have testified as an expert witness on issues relating to the implementation of the Clean Air Act in the District of Columbia and in other cases in Ohio. I have testified as an expert witness on other issues in the states of Arizona, Delaware, Kentucky, Maine, New Jersey, Ohio, Pennsylvania, and West Virginia.

Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.

A. I am very concerned about CG&E's abuse of the EFC process and its commingling of regulated and unregulated activities within the Cinergy Fuel Department. Regulated assets are being used to make profits for unregulated affiliates. In addition, personnel who should be performing activities to keep retail rates at the lowest levels possible are also being asked to perform unregulated activities to produce profits for unregulated affiliates. Abuses are occurring and the Commission should take action to ensure that CG&E's regulated operations are not compromised by the actions of its unregulated affiliates.

Q. PLEASE BE MORE SPECIFIC ABOUT THESE PROBLEMS.

A. There are two activities during 1997 that highlight my concerns:

- CG&E's trading of contract coal for power; and
- CG&E's transfer of contract coal to its affiliate, PSI.

Both of these activities show that CG&E and its affiliates are engaged in activities involving regulated personnel and assets with the goal of maximizing profits, rather than with the goal of providing retail service at the lowest possible rates. In both of these instances, CG&E used its regulated assets and personnel to produce profits for the unregulated side of its business.

Q. BEFORE YOU DISCUSS THE DETAILS OF THESE ACTIVITIES, PLEASE EXPLAIN YOUR GENERAL CONCERN.

A. Generally, I am concerned that employees of CG&E and Cinergy Services, Inc., including the Cinergy Fuel Department, do not have a clear focus on their primary mission, which is to provide safe and reliable service to retail customers at the lowest possible price. Instead, it appears that these employees are being asked to find ways to generate profits for Cinergy's unregulated operations, resulting in no benefits and even some detriment to CG&E's retail customers. It appears to me that CG&E and Cinergy have failed to adopt adequate controls to ensure a strict separation between their regulated and unregulated operations.

In particular, I would note the Cinergy Fuel Department's Strategic Plan. The document is alleged to be confidential, so I will discuss its contents only in general terms. I have reviewed the Overview to the plan and a list of the Fuel Department's "Strategic Initiatives" for 1997. It is clear that the Fuel Department sees itself as performing two different functions: procuring fuel for retail operations and attempting to maximize profits for Cinergy by looking for opportunities to provide services, trade coal for power, trade commodities, and otherwise use its assets to benefit Cinergy's unregulated operations. Indeed, the Fuel Department states that it "continues to maintain a balance of its fiduciary responsibility between Cinergy customers and shareholders." This is precisely the problem – the Fuel Department is being forced to make choices between serving customers and serving Cinergy's bottom line.

While the scope of this case is limited to fuel-related activities, I recommend that the Commission investigate whether CG&E and Cinergy are engaging in a similar commingling of functions in other aspects of their operations. These issues are becoming increasingly important as portions of electric utilities' operations are becoming more competitive and less regulated. In order to make any type of deregulation work for consumers and for the marketplace as a whole, the Commission must ensure that a utility's regulated and unregulated operations are separate from each other. The Commission also must ensure that employees do not have an incentive to generate profits for the unregulated side of the business at the expense of retail consumers.

Q. PLEASE DISCUSS YOUR FIRST CONCERN: CG&E'S TRADING OF CONTRACT COAL FOR POWER.

A. This may be the most blatant use of regulated assets and personnel to benefit an unregulated business that I have ever seen.

The MP auditor described this transaction on pages 3-45 to 3-50 of the MP audit. Briefly, CG&E has a contract with Peabody Coalsales. During 1997, the spot market price for this coal was higher than the contract price. Thus, Peabody sought to find a way to ***not*** deliver some of this coal to CG&E so that Peabody could sell it for a higher price on the spot market. Peabody offered CG&E a cash payment to avoid taking this coal. CG&E rejected that offer and instead negotiated an agreement that traded 240,000 tons of this coal for 2,250 MWH of firm, on-peak power per week for each week of 1998 at a discounted price.

