171,854.74	\$ 221,113.56
51 Net Under/(Over) Recovery of FPP Costs (Line 49 +Line 59 + Line 64 + Line 68))	\$ 3,182,707.21	\$ 2,036,080.90	\$ 4,703,253.07
52 Net Under/(Over) Recovery of FPP Costs (Page 6A, Line 34)	\$ 3,304,981.07	\$ 2,484,698.88	\$ 5,167,788.73
53 Net Adjustment for 1st Quarter 2005 (Line 71 - Line 72)	\$ (122,273.86)	\$ (448,817.98)	\$ (464,535.65)
54 Net Adjustment (Line 73, Column A + B + C) To Page 4 Line 42	\$ (1,035,427.48)		

Note: This adjustment is necessary to include the amount of EA expense recovered in Base Rates and the inclusion of coal margin credits.

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing
Reconciliation Adjustment
Actual Fuel and Economy Purchased Power Costs Incurred, Actual FPP Revenues Billed Summary
January 2006 through March 2006

	(A) April 2005	(B) May 2005	(C) June 2005
16 Reconciliation Adjustment (RA) (As Filed with the 4th Quarter 2005 Filing)			
Fuel Component (FC)			
1 Fuel Component (FC)	\$ 34,148,560.63	\$ 30,945,036.93	\$ 46,528,280.61
2 Ratio Metered Sales/Generation Sales	0.938933	0.938933	0.938933
3 Fuel Cost @ Meter Sales Level (Line 1 x Line 2)	\$ 32,063,210.48	\$ 29,055,318.24	\$ 43,686,938.10
4 Coal Sales Margin Credits (per books current year contracts only)	\$0.00	\$0.00	\$0.00
5 Net Fuel Cost (Line 3 - Line 4)	\$ 32,063,210.48	\$ 29,055,318.24	\$ 43,686,938.10
6 Total Generation and Purchase Power (per books)	1,729,524,282	1,768,631,708	2,390,393,903
7 Losses (kWh) (1 - Line 2) x (Line 6)	105,616,859	108,005,033	145,974,184
8 Total Generation After Losses (kWh) (Line 6-Line 7)	1,623,907,423	1,660,626,675	2,244,419,719
9 kWh Billed @ meter per books	865,569,831	853,147,961	953,553,766
10 Ratio of FPP Sales to Total Generation (Line 9/Line 8)	53.30%	51.38%	42.49%
11 Amount Recovered in Base Rates (@ 1.2327 ¢/kWh x Line 9)	\$ 10,669,879.31	\$ 10,518,754.92	\$ 11,754,457.27
12 Amount Recovered via FPP (per books)	\$ 3,776,178.23	\$ 3,829,247.55	\$ 4,288,659.77
13 Total Fuel Costs Recovered (Line 11 + Line 12)	\$ 14,446,057.54	\$ 14,348,002.47	\$ 16,043,117.04
14 Total Actual Fuel Costs Attributable to FPP Sales (Line 5 x Line 10)	\$ 17,089,691.19	\$ 14,928,622.51	\$ 18,562,590.06
15 Under/(Over) Recovery of Fuel Costs (Line 14 - Line 13)	\$ 2,643,633.65	\$ 582,620.04	\$ 2,519,462.96
Emissions Allowance Component (EA)			
6 Retail SO ₂ EA Consumed (Tons)	6,880.90	7,607.66	9,556.06
7 Inventory Rate per Ton (Rate)	\$ 362.10	\$ 375.98	\$ 353.51
8 SO ₂ EA Expense (Line 6 x Line 7)	\$ 2,491,573.89	\$ 2,860,328.01	\$ 3,378,162.77
9 Total Retail Load (kWh)	1,205,767,671	1,308,763,337	1,694,569,500
10 Incremental EA Rate (¢/kWh) (Line 8 / Line 9)	0.2068	0.2188	0.1994
11 kWh Subject to FPP (Line 9)	865,569,831	853,147,961	953,553,766
12 EA Expense Allocated to FPP (Line 10 x Line 21)	\$ 1,788,267.27	\$ 1,864,981.44	\$ 1,901,388.21
13 EA Expense Recovered in Base Rates (Line 21 x 0.0126 ¢/kWh)	\$ 109,081.80	\$ 107,496.64	\$ 120,147.77
14 EA Revenue in FPP (per books)	\$ 816,943.46	\$ 828,424.55	\$ 927,814.41
15 Under/(Over) Recovery of EA Costs (Line 22 - Line 23 - Line 24)	\$ 882,262.01	\$ 929,060.25	\$ 853,424.03
Environmental Reagent Component (ER)			
16 Amount Recovered in Base Rates (0.0330 ¢/kWh x Line 9)	\$ 285,838.04	\$ 281,538.83	\$ 314,672.74
17 ER Revenue in FPP (per books)	\$ 131,826.04	\$ 133,678.89	\$ 149,718.73
18 Total Actual Lime Costs for Quarter (per books)	\$ 713,478.64	\$ 1,018,788.62	\$ 1,156,883.84
19 Total Actual Ammonia Costs for Quarter (per books)	\$ 58,569.35	\$ 79,331.83	\$ 530,989.69
20 Total Actual ER Costs for Quarter (per books)(Line 28 + Line 29)	\$ 770,047.99	\$ 1,098,120.45	\$ 1,687,873.53
21 ^(b) Rate for Customers taking service at 69 kV or greater.	\$ 410,435.58	\$ 564,214.29	\$ 717,177.46
22 Under/(Over) Recovery of ER Costs (Line 31 - Line 26 - Line 27)	\$ (7,028.50)	\$ 148,996.77	\$ 252,787.99
System Loss Component (SLA)			
13 Losses in Base Rates (from Case No. 92-1464-EL-AIR) (cents per kWh)	0.0999	0.0999	0.0999
14 Total Losses Recovered in Base Rates (Line 9 x Line 33)	\$ 864,704.26	\$ 852,294.81	\$ 962,600.21
15 Actual Losses on FPP Sales ((Line 1 - Line 3) x (line 10))	\$ 1,111,491.63	\$ 970,938.49	\$ 1,207,286.43
16 Under/(Over) Recovery of Losses (Line 35 - Line 34)	\$ 246,787.37	\$ 118,643.68	\$ 254,686.22
17 Net Under/(Over) Recovery of FPP Costs (Line 15 +Line 25 + Line 32 + Line 36)	\$ 3,745,654.53	\$ 1,779,320.74	\$ 3,880,361.20

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing
Reconciliation Adjustment
Actual Fuel and Economy Purchased Power Costs Incurred, Actual FPP Revenues Billed Summary
January 2006 through March 2006

