

FILE

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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

2004 MAR -9 PM 4:00

In the Matter of the Application of :
The Cincinnati Gas & Electric Company :
to Modify its Non-Residential Generation :
Rates to Provide for Market-Based Standard :
Service Offer Pricing and to Establish a :
Pilot Competitively-Bid Service Rate Option :
Subsequent to Market Development Period. :

PUCO

Case No. 03-93-EL-ATA

In the Matter of the Application of :
The Cincinnati Gas & Electric Company for :
Authority to Modify Current Accounting :
Procedures for Certain Costs Associated with :
the Midwest Independent Transmission System :
Operator. :

Case No. 03-2079-EL-AAM

In the Matter of the Application of :
The Cincinnati Gas & Electric Company for :
Authority to Modify Current Accounting :
Procedures for Capital Investment in its :
Electric Transmission and Distribution System :
And to Establish a Capital Investment :
Reliability Rider to be Effective after the Market :
Development Period. :

Case No. 03-2081-EL-AAM

Case No. 03-2080-EL-ATA

**OBJECTIONS
OF
DOMINION RETAIL, INC.
TO
THE CINCINNATI GAS & ELECTRIC COMPANY'S
PROPOSED RATE STABILIZATION PLAN**

By its entry in the above-captioned dockets of December 9, 2003, the Commission directed The Cincinnati Gas & Electric Company ("CG&E") to submit a rate stabilization plan for the post-market development period ("MDP") as an alternative to the Market-Based Standard Service Offer ("MBSSO") rate and Competitive Bid Process ("CBP") originally proposed in

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CG&E's January 10, 2003 application in Case No. 03-93-EL-ATA. In response to the Commission's directive, CG&E submitted such a plan, styled the Electric Reliability and Rate Stabilization Plan ("ERRSP"), on January 26, 2004. The Commission's December 9, 2003 entry also established a procedural schedule that included a March 2, 2004 deadline for filing objections to GG&E's proposed rate stabilization plan. This deadline was subsequently extended to March 9, 2004 under the revised procedural schedule set out in the Commission's entry of February 18, 2004.

Dominion Retail, Inc. ("Dominion Retail"), an intervenor in these proceedings, hereby submits its objections to the ERRSP in accordance with the Commission's February 18, 2004 entry. Although the entry appears to limit the objections to be entertained at this time to objections to the rate stabilization plan, CG&E's January 26, 2004 filing also discusses the MBSSO/CBP option more fully set forth in CG&E's January 10, 2003 application. Dominion Retail previously filed comments and reply comments regarding the MBSSO/CBP option on March 4, 2003 and April 3, 2003, respectively, and incorporates by reference those comments and reply comments as objections to the MBSSO/CBP alternative as if fully restated herein. In addition, although calculated differently, both the MBSSO/CBP and the ERRSP contain a non-bypassable provider of last report ("POLR") charge that contains elements that are not properly borne by CRES customers and are not properly associated with CG&E's backstop obligation. Accordingly, Dominion Retail's discussion of this issue in its earlier comments and reply comments applies with equal force to the POLR charge component of the ERRSP. Finally, in submitting the following objections, Dominion Retail does not waive its right to address other aspects of the ERRSP based on the discussion contained in the testimony of CG&E witnesses offered in support of the ERRSP or the testimony of witnesses sponsored by other parties.

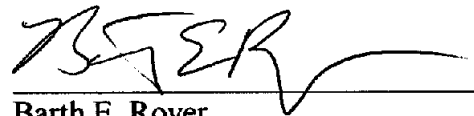
1. Although Dominion Retail understands the Commission's concern regarding the potential for price volatility at the conclusion of the MDP, CG&E's proposed ERRSP, like the MBSSO/CBP before it, will not contribute to "the development of a fully competitive retail electric market" as alleged in CG&E's January 26, 2004 filing (*see* CG&E Filing, 15). Rather, the proposed ERRSP threatens to choke off budding retail competition in CG&E's service territory. Accordingly, while Dominion Retail does not oppose a rate stabilization plan with a fixed generation price, Dominion Retail objects generally to the ERRSP as filed because this plan would adversely affect the development of competition.

2. Dominion Retail objects to CG&E's request that the Commission find that "there is effective competition in the competitive retail electric market for residential consumers" and that "little g is a market-based rate that will encourage competition" (*see* CG&E Filing, 24). Cinergy's website shows that only 5.1% of residential customers in its service area have switched, despite over three years of open access to competitive suppliers. Further, on information and belief, there is only one CRES provider that is serving residential customers in the CG&E service territory. Although CG&E suggests that it is the statutory 5% generation rate decrease has caused the level of switching by the residential class to lag behind other customer classes (*id.*), the ERRSP would maintain the 5% unbundled generation rate discount for residential consumers until December 31, 2008 (CG&E Filing, 18), while little g for residential customers, which, in effect, becomes the "shopping credit" after December 31, 2004, is substantially *less* than the existing shopping credit. Thus, not only is there no "effective competition" in the CG&E residential market *presently*, but the proposed little g rate will do nothing to encourage competition.

3. The proposed little g is well below any offer by any CRES provider over the past three years. However, the fact that one CRES provider has been able to attract residential customers at the existing shopping credit suggests that the existing shopping credit is at least reasonably close to "market." Thus, Dominion retail objects to CG&E's proposed little g level, and urges the Commission to establish an unbundled generation rate for the duration of the rate stabilization plan that, at a minimum, reflects the present shopping credit levels.

4. Dominion Retail objects to the inclusion of costs in a non-bypassable POLR charge that are the same types of costs that CRES providers also incur and must reflect in the retail price they charge for electricity. Permitting the costs CG&E proposes to recover through the POLR charge (*e.g.*, taxes, fuel, environmental costs, purchased power, transmission congestion, and reserve capacity) (*see* CG&E Filing, 17) to be recovered through the wires charge paid by all consumers compounds the impediment to competition posed by the effective reduction in the shopping credit. Rather than attempting to address the risks associated with CG&E's provider of last resort obligation through this anti-competitive POLR charge, the plan should provide that switching customers that return to CG&E will be subject to a generation rate that reflects CG&E's cost to serve them upon their return.

Respectfully submitted,

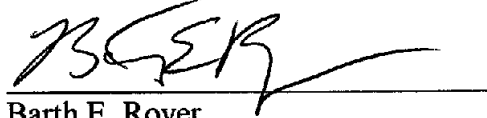


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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served upon the parties listed below by first class U.S. mail, postage prepaid, this 9th day of March 2004.


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