Q. WON'T THE RECEIPT OF POWER AT A DISCOUNTED PRICE BENEFIT CG&E'S RETAIL CUSTOMERS?

A. No, it will not. The agreement states that the power will be delivered to Cinergy at the Mid-Columbia hub in the State of Washington. In other words, CG&E traded a valuable asset – the right to receive coal at less than the current market price – for energy delivered to the State of Washington.

Q. WHY WOULD CINERGY WANT ENERGY DELIVERED TO THE STATE OF WASHINGTON?

A. The Mid-Columbia hub is a point of entry into the Western States Power Pool, which includes California, among other states. Cinergy has an unregulated operation known as Cinergy Power Marketing and Trading that is actively involved in buying and selling power in California and which even has an office in California. Cinergy was actively involved in trying to establish itself in the California electricity market at the time this agreement was entered into (September 1997).

Q. WHY WOULD CG&E SELL A VALUABLE ASSET IN ORDER TO BENEFIT AN UNREGULATED AFFILIATE?

A. The simple answer is that CG&E personnel did not make this transaction. The transaction was made on CG&E's behalf by a Cinergy affiliate, Cinergy Services, Inc.; specifically by Michael Martin, the Vice President for Power Marketing and Trading for Cinergy Services, Inc., who signed this agreement as agent for and on behalf of CG&E.

Q. HOW MUCH OF A BENEFIT WILL CINERGY POWER MARKETING AND TRADING RECEIVE FROM OBTAINING THIS POWER AT BELOW MARKET PRICE?

A. The agreement states that the power will be delivered to Mid-Columbia at a price that is \$3.20 per MWH below the market price. There are procedures in the agreement for determining the market price, such that the price was pre-determined prior to the start of 1998. Given the ability for Cinergy to hedge against price changes and essentially lock in the market price, the value to Cinergy's unregulated affiliate should be at least \$3.20 per MWH. The discount applies to 2,250 MWH per week for all 52 weeks of 1998. Thus, the total benefit to Cinergy's unregulated affiliate is \$374,400 (\$3.20 x 2250 x 52), or the equivalent of \$1.56 per ton on the 240,000 tons of coal that CG&E allowed Peabody to keep.

Q. DID CINERGY POWER MARKETING AND TRADING PAY ANYTHING TO CG&E IN ORDER TO RECEIVE THIS BENEFIT OF \$374,400?

A. No, it did not. CG&E simply gave up its right to purchase this coal and received no compensation in return. Cinergy Power Marketing and Trading received a valuable benefit and paid nothing for it.

Q. WHAT IS YOUR POSITION ON THIS ISSUE?

A. There is no question that CG&E's retail customers have been harmed by this transaction. CG&E sold a valuable asset that should have been used to provide service to its customers. At a minimum, CG&E should be required to provide to its retail customers all of the compensation that Cinergy received for the transfer of this coal. This should be done by reducing CG&E's EFC by \$374,400 to reflect the value of the benefit received by foregoing the purchase of this coal. It is no different than if CG&E sold this coal and received a premium of \$1.56 per ton. The only difference is that the "payment" was made to an unregulated affiliate rather than to

CG&E itself.

Second, I recommend that the Commission open an investigation and conduct a full audit of the relationship between CG&E and Cinergy Services, Inc. It is clear to me that Cinergy Services abused its relationship as agent for CG&E in this instance. It took a valuable asset from CG&E and gave it to an unregulated affiliate without paying any compensation to CG&E. The Commission should determine whether there are other instances where Cinergy Services, or other affiliates, have taken valuable assets or personnel from CG&E without paying adequate compensation.