	(A) April 2005	(B) May 2005	(C) June 2005
Reconciliation Adjustment (RA) (As Updated)			
Fuel Component (FC)			
18 Fuel Component (FC)	\$34,802,205.83	\$32,281,356.61	\$45,448,898.71
19 Ratio Metered Sales/Generation Sales	0.938933	0.938933	0.938933
20 Fuel Cost @ Meter Sales Level (Line 38 x Line 39)	\$32,676,939.53	\$30,310,031.01	\$42,873,470.81
21 Coal Sales Margin Credits (per books current year contracts only)	\$598,979.51	(\$458,527.23)	\$81,257.45
22 Net Fuel Cost (Line 40 - Line 41)	\$32,078,960.02	\$30,768,558.24	\$42,992,213.36
23 Total Generation and Purchase Power (per books)	1,700,124,331	1,785,444,048	2,283,862,144
24 Losses (kWh) (1 - Line 39) x (Line 6)	103,821,493	109,031,712	138,488,610
25 Total Generation After Losses (kWh) (Line 43-Line 44)	1,596,302,838	1,676,412,336	2,144,393,534
26 kWh Billed @ meter per books	865,569,831	853,147,961	953,553,768
27 Ratio of FPP Sales to Total Generation (Line 46/Line 45)	54.22%	50.89%	44.47%
28 Amount Recovered in Base Rates (@ 1.2327 \$/kWh x Line 46))	\$10,669,879.31	\$10,516,754.92	\$11,754,457.27
29 Amount Recovered via FPP (per books)	\$ 3,776,178.24	\$ 3,829,247.55	\$ 4,288,659.76
30 Total Fuel Costs Recovered (Line 48 + Line 49)	\$14,446,057.55	\$14,346,002.47	\$16,043,117.03
31 Total Actual Fuel Costs Attributable to FPP Sales (Line 42 x Line 47)	\$17,393,754.32	\$15,658,119.29	\$18,940,757.28
32 Under/(Over) Recovery of Fuel Costs (Line 51 - Line 50)	\$ 2,947,696.77	\$ 1,312,116.82	\$ 2,897,840.26
Emissions Allowance Component (EA)			
33 Retail SO2 EA Consumed (Tons)	6,167.00	5,761.66	9,109.54
34 Inventory Rate per Ton (Rate)	\$ 362.10	\$ 375.98	\$ 353.51
35 SO2 EA Expense (Line 53 x Line 54)	\$ 2,233,070.70	\$ 2,166,268.93	\$ 3,220,313.49
36 Total Retail Load (kWh)	1,334,278,205	1,393,543,646	1,800,898,982
37 Incremental EA Rate (\$/kWh) (Line 55 / Line 56)	0.1674	0.1555	0.1788
38 kWh Subject to FPP (Line 46)	865,569,831	853,147,961	953,553,768
39 EA Expense Allocated to FPP (Line 57 x Line 58)	\$ 1,448,963.90	\$ 1,326,645.08	\$ 1,704,954.13
40 EA Expense Recovered in Base Rates (Line 58 x 0.0126 \$/kWh)	\$ 109,061.80	\$ 107,496.64	\$ 120,147.77
41 EA Revenue in FPP (per books)	\$ 816,943.46	\$ 828,424.55	\$ 927,814.41
42 Under/(Over) Recovery of EA Costs (Line 59 - Line 60 - Line 61)	\$ 522,958.64	\$ 390,723.89	\$ 656,991.96
Environmental Reagent Component (ER)			
43 Amount Recovered in Base Rates (0.0330 \$/kWh x Line 46)	\$ 285,638.04	\$ 281,538.83	\$ 314,872.74
44 ER Revenue in FPP (per books)	\$ 131,826.04	\$ 133,678.69	\$ 149,716.73
45 Total Actual Lime Costs for Quarter (per books)	\$ 713,478.64	\$ 1,018,788.82	\$ 1,158,883.84
46 Total Actual Ammonia Costs for Quarter (per books)	\$ 58,569.35	\$ 79,331.83	\$ 530,969.69
47 Total Actual ER Costs for Quarter (per books)(Line 65 + Line 66)	\$ 770,047.99	\$ 1,098,120.45	\$ 1,687,873.53
48 Total Actual ER Costs Allocated to FPP Sales (Line 47 x Line 67)	\$ 417,520.02	\$ 558,833.50	\$ 750,597.36
49 Under/(Over) Recovery of ER Costs (Line 68 - Line 63 - Line 64)	\$ 55.94	\$ 143,615.98	\$ 286,207.89
System Loss Component (SLA)			
50 Losses in Base Rates (from Case No. 92-1464-EL-AIR) (cents per kWh)	0.0999	0.0999	0.0999
51 Total Losses Recovered in Base Rates (Line 46 x Line 70)	\$ 864,704.26	\$ 852,284.81	\$ 952,800.21
52 Actual Losses on FPP Sales ((Line 38 - Line 40) x (Line 47))	\$ 1,152,319.39	\$ 1,003,207.60	\$ 1,234,232.79
53 Under/(Over) Recovery of Losses (Line 72 - Line 71)	\$ 287,615.13	\$ 150,912.79	\$ 281,832.58
54 Net Under/(Over) Recovery of FPP Costs (Line 52 + Line 62 + Line 69 + Line 73)	\$ 3,758,326.48	\$ 1,997,369.48	\$ 4,122,472.67
55 Net Under/(Over) Recovery of FPP Costs (Page 6C, Line 37)	\$ 3,745,654.53	\$ 1,779,320.74	\$ 3,880,381.20
56 Net Adjustment for 2nd Quarter 2005 (Line 74 - Line 75)	\$ 12,671.95	\$ 218,048.74	\$ 242,111.47
57 Net Adjustment (Line 76, Column A + B + C) To Page 4 Line 43	\$ 472,832.16		

Note: This adjustment is necessary to adjust for updated MISO charges and the inclusion of coal margin credits that were eliminated when the 4th Quarter filings were made,

FILE

CINERGY.
SERVICES

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Robert P. Butts, Jr.
Rate Analyst

August 30, 2005

The Public Utilities Commission of Ohio
ATTENTION: Docketing Division
180 East Broad Street
13th Floor
Columbus, Ohio 43215-3793

RECEIVED-DOCKETING DIV
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RE: In the Matter of The Application of The Cincinnati)
Gas & Electric Company to Modify its Fuel,)
Economy Purchased Power Component of Its) Case No. 05-725-EL-UNC
Market-Based Standard Service Offer for the)
Summary Report Period of September 29, 2005)
To January 2, 2006)

Docketing Division:

Enclosed for filing are fifteen (15) copies of the following attachments containing the Facts, Data, and Other Information pertinent to The Cincinnati Gas & Electric Company's ("CG&E") fuel, economy purchased power, and emission allowance component of its market-based standard service offer (FPP), pursuant to the Commission's Entry in Case No. 05-725-EL-UNC, dated June 29, 2005:

- (a) Attachment I – Statement of Fuel Procurement Policies and Practices;
- (b) Attachment II – Narrative statement and applicable quarterly FPP forms supporting the proposed calculation of the fuel, economy purchased power, and emission allowance component of its market-based standard service offer for the base period of October through December 2005. The FPP component will be applied to bills rendered during the quarter ending December 2005.

Please time-stamp the enclosed extra copy and return for our file. Thank you for your timely assistance in this regard.

Very truly yours,



Robert P. Butts, Jr.

RPB:ga

Enclosures

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business
Technician mv Date Processed 8/31/05

ATTACHMENT I

STATEMENT OF FUEL PROCUREMENT PRACTICES AND POLICIES

Cinergy Corp.'s ("Company") Energy Portfolio Strategy & Management (EPSM) group is responsible for managing the power, fuel and emission allowance positions for the Company's operating units', including CG&E's, generation portfolio. Within EPSM, the Portfolio Optimization department manages the Company's power, fuel and emissions allowance positions, while the Commercial Fuels department provides fuel procurement and transportation services for each of the Company's operating units' fossil fuel generating stations. Portfolio Optimization and Commercial Fuels share the common goal of achieving security of supply at the most economical cost per megawatt hour generated.

Portfolio Optimization is responsible for establishing and implementing the multi-commodity risk management strategy for power, fuel and emission allowances. The scope of management services provided by Portfolio Optimization includes planning, projection, forecasting and budgeting functions, and establishment of the fuel requirements for the Company's operating units' generating stations. Portfolio Optimization reviews the optimal contract mix on an ongoing basis as market conditions change; the optimal contract mix varies as market and operating conditions change during the time horizon being evaluated. Fuel purchases are made through a combination of long-term and spot market purchases.

Commercial Fuel's fuel procurement and transportation services include issuing solicitations, evaluating proposals for fuel and transportation contracts, selecting and qualifying suppliers and shippers, contract negotiation, administration and enforcement, and ongoing transportation maintenance and operations support. Commercial Fuels is responsible for complying with fuel procurement regulations.

Commercial Fuels evaluates its fuel and transportation services practices on a continuing basis and updates them as needed. This continuous self-evaluation ensures that Commercial Fuels follows the best available practices as they relate to the changing business environment of the Company and the industry, the effect of state and/or federal legislation, the orders or rules of any state commission, or any other event that may impact the Company's procurement and use of fuel.

A balancing of short-term and long-term contracts is an effective way to achieve critical procurement goals such as:

- Assurance of adequate supply from reliable suppliers
- Competitive pricing
- Market intelligence
- Continuing evaluation of suppliers
- Flexibility in responding to changing market or economic conditions
- Efficient delivery of shipments.

Commercial Fuels makes every effort to purchase according to the operating requirements for the power generation equipment for which it purchases fuel. Further, the cost of complying with environmental regulations regarding emissions is factored into purchasing decisions.