Q. THE SECOND EVENT YOU MENTIONED EARLIER WAS CG&E'S TRANSFER OF COAL TO PSI. WHY DOES THIS RAISE A CONCERN?

A. This represents another instance where valuable CG&E assets – coal contracts – were diverted to a Cinergy affiliate without paying compensation to CG&E. The MP auditor discusses this issue on pages 2-3, 3-10, and 3-43 to 3-45 of the MP Audit. As the auditor states on page 3-10: "During the audit period, about 800,000 tons of CG&E contract coal moved to Gallagher [a PSI plant]." While PSI paid for this coal, there is no indication that PSI paid any compensation to CG&E for foregoing the right to use this coal instead of other coal.

Q. WHAT DID THE MP AUDITOR RECOMMEND ABOUT THIS TRANSACTION AND HOW DID CG&E RESPOND TO THAT RECOMMENDATION?

A. The auditor recommended that the profits to the Cinergy system, which CG&E estimates to be $1.4 million, should be divided 50/50 between CG&E and PSI. CG&E opposes this recommendation stating that any system-wide benefits will be allocated in accordance with PSI-CG&E dispatch agreements.

Q. DO YOU AGREE WITH EITHER THE AUDITOR OR CG&E?

A. No, I do not fully agree with either position. The first step in resolving this issue should be a recognition that CG&E's customers were directly harmed by having to pay higher fuel costs because PSI was allowed to purchase this coal. CG&E's customers must be compensated for this higher fuel cost. Once that compensation is paid, then the remaining system-wide benefits should be shared between CG&E and PSI. I believe that the PSI-CG&E dispatch agreements provide for such an allocation, but if they do not then it would be appropriate to implement a sharing mechanism such as the auditor recommends.

Q. PLEASE EXPLAIN WHY AND HOW CG&E'S CUSTOMERS WERE DIRECTLY HARMED BY THIS TRANSFER OF COAL FROM CG&E AND PSI.

A. The coal was under contract to CG&E. CG&E could have used this coal in its own plants. In fact, I reviewed the coal purchases at the Gallagher plant during 1997. The majority of the purchases, accounting for 854,700 tons out of a total of 985,100 tons, were from two sources: Cyprus Cumberland and Peabody Federal. Both of these sources have supplied CG&E's plants since at least 1994. Further, the coal from these sources is of a quality that CG&E uses – approximately 13,000 BTU/lb., between 2.0 and 2.5% sulfur, and between 7.0 and 8.5% ash. Finally, CG&E continued to purchase Cyprus Cumberland coal during the audit period. I show PSI's purchases from these sources, from its FERC Form 423 for each month of 1997, on Schedule SJR-1.

Q. DID CG&E PURCHASE COAL OF THIS SAME QUALITY DURING 1997?

A. Yes, it did. CG&E purchased approximately 1 million tons of coal of this quality during 1997. Of that amount, 215,000 tons were purchased from Cyprus Cumberland. I show CG&E's purchases of coal of a comparable quality on Schedule SJR-2.

Q. WOULD CG&E HAVE SAVED MONEY IF IT HAD PURCHASED THE COAL THAT CG&E ASSIGNED TO PSI'S GALLAGHER PLANT?

A. Yes, CG&E would have saved more than $540,000 if it had purchased this coal for its own use, rather than allowing PSI to purchase it for use at Gallagher. On Schedule SJR-3, I calculate the savings to CG&E if it had purchased the Cyprus Cumberland coal for use at its own plants. This is a very conservative calculation of the savings, since I have assumed that all of the Peabody Federal coal continued to go to the Gallagher plant. After allocating these savings among the joint owners of the generating plants for which CG&E purchases coal, the total savings in coal purchases allocated to CG&E would total $379,292, as I show on that schedule.

Q. PLEASE EXPLAIN SCHEDULE SJR-3.

A. CG&E had two sources of coal of this quality during 1997: Cyprus Cumberland and Federal No. 1 (Eastern Assoc. Coal), as I show on Schedule SJR-2. CG&E pays less for coal from Cyprus Cumberland than it does for coal from Federal No. 1. Therefore, on Schedule SJR-3, I calculate the savings to CG&E if it had purchased additional quantities of coal from Cyprus Cumberland instead of the higher-priced coal from Federal No. 1 that it actually purchased.

On Schedule SJR-3, I limit the total additional purchases from Cyprus Cumberland in each month to the actual amount of coal from that mine that went to the Gallagher plant (I show these totals on Schedule SJR-1).

Specifically, on Schedule SJR-3, I start with the actual coal purchases that CG&E made at each of its plants from Federal No. 1. The information shown in the columns under "Actual Purchase from Federal No. 1" is simply copied from Schedule SJR-2. I then assign the Cyprus Cumberland coal that CG&E allowed to go to the Gallagher plant to CG&E's own plants. I assigned this coal based on the difference in cost between Federal No. 1 and Cyprus Cumberland coal delivered to each plant.

Q. HOW DID YOU DETERMINE THE DELIVERED COST OF CYPRUS CUMBERLAND COAL AT CG&E'S PLANTS?

A. CG&E's plants were also receiving coal from this source in most months, so I was able to use an actual delivered cost. If a plant did not receive coal from Cyprus Cumberland during a particular month, I estimated the delivered cost to that plant by taking the actual delivered cost at other CG&E plants and applying the difference in transportation costs between plant sites. That difference in transportation costs was based on the actual difference in delivered costs during other months in the year. For example, coal from Cyprus Cumberland is consistently 0.90 cents per million BTU cheaper delivered to Beckjord than it is delivered to Miami Fort. Similarly, the delivered price at East Bend is consistently 0.60 cents per million BTU more than it is delivered to Miami Fort.

Q. PLEASE CONTINUE WITH YOUR EXPLANATION OF SCHEDULE SJR-3.

A. After assigning the Cyprus Cumberland coal to each plant, I then determined the savings to CG&E as if it had purchased Cyprus Cumberland coal rather than coal from Federal No. 1. That savings is then allocated to CG&E based on CG&E's ownership share of the generation at each plant site. Finally, the monthly figures are totaled and then allocated to the Ohio retail jurisdiction based on the ratio of CG&E's retail fuel costs to its total fuel costs.

Q. PLEASE TAKE US THROUGH A SAMPLE MONTH ON SCHEDULE SJR-3.

A. I will use the month of January 1997 to explain in detail how my adjustment is calculated. In January, CG&E purchased 108,200 tons of coal from Federal No. 1, divided among four plant sites as follows:

Miami Fort	15,800
Beckjord	2,300
East Bend	70,800
Zimmer	19,300
Total	108,200

The Gallagher plant received 55,900 tons of coal from Cyprus Cumberland during January 1997. So the next step was to allocate this coal among the CG&E plants that purchased the more expensive Federal No. 1 coal. I did this by comparing the difference between the delivered price of Federal No. 1 coal in January to the delivered price of Cyprus Cumberland coal to these plants in that same month.

In particular, Miami Fort and East Bend actually purchased coal from Cyprus Cumberland during January. The prices that I show on Schedule SJR-3 for Cyprus for these two plants are actual delivered prices. For the other two plants, I calculated a delivered price based on the difference in transportation costs between plant sites.

I then compared the delivered cost of Federal No. 1 coal to the delivered cost of Cyprus Cumberland coal at each site. In this month, the largest differential was 5.30 cents per million BTU at Miami Fort. So I replaced all Federal No. 1 coal with Cyprus Cumberland coal at Miami Fort. The next largest cost difference (5.0 cents per million BTU) was at Beckjord, so I replaced all of Beckjord's Federal No. 1 coal with Cyprus Cumberland coal. The third highest differential (3.30 cents per million BTU) was at East Bend. However, there was not enough Cyprus Cumberland coal remaining to replace all of the Federal No. 1 coal at East Bend. After assigning 15,800 tons to Miami Fort and 2,300 tons to Beckjord, only 37,800 tons remain for East Bend, out of the total 55,900 tons of Cyprus Cumberland coal purchased at Gallagher. So, I assigned the remaining 37,800 tons to East Bend.