ATTACHMENT I

STATEMENT OF FUEL PROCUREMENT PRACTICES AND POLICIES

Coal quality specifications may include moisture, ash, calorific value, sulfur, volatility, grindability, hydrogen, chlorine, ultimate analysis, mineral ash analysis, fusion temperature, etc. These parameters assure that the coal will be compatible with equipment operation and environmental regulations. Quality price adjustments will be made for deliveries not within contract specifications.

For longer term commitments, suppliers are generally evaluated on the basis of delivered cost, busbar evaluation of coal quality, uncommitted proven reserves, reputation, credit strength, proximity to transportation, and willingness to extend commercial terms. Additional evaluation is done, as needed, concerning by-product handling, disposal, and various environmental limits at the station sites. For short-term purchases, the evaluation focuses primarily on evaluated cost relative to the market.

ATTACHMENT II

THE CINCINNATI GAS & ELECTRIC COMPANY (CG&E) NARRATIVE STATEMENT SUPPORTING ITS PROPOSED FPP COMPONENT

Pursuant to the Commission's Entry on Rehearing in Case No. 03-93-EL-ATA issued on November 23, 2004, CG&E has calculated a proposed Quarterly Fuel, Economy Purchased Power and Emission Allowance Component (FPP Component) of its market-based standard service offer for the three-month projected period of October through December 2005.

The proposed FPP Component will be applied to all bills, excluding residential consumers and consumers taking generation service from Certified Retail Electric Service providers, rendered on and after September 29, 2005, and will coincide with the billing of Cycle 1 of the October 2005 revenue month and remain in effect through December 2005.

The methodology for calculating the proposed FPP Component of 1.5326 cents per kilowatt-hour is consistent with the Commission's Entry on Rehearing and is composed of the following components:

FUEL COMPONENT (FC)

The base period of October through December 2005 was utilized to calculate the proposed fuel and economy purchased power component (FC). The proposed FC is composed of three months projected includable fuel cost and economy purchased power data. The total FC calculated portion of the FPP Component is 1.8156 cents per kilowatt-hour. From this number, the Company has subtracted a baseline rate of 1.2327 cents per kilowatt-hour that is already included in rates as established in Case No. 99-103-EL-EFC. Based upon this information, the proposed FC should be established at 0.5829 cents per kilowatt-hour. This proposed FC is supported by the attached calculations on Page 1 of Schedule 1.

EMISSION ALLOWANCES (EA)

The base period of October through December 2005 was utilized to calculate the emission allowance component (EA). The proposed EA is composed of three months projected includable emission allowance data. This data also includes a credit for the EA Auction Proceeds received in June 2005. The total EA calculated portion of the FPP Component is 0.2103 cents per kilowatt-hour. From this number, the Company has subtracted a baseline rate of 0.0126 cents per kilowatt-hour that is already included in rates as established in Case No. 99-103-EL-EFC. Based upon this information, the proposed EA should be established at 0.1977 cents per kilowatt-hour. This proposed EA is supported by the attached calculations on Page 2 of Schedule 1.

ATTACHMENT II

ENVIRONMENTAL REAGENT (ER)

The base period of October through December 2005 was utilized to calculate the Environmental Reagent component (ER). The proposed ER is composed of three months projected includable environmental reagent data. The total ER calculated portion of the FPP Component is 0.0483 cents per kilowatt-hour. From this number, the Company has subtracted a baseline rate of 0.0330 cents per kilowatt-hour that represents costs from calendar year 2000. Based upon this information, the proposed ER should be established at 0.0153 cents per kilowatt-hour. This proposed ER is supported by the attached calculations on Page 3 of Schedule 1.

RECONCILIATION ADJUSTMENT (RA)

The proposed RA component is based on the reconciliation of actual fuel, economy purchased power, emission allowance costs, environmental reagent costs and system loss adjustment to the FPP Component revenues for the three month period ending June 2005. The RA amount for the three month period ending June, 2005 included in this filing is \$16,139,437.15 or 0.7185 cents per kilowatt-hour. Included in this RA amount is \$6,734,100.68 which represents an adjustment to the RA amount filed in the previous filing and is supported by the attached calculations on Page 6 A&B of Schedule 1. The proposed RA is supported by the attached calculations on Page 4 of Schedule 1.

SYSTEM LOSS ADJUSTMENT (SLA)

The proposed SLA Component is based on the estimated system loss fuel cost to be incurred during the three month period ending December 2005. The total SLA calculated portion of the FPP Component is 0.1212 cents per kilowatt-hour. From this number, the Company has subtracted a baseline rate of 0.0999 cents per kilowatt-hour that is already included in rates. Based upon this information, the proposed SLA should be established at 0.0213 cents per kilowatt-hour. The proposed SLA is supported by the attached calculations on Page 5 of Schedule 1.

FUEL, ECONOMY PURCHASED POWER AND EMISSION ALLOWANCE COMPONENT

Based on the aforementioned projected includable fuel and economy purchased power cost data (FC) summarized on Page 1 of Schedule 1, the Emission Allowance Component (EA) on Page 2 of Schedule 1, the Environmental Reagent cost (ER) on Page 3 of Schedule 1, the Reconciliation Adjustment (RA) on Page 4 of Schedule 1, and the System Loss Adjustment (SLA) on Page 5 of Schedule 1, the Company proposes that a FPP Component of 1.5326 cents per kilowatt-hour be established effective with bills rendered on and after September 29, 2005, to all consumers other than residential consumers and consumers taking generation service from Certified Retail Electric Suppliers. This will coincide with Cycle 1 billing for the October 2005 revenue month.

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing During
October 2005 through December 2005

Line	Description	(A) Includable Fuel Cost \$	(B) Includable Energy (kWh)	(C) FPP Rate Components (Col. 1 + Col. 2)
	Fuel & Economy Purchased Power Cost Expense (FC) - by Month (Projected)			
	Fuel Component (FC)			
1	October 2005	\$ 35,413,630.77	1,911,427,901	
2	November 2005	\$ 36,588,844.44	2,045,296,708	
3	December 2005	\$ 39,986,767.92	2,210,304,421	
4	Total Fuel & Economy Purchased Power Cost Expense	\$ 111,987,243.13	6,167,029,030	1.8156 \$/kWh
5	Less: Baseline EFC Rate from Case No. 99-103-EL-EFC ^(A)			1.2327 \$/kWh
6	Total FC Portion to be Included in FPP			0.5829 \$/kWh
7	Emission Allowances Adjustment (EA) From Page 2			0.1977 \$/kWh
8	Environmental Reagent Adjustment (ER) From Page 3			0.0153 \$/kWh
9	Reconciliation Adjustment (RA) From Page 4			0.7185 \$/kWh
10	System Loss Adjustment (SLA) From Page 5			0.0182 \$/kWh
11	Total FPP Rate			1.5326 \$/kWh

Notes: ^(A) Reflects only the FC component and excludes EA costs.

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Emission Allowances Component for Billing During
October 2005 through December 2005

Line	Description	(1) Includable Emission Allowances \$	(2) Includable Energy (kWh)	(3) EA Rate Components (Col. 1 + Col. 2)
<u>Emission Allowances (EA) - by Month (Projected)</u>				
Fuel Component (FC)				
1	October 2005	\$ 3,356,139.81	1,450,276,761	
2	November 2005	\$ 3,308,269.87	1,491,448,552	
3	December 2005	\$ 3,840,684.39	1,705,793,576	
4	EA Auction Proceeds Credits	\$ (730,119.09)		
5	Total Emission Allowances Expense	\$ 9,774,974.98	4,647,518,889	0.2103 \$/kWh
6	Less: Baseline EFC Rate from Case No. 99-103-EL-EFC ^(a)			0.0126 \$/kWh
7	Quarterly Emission Allowance Rate (Rate will never be less than -0-) To Page 1 Line 7			0.1977 \$/kWh

Notes: ^(a) Reflects only the EA costs.