I then calculated the cost savings from purchasing Cyprus Cumberland coal at each plant. This involves calculating the total BTU purchased, multiplying by the savings in cents per million BTU, then converting the result to dollars. The result of this calculation is shown in the "Savings" column. In this instance, the savings total $57,635 for the month of January. After allocating these savings to the joint owners of these plant sites, CG&E's cost of coal would have been reduced by $40,447 in the month of January 1997 if it had purchased coal from Cyprus Cumberland instead of allowing that coal to go to PSI's Gallagher plant.

I went through the same procedure in each month, except March 1997 when CG&E's plants did not purchase any coal from Cyprus Cumberland and Gallagher purchased only 15,000 tons from that source at a relatively high price. Based on the high price and small quantity of this coal during March, I found that no adjustment was appropriate for March 1997.

After performing this analysis for every month, I totaled the resulting adjustments to

CG&E's coal costs ($379,292) and applied a jurisdictional allocation factor, to reflect the amount of this fuel cost savings that is allocable to Ohio retail customers. The resulting adjustment to the EFC is $285,986.

Q. WHAT DO YOU RECOMMEND?

A. I recommend that CG&E should be required to return this difference to its retail customers. After reflecting the jurisdictional allocation, this results in a credit to the EFC of $285,986, as shown on Schedule SJR-3. Since CG&E assigned this coal to PSI without receiving any compensation, I believe that this is a reasonable method to determine the value that CG&E lost by not purchasing this coal for its own use.

Q. CG&E WITNESS BOSSE STATES THAT NO ADJUSTMENT SHOULD BE MADE FOR THE TRANSFER OF COAL TO PSI BECAUSE THE CINERGY SYSTEM RECEIVES A BENEFIT. DO YOU AGREE?

A. No, I do not agree. I understand the benefits of joint dispatch and joint procurement for the Cinergy system. However, a valuable asset should not be transferred from one Cinergy company to another without the payment of adequate compensation. In this instance, CG&E transferred lower-cost coal to PSI and received no compensation. CG&E had to replace this coal with higher-priced coal and it is attempting to pass that cost increase on to its retail customers. My adjustment recognizes that there was an additional cost to CG&E to replace this coal. That cost should be borne by PSI, not by CG&E's customers. The results to the Cinergy system as a whole are the same – the same coal is being purchased on a systemwide basis. The difference is that my adjustment fairly allocates the cost of procuring that coal between PSI and CG&E. In contrast, the Company's position would result in CG&E paying higher fuel costs and PSI paying lower fuel costs because CG&E gave up a valuable asset without receiving any compensation. My recommendation simply keeps CG&E customers whole, by requiring PSI to bear the cost of replacing the coal that CG&E assigned to PSI.

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A. At a minimum, I recommend that CG&E should be required to reduce its EFC by a total of $660,386 to reflect (1) its failure to receive compensation from Cinergy Power Marketing and Trading for trading coal for power ($374,400); and (2) its failure to receive compensation for allowing PSI to purchase coal that was under contract to CG&E ($285,986). These adjustments will eliminate the actual harm that CG&E's retail customers have suffered as a result of the conduct of CG&E and Cinergy during the audit period.

In addition, I recommend that the Commission conduct a full audit and investigation of the relationship between CG&E, Cinergy Services, Inc., and other affiliates. It appears that the Cinergy companies have lost sight of their primary mission, which should be to provide safe and reliable service to retail consumers at the lowest possible price. Instead, the Cinergy companies are diverting resources and personnel that are supposed to serve retail customers to other activities, in an attempt to generate unregulated profits for their investors. The Commission should fully investigate and audit the Cinergy companies to ensure that Ohio's retail consumers are not being abused by the relationships among CG&E and its affiliates within the Cinergy corporate structure.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

Cincinnati Gas & Electric Co.
Case No. 97-103-EL-EFC

Fuel Purchases by PSI at Gallagher Station from Cyprus Cumberland and Peabody Federal

Cyprus Cumberland

Month	1000 Tons	BTU/lb.	% Sulfur	% Ash	c/mmBTU
Jan-97	55.90	13,094	2.42	8.00	99.80
Feb-97	47.40	13,115	2.17	7.80	102.40
Mar-97	15.00	12,146	1.68	7.30	113.10
Apr-97	48.80	13,146	2.10	7.90	102.00
May-97	59.80	13,140	2.59	8.10	103.60
Jun-97	33.60	13,024	2.28	7.80	104.80
Jul-97	61.60	13,157	2.39	8.10	103.10
Aug-97	36.30	13,068	2.46	7.90	105.90
Sep-97	64.10	13,106	2.31	8.30	100.40
Oct-97	25.00	13,153	2.43	7.70	107.70
Nov-97	88.20	12,959	2.34	8.10	106.90
Dec-97	111.30	13,000	2.12	8.10	106.20
Tot/Avg	**647.00**	**13,052**	**2.30**	**8.01**	**104.17**

Peabody Federal

Month	1000 Tons	BTU/lb.	% Sulfur	% Ash	c/mmBTU
Jan-97	19.40	13,097	2.22	7.40	104.70
Feb-97	15.60	13,099	2.09	7.30	104.80
Apr-97	19.30	13,181	2.15	7.50	105.90
Aug-97	36.90	13,266	2.38	7.00	106.60
Sep-97	3.70	13,266	2.18	6.80	106.50
Oct-97	33.60	13,336	2.21	7.20	105.70
Nov-97	39.10	13,180	2.00	7.00	106.90
Dec-97	40.10	13,149	1.91	7.00	107.30
Tot/Avg	**207.70**	**13,202**	**2.13**	**7.14**	**106.27**

Source: FERC Form 423
Note: Average of BTU/lb., %Sulfur, %Ash, and c/mmBTU is weighted average

Cincinnati Gas & Electric Co.
Case No. 97-103-EL-EFC

Fuel Purchases by CG&E
13,000 BTU, 2.0 - 2.5% sulfur, 7.0 - 8.5% ash

Cyprus Cumberland

Month	Plant	1000 Tons	BTU/lb.	% Sulfur	% Ash	c/mmBTU
Jan-97	Miami Fort	1.80	13,090	2.49	8.00	102.80
Jan-97	East Bend	8.10	13,090	2.49	8.00	103.40
Feb-97	Zimmer	4.80	13,096	2.13	7.90	101.80
Feb-97	Beckjord	22.80	13,096	2.13	7.90	101.90
Feb-97	Miami Fort	16.40	13,096	2.13	7.90	102.80
Feb-97	East Bend	9.90	13,096	2.13	7.90	103.40
Apr-97	Beckjord	1.60	13,168	2.46	8.20	101.30
Apr-97	Miami Fort	10.10	13,168	2.46	8.20	102.30
Apr-97	East Bend	8.60	13,168	2.46	8.20	102.80
May-97	Beckjord	8.20	13,119	2.53	8.30	102.10
May-97	Miami Fort	1.70	13,119	2.53	8.30	103.10
May-97	East Bend	3.30	13,119	2.53	8.30	103.60
Jun-97	Beckjord	5.00	13,064	2.37	8.30	102.00
Jun-97	Miami Fort	2.40	13,064	2.37	8.30	102.90
Jul-97	Miami Fort	10.70	13,186	2.48	8.20	102.80
Jul-97	East Bend	11.70	13,186	2.48	8.20	103.20
Aug-97	East Bend	3.00	13,288	2.43	8.40	103.00
Sep-97	Miami Fort	5.40	13,182	2.40	8.30	102.60
Sep-97	East Bend	24.30	13,182	2.40	8.30	103.10
Nov-97	Beckjord	5.30	12,826	2.32	8.00	102.60
Nov-97	Miami Fort	14.60	12,826	2.32	8.00	103.50
Nov-97	East Bend	7.80	12,826	2.32	8.00	104.00
Nov-97	Miami Fort	0.30	12,826	2.32	8.00	103.50
Dec-97	Beckjord	3.40	12,970	2.07	8.40	102.00
Dec-97	Miami Fort	12.90	12,968	2.07	8.40	102.90
Dec-97	East Bend	11.00	12,970	2.07	8.40	103.40
Tot/Avg		**215.10**	**13,075**	**2.31**	**8.14**	**102.83**