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Environmental Reagent Cost Component for Billing During
October 2005 through December 2005

Line	Description	(1) Includable Fuel Cost \$	(2) Includable Energy (kWh)	(3) Line Rate Components (Col. 1 + Col. 2)
<u>Environmental Reagent Cost (ER) - by Month (Projected)</u>				
<u>Fuel Component (FC)</u>				
1	October 2005	\$ 691,354.89	1,450,276,781	
2	November 2005	\$ 764,233.19	1,491,448,552	
3	December 2005	\$ 789,826.59	1,705,793,576	
4	Total Environmental Reagent Expense	\$ 2,245,414.67	4,647,518,889	0.0483 ¢/kWh
5	Less: Baseline ER Cost ^(a)			0.0330 ¢/kWh
6	Quarterly Environmental Reagent Rate (Rate will never be less than 4¢ To Page 1 Line 8			0.0153 ¢/kWh

Notes: ^(a) Environmental Reagent costs based on Year 2000.

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing
Reconciliation Adjustment
Actual Fuel and Economy Purchased Power Costs Incurred, Actual FPP Revenues Billed Summary
October 2005 through December 2005

Line	Reconciliation Adjustment (RA)	(A) April 2005	(B) May 2005	(C) June 2005	
Fuel Component (FC)					
1	Fuel Component (FC)	\$ 34,148,560.63	\$ 30,945,038.93	\$ 48,528,280.61	
2	Ratio Metered Sales/Generation Sales	0.938933	0.938933	0.938933	
3	Fuel Cost @Meter Sales Level (Line 1 x Line 2)	\$ 32,063,210.48	\$ 29,055,318.24	\$ 43,888,938.10	
4	Coal Sales Margin Credits (per books current year contracts only)	\$ 0.00	\$ 0.00	\$ 0.00	
5	Net Fuel Cost (Line 3 - Line 4)	\$ 32,063,210.48	\$ 29,055,318.24	\$ 43,888,938.10	
6	Total Generation and Purchase Power (per books)	1,729,524,282	1,768,631,708	2,390,393,903	
7	Losses (kWh) (1-Line 2)*(Line 6)	106,616,859	108,005,033	145,974,184	
8	Total Generation After Losses (kWh) (Line 6-Line 7)	1,623,907,423	1,660,626,675	2,244,419,719	
9	kWh Subject to FPP	865,569,831	853,147,961	953,553,766	
10	Ratio of FPP Sales to Total Generation (Line 9/Line 8)	53.30%	51.38%	42.49%	
11	Amount Recovered in Base Rates (@ 1.2327 ¢/kWh x Line 9)	\$ 10,668,879.31	\$ 10,519,754.92	\$ 11,754,457.27	
12	Amount Recovered via FPP (per books)	\$ 3,776,178.23	\$ 3,829,247.55	\$ 4,288,869.77	
13	Total Fuel Costs Recovered (Line 11 + Line 12)	\$ 14,445,057.54	\$ 14,348,002.47	\$ 16,043,327.04	
14	Total Actual Fuel Costs Attributable to FPP Sales (Line 3 x Line 10)	\$ 17,089,691.19	\$ 14,928,822.51	\$ 18,582,590.00	
15	Under/(Over) Recovery of Fuel Costs (Line 14 - Line 13)	\$ 2,643,633.65	\$ 582,820.04	\$ 2,519,462.96	\$ 5,745,716.85
Emissions Allowance Component (EA)					
16	Retail SO2 EA Consumed (Tons)	6,880.90	7,807.86	9,556.06	
17	Inventory Rate per Ton (Rate)	\$ 362.10	\$ 375.98	\$ 353.51	
18	SO2 EA Expense (Line 16 x Line 17)	\$ 2,491,573.89	\$ 2,960,328.01	\$ 3,378,162.77	
19	Total Retail Load (kWh)	1,205,767,871	1,308,783,337	1,694,569,500	
20	Incremental EA Rate (¢/kWh) (Line 18 / Line 19)	0.2068	0.2188	0.1994	
21	kWh Subject to FPP (Line 9)	865,569,831	853,147,961	953,553,766	
22	EA Expense Allocated to FPP (Line 20 x Line 21)	\$ 1,788,267.27	\$ 1,864,981.44	\$ 1,901,386.21	
23	EA Expense Recovered in Base Rates (Line 21 x 0.0125 ¢/kWh)	\$ 109,061.80	\$ 107,406.84	\$ 120,147.77	
24	EA Revenue in FPP (per books)	\$ 816,943.46	\$ 828,424.65	\$ 927,814.41	
25	Under/(Over) Recovery of EA Costs (Line 22 - Line 23 - Line 24)	\$ 862,262.01	\$ 929,060.25	\$ 853,424.03	\$ 2,644,746.29
Environmental Resurgent Component (ER)					
26	Amount Recovered in Base Rates (0.0330 ¢/kWh x Line 9)	\$ 285,638.04	\$ 281,538.83	\$ 314,672.74	
27	ER Revenue in FPP (per books)	\$ 131,826.04	\$ 133,678.89	\$ 149,716.73	
28	Total Actual Lime Costs for Quarter (per books)	\$ 713,478.84	\$ 1,018,788.62	\$ 1,156,863.84	
29	Total Actual Ammonia Costs for Quarter (per books)	\$ 68,569.35	\$ 79,331.83	\$ 530,889.69	
30	Total Actual ER Costs for Quarter (per books)(Line 28 + Line 29)	\$ 770,047.99	\$ 1,098,120.45	\$ 1,687,753.53	
31	Total Actual ER Costs Allocated to FPP Sales (Line 10 x Line 30)	\$ 410,435.58	\$ 564,214.29	\$ 717,177.46	
32	Under/(Over) Recovery of ER Costs (Line 31 - Line 26 - Line 27)	\$ (7,028.50)	\$ 148,986.77	\$ 252,767.99	\$ 394,758.26
System Loss Component (SLA)					
33	Losses in Base Rates (from Case No. 92-1464-EL-AIR) (cents per kWh)	0.0999	0.0999	0.0999	
34	Total Losses Recovered in Base Rates (Line 9 x Line 33)	\$ 864,704.26	\$ 852,294.81	\$ 952,600.21	
35	Actual Losses on FPP Sales ((Line 1 - Line 3) x (Line 10))	\$ 1,111,491.63	\$ 970,938.49	\$ 1,207,286.43	
36	Under/(Over) Recovery of Losses (Line 35 - Line 34)	\$ 246,787.37	\$ 118,643.68	\$ 254,686.22	\$ 620,117.27
37	Net Under/(Over) Recovery of FPP Costs (Line 15 +Line 25 + Line 32 + Line 36)	\$ 3,745,854.53	\$ 1,779,320.74	\$ 3,880,361.20	\$ 9,405,336.47
38	1st Quarter Adjustments (See Page 6B)	\$ 6,734,100.68			
39	Total Costs to Be Recovered (Line 37, Columns A + B + C) +Line 38	\$ 16,139,437.15			
40	Projected Retail Energy (kWh) (Page 2 Line 4 x weighted ave. Line 10)	2,246,253,623			
41	Total RA Rate (Line 39/Line 40) To Page 1 Line 9	0.7185 ¢/kWh			

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing
System Loss Adjustment
Actual Fuel and Economy Purchased Power Costs Incurred, Actual FPP Revenues Billed Summary
October 2005 through December 2005

<u>Line</u>	<u>System Loss Adjustment (SLA)</u>	<u>Amounts</u>	
1	Fuel Component (FC)	1.8156	¢/kWh
2	Includable Gen Level kWh (From Schedule 1 Line 4 Column B)	6,167,029,030	
3	Incl. Meter Level kWh (Line 2 x .938933)	5,790,427,068	
4	Line Losses (Line 2 - Line 3)	376,601,962	
5	Inverse Ratio (Line 4/Line 3)	0.065039	
6	Gross Quarterly SLA Rate (cents kWh) (Line 5 x Line 1)	0.1181	¢/kWh
7	Base Rate SLA (cents/kWh)	0.0999	¢/kWh
8	Quarterly Incremental SLA Rate (cents/kWh) (Line 6 - Line 7) To Page 1 Line 10	0.0182	¢/kWh

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing
1st Quarter Changes to the Reconciliation Adjustment
Actual Fuel and Economy Purchased Power Costs Incurred, Actual FPP Revenues Billed Summary
October 2003 through December 2005