Source: FERC Form 423
Note: Average of BTU/lb., %Sulfur, %Ash, and c/mmBTU is weighted average

Cincinnati Gas & Electric Co.
Case No. 97-103-EL-EFC

Fuel Purchases by CG&E
13,000 BTU, 2.0 - 2.5% sulfur, 7.0 - 8.5% ash

Federal No. 1 Eastern Assoc. Coal

Month	Plant	1000 Tons	BTU/lb.	% Sulfur	% Ash	c/mmBTU
Jan-97	Zimmer	19.30	13,100	2.32	7.80	104.70
Jan-97	East Bend	70.80	13,100	2.32	7.80	106.70
Jan-97	Beckjord	2.30	13,100	2.32	7.80	106.90
Jan-97	Miami Fort	15.80	13,100	2.32	7.80	108.10
Feb-97	Beckjord	4.50	13,218	2.05	7.50	109.50
Feb-97	Zimmer	7.90	13,218	2.05	7.50	109.50
Feb-97	East Bend	54.10	13,218	2.05	7.50	109.30
Feb-97	Miami Fort	21.90	13,218	2.05	7.50	110.50
Mar-97	Beckjord	4.50	13,182	2.12	7.40	109.20
Mar-97	Miami Fort	28.90	13,182	2.12	7.40	110.20
Mar-97	East Bend	69.40	13,182	2.12	7.40	110.70
Apr-97	Beckjord	9.70	13,290	2.34	7.30	106.20
Apr-97	Miami Fort	21.30	13,290	2.34	7.30	107.20
Apr-97	East Bend	53.70	13,290	2.34	7.30	107.70
May-97	Beckjord	31.90	13,319	2.47	6.70	104.80
May-97	East Bend	32.40	13,319	2.47	6.70	105.00
May-97	Miami Fort	22.40	13,319	2.47	6.70	105.70
Jun-97	Beckjord	15.00	13,182	2.19	6.80	108.40
Jun-97	Zimmer	11.50	13,182	2.19	6.80	108.40
Jun-97	Miami Fort	36.10	13,182	2.19	6.80	109.30
Jun-97	East Bend	34.20	13,182	2.19	6.80	109.90
Jul-97	Zimmer	5.00	13,370	2.29	7.10	105.90
Jul-97	East Bend	24.00	13,370	2.29	7.10	108.10
Jul-97	Beckjord	8.80	13,370	2.29	7.10	107.00
Jul-97	Miami Fort	15.00	13,370	2.29	7.10	107.50
Aug-97	Beckjord	0.30	13,287	2.37	7.00	107.50
Aug-97	Miami Fort	24.50	13,287	2.37	7.00	108.40
Aug-97	Beckjord	16.40	13,287	2.37	7.00	107.50
Aug-97	East Bend	54.00	13,287	2.37	7.00	108.90
Sep-97	Beckjord	14.30	13,259	2.22	7.20	109.10
Sep-97	Miami Fort	19.00	13,259	2.22	7.20	110.00
Sep-97	East Bend	6.30	13,259	2.22	7.20	110.50
Oct-97	East Bend	8.50	13,307	2.24	7.50	109.90
Oct-97	Beckjord	4.80	13,307	2.24	7.50	108.50
Oct-97	Miami Fort	0.20	13,307	2.24	7.50	109.40
Nov-97	Miami Fort	5.40	13,159	1.90	6.80	113.70
Nov-97	East Bend	6.50	13,159	1.90	6.80	114.20
Tot/Avg		**780.60**	**13,233**	**2.26**	**7.22**	**108.32**