Line	Reconciliation Adjustment (RA) (As Filed)	(A) January 2005	(B) February 2005	(C) March 2005
Fuel Component (FC)				
1	Fuel Component (FC)	\$ 36,473,350.71	\$ 33,843,101.68	\$ 34,937,608.75
2	Ratio Metered Sales/Generation Sales	0.938933	0.938933	0.938933
3	Fuel Cost @Meter Sales Level (Line 1 x Line 2)	\$ 34,246,032.80	\$ 31,776,404.99	\$ 32,804,073.80
4	Coal Sales Credits (per books)	\$ 1,569,212.74	\$ 1,979,397.91	\$ 611,224.76
5	Net Fuel Cost (Line 3 - Line 4)	\$ 32,676,819.86	\$ 29,797,007.08	\$ 32,192,849.04
6	Total Generation and Purchase Power (per books)	2,320,459,996	1,971,872,000	2,060,368,999
7	Losses (kWh) (1-Line 2)*(Line 6)	141,703,531	120,418,307	125,820,554
8	Total Generation After Losses (kWh) (Line 6 - Line 7)	2,178,756,465	1,851,453,693	1,934,548,445
9	kWh Billed (@meter per books)	970,427,454	1,218,169,544	860,606,961
10	Ratio of FPP Sales to Total Generation (Line 9/Line 8)	44.54%	65.80%	44.49%
11	Amount Recovered in Base Rates (@ 1.2327 ¢/kWh x Line 9)	\$ 11,962,459.23	\$ 15,016,375.97	\$ 10,608,702.01
12	Amount Recovered via FPP (per books)	\$ 1,325,772.37	\$ 3,101,052.54	\$ 2,194,330.46
13	Total Fuel Costs Recovered (Line 11 + Line 12)	\$ 13,288,231.60	\$ 18,117,428.51	\$ 12,803,032.47
14	Total Actual Fuel Costs Attributable to FPP Sales (Line 5 x Line 10)	\$ 14,554,255.57	\$ 19,608,430.66	\$ 14,322,598.54
15	Under/(Over) Recovery of Fuel Costs (Line 14 - Line 13)	\$ 1,266,023.97	\$ 1,489,002.15	\$ 1,519,566.07
Emissions Allowance Component (EA)				
16	Retail EA Consumed (Tons)	9,409.88	8,620.31	12,323.37
17	Inventory Rate per Ton (Rate)	\$ -	\$ -	\$ 289.92
18	EA Expense (Line 16 x Line 17)	\$ -	\$ -	\$ 3,572,791.43
19	Total Retail Sales (kWh)	1,705,696,000	1,460,103,000	1,558,937,000
20	Incremental EA Rate (¢/kWh) (Line 18 / Line 19)	0.0000	0.0000	0.2300
21	kWh Subject to FPP (Line 9)	970,427,454	1,218,169,544	860,606,961
22	EA Expense Allocated to FPP (Line 20 x Line 21)	\$ -	\$ -	\$ 1,979,396.01
23	EA Revenue in FPP (per books)	\$ 475,793.56	\$ 1,112,906.61	\$ 787,501.93
24	Under/(Over) Recovery of EA Costs (Line 22 - Line 23)	\$ (475,793.56)	\$ (1,112,906.61)	\$ 1,191,894.08
Environmental Reagent Component (ER)				
25	Amount Recovered in Base Rates (0.0330 ¢/kWh x Line 9)	\$ 320,241.06	\$ 401,996.95	\$ 284,000.30
26	Amount Recovered via FPP	\$ -	\$ -	\$ -
27	Total Actual ER Costs for Quarter (per books)	\$ 926,761.56	\$ 700,600.75	\$ 501,360.88
28	Total Actual ER Costs Allocated to FPP Sales (Line 10 x Line 27)	\$ 412,779.60	\$ 480,895.29	\$ 223,055.46
29	Under/(Over) Recovery of ER Costs (Line 28 - Line 25 - Line 26)	\$ 92,538.54	\$ 58,999.34	\$ (60,944.84)
System Loss Component (SLA)				
30	Losses in Base Rates (from Case No. 92-1464-EL-AIR) (cents per kWh)	0.0999	0.0999	0.0999
31	Total Losses Recovered in Base Rates (Line 30 x Line 21)	\$ 969,457.03	\$ 1,216,951.37	\$ 859,746.35
32	Actual Losses on FPP Sales (Line 1 - Line 3) x (line 10)	\$ 892,047.49	\$ 1,359,888.42	\$ 949,208.70
33	Under/(Over) Recovery of Losses (Line 32 - Line 31)	\$ 22,590.46	\$ 142,936.05	\$ 89,463.35
34	Net Under/(Over) Recovery of FPP Costs (Line 15 + Line 24 + Line 29 + Line 33)	\$ 905,359.41	\$ 578,029.93	\$ 2,739,978.66

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing
1st Quarter Changes to the Reconciliation Adjustment
Actual Fuel and Economy Purchased Power Costs Incurred, Actual FPP Revenues Billed Summary
October 2005 through December 2005

Line	Reconciliation Adjustment (RA) (As Adjusted)	(A) January 2005	(B) February 2005	(C) March 2005
Fuel Component (FC)				
35	Net Includable Fuel	\$ 40,291,703.44	\$ 36,266,961.36	\$ 39,783,551.55
36	Ratio Metered Sales/Generation Sales	0.938933	0.938933	0.938933
37	Fuel Cost @Meter Sales Level (Line 35 x Line 36)	\$ 37,831,209.99	\$ 34,052,246.83	\$ 37,354,089.41
38	Coal Sales Credits (per books)	\$ -	\$ -	\$ -
39	Net Fuel Cost (Line 37 - Line 38)	\$ 37,831,209.99	\$ 34,052,246.83	\$ 37,354,089.41
40	Total Generation and Purchase Power (per books)	2,320,469,966	1,971,872,000	2,060,368,999
41	Losses (kWh) (1-Line 2)*(Line 40)	141,703,531	120,416,307	125,820,554
42	Total Generation After Losses (kWh) (Line 40-Line 41)	2,178,766,465	1,851,455,693	1,934,548,445
43	kWh Billed (@meter per books)	970,427,454	871,926,259	860,814,768
44	Ratio of FPP Sales to Total Generation (Line 43/Line 42)	44.54%	47.09%	44.49%
45	Amount Recovered in Base Rates (@ 1.2327 ¢/kWh x Line 43)	\$ 11,962,459.23	\$ 10,748,234.99	\$ 10,608,798.25
46	Amount Recovered via FPP (per books)	\$ 1,326,772.37	\$ 2,219,895.99	\$ 2,194,326.87
47	Total Fuel Costs Recovered (Line 45 + Line 46)	\$ 13,289,231.60	\$ 12,967,930.98	\$ 12,803,125.12
48	Total Actual Fuel Costs Attributable to FPP Sales (Line 39 x Line 44)	\$ 16,850,020.93	\$ 16,035,203.03	\$ 16,818,834.39
49	Under/(Over) Recovery of Fuel Costs (Line 48 - Line 47)	\$ 3,561,789.33	\$ 3,067,272.05	\$ 3,815,709.26
Emissions Allowance Component (EA)				
50	Retail EA Consumed (Tons)	9,409.88	8,620.31	12,323.37
51	Inventory Rate per Ton (Rate)	\$ -	\$ -	\$ 289.92
52	EA Expense (Line 50 x Line 51)	\$ -	\$ -	\$ 3,572,791.43
53	Total Retail Sales (kWh)	1,705,896,000	1,460,103,000	1,556,937,000
54	Incremental EA Rate (¢/kWh) (Line 18 / Line 19)	0.0000	0.0000	0.2300
55	kWh Subject to FPP (Line 43)	970,427,454	871,926,259	860,814,768
56	EA Expense Allocated to FPP (Line 54 x Line 55)	\$ -	\$ -	\$ 1,979,413.97
57	EA Revenue in FPP (per books)	\$ 475,793.56	\$ 796,605.13	\$ 787,500.65
58	Under/(Over) Recovery of EA Costs (Line 56 - Line 57)	\$ (475,793.56)	\$ (796,605.13)	\$ 1,191,913.32
Environmental Reagent Component (ER)				
59	Amount Recovered in Base Rates (0.0330 ¢/kWh x Line 43)	\$ 320,241.06	\$ 287,735.87	\$ 284,002.87
60	Amount Recovered via FPP	\$ -	\$ -	\$ -
61	Total Actual ER Costs for Quarter (per books)	\$ 926,781.58	\$ 700,800.75	\$ 501,380.88
62	Total Actual ER Costs Allocated to FPP Sales (Line 44 x Line 61)	\$ 412,779.61	\$ 329,912.89	\$ 223,055.46
63	Under/(Over) Recovery of ER Costs (Line 62 - Line 59 - Line 60)	\$ 92,538.56	\$ 42,177.22	\$ (60,947.41)
System Loss Component (SLA)				
64	Losses in Base Rates (from Case No. 92-1464-EL-AIR) (cents per kWh)	0.0999	0.0999	0.0999
65	Total Losses Recovered in Base Rates (Line 43 x Line 64)	\$ 989,457.03	\$ 871,054.33	\$ 859,754.15
66	Actual Losses on FPP Sales (Line 35 - Line 37) x (Line 44)	\$ 1,095,903.78	\$ 1,042,909.07	\$ 1,080,867.71
67	Under/(Over) Recovery of Losses (Line 66 - Line 65)	\$ 126,446.75	\$ 171,854.74	\$ 221,113.56
68	Net Under/(Over) Recovery of FPP Costs (Line 49 + Line 58 + Line 63 + Line 67))	\$ 3,304,981.07	\$ 2,484,698.88	\$ 5,167,788.73
69	Net Under/(Over) Recovery of FPP Costs (Page 6A, Line 34)	\$ 905,359.41	\$ 578,029.93	\$ 2,739,978.66
70	Net Adjustment for 1st Quarter (Line 68 - Line 69)	\$ 2,399,621.66	\$ 1,906,668.95	\$ 2,427,810.07
71	Net Adjustment (Line 31, Column A + B + C) To Page 4 Line 38	\$ 6,734,100.68		

ATTACHMENT I

STATEMENT OF FUEL PROCUREMENT PRACTICES AND POLICIES

Cinergy Corp.'s ("Company") Energy Portfolio Strategy & Management (EPSM) group is responsible for managing the power, fuel and emission allowance positions for the Company's operating units', including CG&E's, generation portfolio. Within EPSM, the Portfolio Optimization department manages the Company's power, fuel and emissions allowance positions, while the Commercial Fuels department provides fuel procurement and transportation services for each of the Company's operating units' fossil fuel generating stations. Portfolio Optimization and Commercial Fuels share the common goal of achieving security of supply at the most economical cost per megawatt hour generated.

Portfolio Optimization is responsible for establishing and implementing the multi-commodity risk management strategy for power, fuel and emission allowances. The scope of management services provided by Portfolio Optimization includes planning, projection, forecasting and budgeting functions, and establishment of the fuel requirements for the Company's operating units' generating stations. Portfolio Optimization reviews the optimal contract mix on an ongoing basis as market conditions change; the optimal contract mix varies as market and operating conditions change during the time horizon being evaluated. Fuel purchases are made through a combination of long-term and spot market purchases.

Commercial Fuel's fuel procurement and transportation services include issuing solicitations, evaluating proposals for fuel and transportation contracts, selecting and qualifying suppliers and shippers, contract negotiation, administration and enforcement, and ongoing transportation maintenance and operations support. Commercial Fuels is responsible for complying with fuel procurement regulations.

Commercial Fuels evaluates its fuel and transportation services practices on a continuing basis and updates them as needed. This continuous self-evaluation ensures that Commercial Fuels follows the best available practices as they relate to the changing business environment of the Company and the industry, the effect of state and/or federal legislation, the orders or rules of any state commission, or any other event that may impact the Company's procurement and use of fuel.

A balancing of short-term and long-term contracts is an effective way to achieve critical procurement goals such as:

- Assurance of adequate supply from reliable suppliers
- Competitive pricing
- Market intelligence
- Continuing evaluation of suppliers
- Flexibility in responding to changing market or economic conditions
- Efficient delivery of shipments.

Commercial Fuels makes every effort to purchase according to the operating requirements for the power generation equipment for which it purchases fuel. Further, the cost of complying with environmental regulations regarding emissions is factored into purchasing decisions.

ATTACHMENT I

STATEMENT OF FUEL PROCUREMENT PRACTICES AND POLICIES

Coal quality specifications may include moisture, ash, calorific value, sulfur, volatility, grindability, hydrogen, chlorine, ultimate analysis, mineral ash analysis, fusion temperature, etc. These parameters assure that the coal will be compatible with equipment operation and environmental regulations. Quality price adjustments will be made for deliveries not within contract specifications.

For longer term commitments, suppliers are generally evaluated on the basis of delivered cost, busbar evaluation of coal quality, uncommitted proven reserves, reputation, credit strength, proximity to transportation, and willingness to extend commercial terms. Additional evaluation is done, as needed, concerning by-product handling, disposal, and various environmental limits at the station sites. For short-term purchases, the evaluation focuses primarily on evaluated cost relative to the market.

ATTACHMENT II

THE CINCINNATI GAS & ELECTRIC COMPANY (CG&E) NARRATIVE STATEMENT SUPPORTING ITS PROPOSED FPP COMPONENT

Pursuant to the Commission's Entry on Rehearing in Case No. 03-93-EL-ATA issued on November 23, 2004, CG&E has calculated a proposed Quarterly Fuel, Economy Purchased Power and Emission Allowance Component (FPP Component) of its market-based standard service offer for the three-month projected period of July through September 2005.

The proposed FPP Component will be applied to all bills, excluding residential consumers and consumers taking generation service from Certified Retail Electric Service providers, rendered on and after June 30, 2005, and will coincide with the billing of Cycle 1 of the July 2005 revenue month and remain in effect through September 2005.

The methodology for calculating the proposed FPP Component of 1.0224 cents per kilowatt-hour is consistent with the Commission's Entry on Rehearing and is composed of the following components:

FUEL COMPONENT (FC)

The base period of July through September 2005 was utilized to calculate the proposed fuel and economy purchased power component (FC). The proposed FC is composed of three months projected includable fuel cost and economy purchased power data. The total FC calculated portion of the FPP Component is 1.8398 cents per kilowatt-hour. From this number, the Company has subtracted a baseline rate of 1.2327 cents per kilowatt-hour that is already included in rates as established in Case No. 99-103-EL-EFC. Based upon this information, the proposed FC should be established at 0.6071 cents per kilowatt-hour. This proposed FC is supported by the attached calculations on Page 1 of Schedule 1.

EMISSION ALLOWANCES (EA)

The base period of July through September 2005 was utilized to calculate the emission allowance component (EA). The proposed EA is composed of three months projected includable emission allowance data. The total EA calculated portion of the FPP Component is 0.2529 cents per kilowatt-hour. From this number, the Company has subtracted a baseline rate of 0.0126 cents per kilowatt-hour that is already included in rates as established in Case No. 99-103-EL-EFC. Based upon this information, the proposed EA should be established at 0.2403 cents per kilowatt-hour. This proposed EA is supported by the attached calculations on Page 2 of Schedule 1.

ATTACHMENT II

ENVIRONMENTAL REAGENT (ER)

The base period of July through September 2005 was utilized to calculate the Environmental Reagent component (ER). The proposed ER is composed of three months projected includable environmental reagent data. The total ER calculated portion of the FPP Component is 0.0408 cents per kilowatt-hour. From this number, the Company has subtracted a baseline rate of 0.0330 cents per kilowatt-hour that represents costs from calendar year 2000. Based upon this information, the proposed ER should be established at 0.0078 cents per kilowatt-hour. This proposed ER is supported by the attached calculations on Page 3 of Schedule 1.

RECONCILIATION ADJUSTMENT (RA)

The proposed RA component is based on the reconciliation of actual fuel, economy purchased power, emission allowance costs, environmental reagent costs and system loss adjustment and FPP Component revenues for the three month period ending March 2005. The RA amount included in this filing is \$4,223,368.00 or 0.1474 cents per kilowatt-hour. The proposed RA is supported by the attached calculations on Page 4 of Schedule 1.

SYSTEM LOSS ADJUSTMENT (SLA)

The proposed SLA Component is based on the estimated system loss fuel cost to be incurred during the three month period ending September 2005. The SLA amount included in this filing is 0.0198 cents per kilowatt-hour. The proposed SLA is supported by the attached calculations on Page 5 of Schedule 1.

FUEL, ECONOMY PURCHASED POWER AND EMISSION ALLOWANCE COMPONENT

Based on the aforementioned projected includable fuel and economy purchased power cost data (FC) summarized on Page 1 of Schedule 1, the Emission Allowance Component (EA) on Page 2 of Schedule 1, the Environmental Reagent cost (ER) on Page 3 of Schedule 1, the Reconciliation Adjustment (RA) on Page 4 of Schedule 1, and the System Loss Adjustment (SLA) on Page 5 of Schedule 1, the Company proposes that a FPP Component of 1.0224 cents per kilowatt-hour be established effective with bills rendered on and after June 30, 2005, to all consumers other than residential consumers and consumers taking generation service from Certified Retail Electric Suppliers. This will coincide with Cycle 1 billing for the July 2005 revenue month.

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing During
July 2005 through September 2005

Line	Description	(A) Includable Fuel Cost \$	(B) Includable Energy (kWh)	(C) FPP Rate Components (Col. 1 + Col. 2)
<u>Fuel & Economy Purchased Power Cost Expense (FC) - by Month (Projected)</u>				
1	July 2005	\$38,196,033.64	2,036,075,830	
2	August 2005	36,715,641.37	1,977,558,238	
3	September 2005	<u>29,813,643.86</u>	<u>1,879,531,587</u>	
4	Total Fuel & Economy Purchased Power Cost Expense	<u>\$104,725,318.87</u>	<u>5,892,163,655</u>	1.8398 \$/kWh
5	Less: Baseline EFC Rate from Case No. 99-103-EL-EFC ^(N)			<u>1.2327 \$/kWh</u>
6	Total FC Portion to be Included in FPP			0.6071 \$/kWh
7	Emission Allowances Adjustment (EA) From Page 2			0.2403 \$/kWh
8	Environmental Reagent Adjustment (ER) From Page 3			0.0078 \$/kWh
9	Reconciliation Adjustment (RA) From Page 4			0.1474 \$/kWh
10	System Loss Adjustment (SLA) From Page 5			<u>0.0198 \$/kWh</u>
11	Total FPP Rate			<u>1.0224 \$/kWh</u>

Notes: ^(N) Reflects only the FC component and excludes EA costs.

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Emission Allowances Component for Billing During
July 2005 through September 2005

Line	Description	(1) Includable Emission Allowances \$	(2) Includable Energy (kWh)	(3) EA Rate Components (Col. 1 + Col. 2)
<u>Emission Allowances (EA) - by Month (Projected)</u>				
1	July 2005	\$5,133,589.34	2,004,807,918	
2	August 2005	\$4,918,065.70	1,948,164,419	
3	September 2005	<u>\$4,127,452.08</u>	<u>1,652,858,357</u>	
4	Total Emission Allowances Expense	<u>\$14,179,107.12</u>	<u>5,605,630,694</u>	0.2529 \$/kWh
5	Less: Baseline EFC Rate from Case No. 89-103-EL-EFC ⁽⁴⁾			<u>0.0126 \$/kWh</u>
6	Quarterly Emission Allowance Rate (Rate will never be less than -0-) To Page 1 Line 7			<u>0.2403 \$/kWh</u>

Notes: ⁽⁴⁾ Reflects only the EA costs.

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Environmental Reagent Cost Component for Billing During
July 2005 through September 2005

Line	Description	(1) Includable Fuel Cost \$	(2) Includable Energy (kWh)	(3) Line Rate Components (Col. 1 + Col. 2)
<u>Environmental Reagent Cost (ER) - by Month (Projected)</u>				
1	July 2005	\$768,436.20	2,004,807,918	
2	August 2005	787,829.91	1,948,164,419	
3	September 2005	<u>710,266.48</u>	<u>1,652,858,357</u>	
4	Total Environmental Reagent Expense	<u>\$2,266,532.59</u>	<u>5,605,830,694</u>	0.0408 \$/kWh
5	Less: Baseline ER Cost ^(a)			<u>0.0330 \$/kWh</u>
6	Quarterly Environmental Reagent Rate (Rate will never be less than -0-) To Page 1 Line 8			<u>0.0078 \$/kWh</u>

Notes: ^(a) Environmental Reagent costs based on Year 2000.

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing
Reconciliation Adjustment
Actual Fuel and Economy Purchased Power Costs Incurred, Actual FPP Revenues Billed Summary
July 2005 through September 2005

Schedule 1
Page 4 of 5

Line	Reconciliation Adjustment (RA)	(A) January 2005	(B) February 2005	(C) March 2005
Fuel Component (FC)				
1	Net Includable Fuel	\$36,473,350.71	\$33,843,101.68	\$34,937,608.75
2	Ratio Metered Sales/Generation Sales	0.938933	0.938933	0.938933
3	Fuel Cost @Meter Sales Level (Line 1 x Line 2)	\$34,246,032.60	\$31,776,404.99	\$32,804,073.80
4	Coal Sales Credits (per books)	\$1,569,212.74	\$1,979,397.91	\$611,224.76
5		\$32,676,819.86	\$29,797,007.08	\$32,192,849.04
6	Total Generation and Purchase Power (per books)	2,320,459,996	1,971,872,000	2,060,368,999
7	Losses (kWh) (1-Line 2)/(Line 6)	141,703,531	120,416,307	125,620,564
8	Total Generation After Losses (kWh) (Line 6-Line 7)	2,178,756,465	1,851,455,693	1,934,748,435
9	kWh Billed (@meter per books)	970,427,454	1,218,169,544	860,606,961
10	Ratio of FPP Sales to Total Generation (Line 9/Line 8)	44.54%	65.80%	44.49%
11	Amount Recovered in Base Rates (@ 1.2327 ¢/kWh)	\$11,962,459.23	\$15,016,375.97	\$10,606,702.01
12	Amount Recovered via FPP (per books)	\$1,325,772.37	\$3,101,052.54	\$2,194,330.46
13	Total Fuel Costs Recovered (Line 11 + Line 12)	\$13,288,231.60	\$18,117,428.51	\$12,803,032.47
14	Total Actual Fuel Costs Attributable to FPP Sales (Line 5 x Line 10)	\$14,554,255.57	\$19,608,430.66	\$14,322,598.54
15	Under/(Over) Recovery of Fuel Costs (Line 14 - Line 13)	\$1,266,023.97	\$1,489,002.15	\$1,519,566.07
Emissions Allowance Component (EA)				
16	Retail EA Consumed (Tons)	9,409.88	8,620.31	12,323.37
17	Inventory Rate per Ton (Rate)	\$0.00	\$0.00	\$288.92
18	EA Expense (Line 16 x Line 17)	\$0.00	\$0.00	\$3,572,791.43
19	Total Retail Sales (kWh)	1,705,696,000	1,460,103,000	1,558,937,000
20	Incremental EA Rate (¢/kWh) (Line 18 / Line 19)	0.0000	0.0000	0.2300
21	kWh Subject to FPP (Line 9)	970,427,454	1,218,169,544	860,606,961
22	EA Expense Allocated to FPP (Line 20 x Line 21)	\$0.00	\$0.00	\$1,978,396.01
23	EA Revenue in FPP (per books)	\$475,793.56	\$1,112,908.61	\$787,501.93
24	Under/(Over) Recovery of EA Costs (Line 22 - Line 23)	(\$475,793.56)	(\$1,112,908.61)	\$1,181,894.08
Environmental Reagent Component (ER)				
25	Amount Recovered in Base Rates (0.0330 ¢/kWh x Line 9)	\$320,241.08	\$401,995.95	\$284,000.30
26	Amount Recovered via FPP	\$0.00	\$0.00	\$0.00
27	Total Actual ER Costs for Quarter (per books)	\$928,781.58	\$700,800.75	\$501,380.88
28	Total Actual ER Costs Allocated to FPP Sales (Line 10 x Line 27)	\$412,779.60	\$460,995.29	\$223,055.48
29	Under/(Over) Recovery of ER Costs (Line 28 - Line 25 - Line 26)	\$82,538.54	\$55,999.34	(\$60,944.84)
System Loss Component (SLA)				
30	Losses in Base Rates (from Case No. 92-1464-EL-AIR) (cents per kWh)	0.0999	0.0999	0.0999
31	Total Losses Recovered in Base Rates (Line 30 x Line 21)	\$969,457.03	\$1,216,951.37	\$859,746.35
32	Actual Losses on FPP Sales (Line 1 - Line 3) x (line 10)	\$982,047.49	\$1,359,886.42	\$949,209.70
33	Under/(Over) Recovery of Losses (Line 32 - Line 31)	\$22,590.46	\$142,935.05	\$89,463.35
34	Net Under/(Over) Recovery of FPP Costs (Line 15 +Line 24 + Line 29 + Line 33))	\$905,359.41	\$578,029.93	\$2,739,978.66
35	Total Costs to Be Recovered (Line 31-Column A + B + C)	\$4,223,368.00		
36	Projected Retail Energy (kWh) (Page 2 Line 4 x weighted ave. Line 10)	2,865,598,411		
37	Total RA Rate (Line 32/Line 33) To Page 1 Line 9	0.1474 ¢/kWh		

The Cincinnati Gas & Electric Company
Electric Department
Calculation of Quarterly Fuel and Economy Purchased Power Component for Billing
System Loss Adjustment
Actual Fuel and Economy Purchased Power Costs Incurred, Actual FPP Revenues Billed Summary
July 2005 through September 2005

Line	System Loss Adjustment (SLA)	Amounts
1	Include. Fuel Cost Rate (From Schedule 1 Line 4 Column C)	1.8398 ¢/kWh
2	Includable Gen Level kWh (From Schedule 1 Line 4 Column B)	5,692,163,655
3	Incl. Meter Level kWh (Line 2 x .938933)	5,344,560,297
4	Line Losses (Line 2 - Line 3)	347,603,358
5	Inverse Ratio (Line 4/Line 3)	0.065039
6	Gross Quarterly SLA Rate (cents kWh) (Line 5 x Line 1)	0.1197 ¢/kWh
7	Base Rate SLA (cents/kWh)	0.0999 ¢/kWh
8	Quarterly Incremental SLA Rate (cents/kWh) (Line 6 - Line 7) To Page 1 Line 10	0.0198 ¢/kWh

Case No. 88-724-EL-JMC
Case No. 88-725-EL-JMC
Case No. 88-9445-EL-JMC
Case No. 88-5488-EL-JMC
Attachment WDM-2
Buxtonary
Page 3 of 1

DETERMINATION OF SYSTEM RELIABILITY TRACKER - RIDER BRT - BY RETAIL RATE GROUP
REFLECTING RECOVERY OF ESTIMATED SUMMER 2006 CAPACITY AND PURCHASED POWER COSTS (EXCLUDING ENERGY COSTS)
FOR THE PERIOD JANUARY THROUGH DECEMBER 2007 TO BE APPLIED TO CUSTOMER BILLS OVER A TWELVE-MONTH PERIOD

100

U Rate Group #18 based on applicable peak demands from the Company's most of services study in Case No. 92-1464-EL-AJR. Non-residential based on Case No. 95-0039-EL-AJR. Based on actual sales to SRT customers for the 12 months ended July 31, 2006.

**CONFIDENTIAL PROPRIETARY
TRADE SECRET**

Case No. 05-724-EL-UNC
Case No. 05-725-EL-UNC
Case No. 06-1068-EL-UNC
Case No. 06-1069-EL-UNC
Attachment WDW-2
Schedule A
Page 1 of 3

**DUKE ENERGY OHIO
Determination of System Reliability Tracker Demand & Energy Rates**

<u>Estimated 2007 Sales/Demand (kW; kWh)</u>	<u>Generation Revenue (\$)</u>	<u>Total Revenue %</u>	<u>SRT Revenue Requirement (\$)</u>	<u>Estimated 2007 Sales/Demand (kW; kWh)</u>	<u>SRT Rates (\$/kW; \$/kWh)</u>
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Rate DS Rate Group

Rate DS
Generation Revenues
Demand Charge:
First 1,000 kW
Additional kW
Total

Energy Charge:
First 300 kWh/kW
Additional kWh
Total

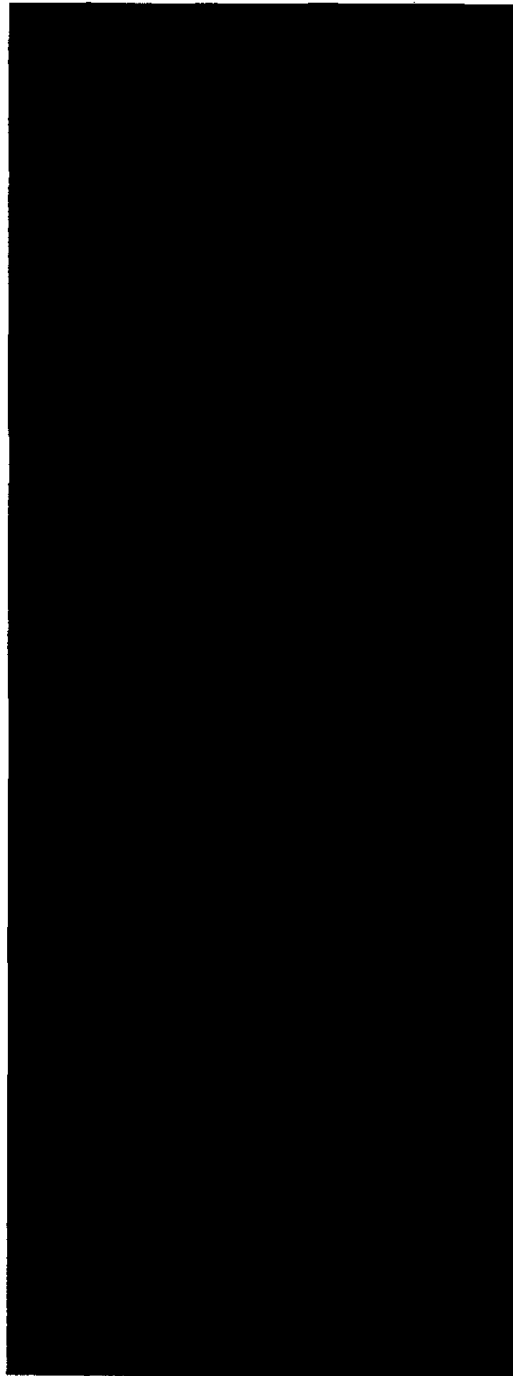
Total Rate DS

Rate EH
All kWh

Rate GS-FL
Load 540 to 720 hrs. kWh
Load < 540 hrs. kWh

Total Rate GS-FL

Total DS Rate Group



CONFIDENTIAL PROPRIETARY
TRADE SECRET

Case No. 05-724-EL-UNC
Case No. 05-725-EL-UNC
Case No. 06-1068-EL-UNC
Case No. 06-1069-EL-UNC
Attachment WDW-2
Schedule A
Page 2 of 3

DUKE ENERGY OHIO
Determination of System Reliability Tracker Demand & Energy Rates

Rate DP	Estimated 2007 Sales/Demand (kW; kWh)	Generation Rate (\$/kW; cents/kWh)	Generation Revenue (\$)	Total Revenue %	SRT Revenue Requirement (\$)	Estimated 2007 Sales/Demand (kW; kWh)	SRT Rates (\$/kW; \$/kWh)
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Generation Revenues

Demand Charge:

First 1,000 kW
Additional kW
Total

Energy Charge:

First 300 kWh/kW
Additional kWh
Total

Total Rate DP



CONFIDENTIAL PROPRIETARY
TRADE SECRET

Case No. 05-724-EL-UNC
Case No. 05-725-EL-UNC
Case No. 06-1068-EL-UNC
Case No. 06-1069-EL-UNC
Attachment WDW-2
Schedule A
Page 3 of 3

DUKE ENERGY OHIO
Determination of System Reliability Tracker Demand & Energy Rates

Rate TS	Estimated 2007 Sales/Demand (kVA; kWh)	Generation Rate (\$/kW; cents/kWh)	Generation Revenue (\$)	Total Revenue %	SRT Revenue Requirement (\$)	Estimated 2007 Sales/Demand (kVA; kWh)	SRT Rates (\$/kVA; \$/kWh)
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Generation Revenues

Demand Charge:
First 50,000 kVA
Additional kVA
Total

Energy Charge:
First 300 kWh/kVA
Additional kWh
Total

Total Rate TS