Source: FERC Form 423
Note: Average of BTU/lb., %Sulfur, %Ash, and c/mmBTU is weighted average

Cincinnati Gas & Electric Co.
Case No. 97-103-EL-EFC

Adjustment to Cost of Coal

		Actual Purchase from Federal No. 1				If Cyprus Purchase				
Month	Plant	1000 tons	BTU/lb.	c/mmBTU	Cost ($)	1000 Tons	c/mmBTU	Savings	CG&E Share	Adjustment
Jan-97	Miami Fort	15.80	13,100	108.10	447,491	15.80	102.80	(21,940)	71%	(15,577)
Jan-97	Beckjord	2.30	13,100	106.90	64,418	2.30	101.90	(3,013)	77%	(2,320)
Jan-97	East Bend	70.80	13,100	106.70	1,979,242	37.80	103.40	(32,682)	69%	(22,550)
Jan-97	Zimmer	19.30	13,100	104.70	529,426	-	101.80	-	46%	-
Feb-97	Miami Fort	21.90	13,218	110.50	639,738	21.90	102.80	(44,579)	71%	(31,651)
Feb-97	Beckjord	4.50	13,218	109.50	130,263	4.50	101.90	(9,041)	77%	(6,962)
Feb-97	Zimmer	7.90	13,218	109.50	228,685	7.90	101.80	(16,081)	46%	(7,397)
Feb-97	East Bend	54.10	13,218	109.30	1,563,195	13.10	103.40	(20,432)	69%	(14,098)
Mar-97	East Bend	69.40	13,182	110.70	2,025,435	-	-	-	69%	-
Mar-97	Miami Fort	28.90	13,182	110.20	839,635	-	-	-	71%	-
Mar-97	Beckjord	4.50	13,182	109.20	129,553	-	-	-	77%	-
Apr-97	East Bend	53.70	13,290	107.70	1,537,252	48.80	102.80	(63,558)	69%	(43,855)
Apr-97	Miami Fort	21.30	13,290	107.20	606,917	-	102.30	-	71%	-
Apr-97	Beckjord	9.70	13,290	106.20	273,811	-	101.30	-	77%	-
May-97	Miami Fort	22.40	13,319	105.70	630,703	22.40	103.10	(15,514)	71%	(11,015)
May-97	East Bend	32.40	13,319	105.00	906,225	5.50	103.60	(2,051)	69%	(1,415)
May-97	Beckjord	31.90	13,319	104.80	890,540	31.90	102.10	(22,943)	77%	(17,666)
Jun-97	East Bend	34.20	13,182	109.90	990,912	33.60	103.40	(57,579)	69%	(39,729)
Jun-97	Miami Fort	36.10	13,182	109.30	1,040,252	-	102.90	-	71%	-
Jun-97	Beckjord	15.00	13,182	108.40	428,679	-	102.00	-	77%	-
Jun-97	Zimmer	11.50	13,182	108.40	328,654	-	101.90	-	46%	-
Jul-97	East Bend	24.00	13,370	108.10	693,743	24.00	103.20	(31,446)	69%	(21,698)
Jul-97	Miami Fort	15.00	13,370	107.50	431,183	15.00	102.80	(18,852)	71%	(13,385)
Jul-97	Beckjord	8.80	13,370	107.00	251,784	8.80	101.90	(12,001)	77%	(9,241)
Jul-97	Zimmer	5.00	13,370	105.90	141,588	5.00	101.80	(5,482)	46%	(2,522)

Cincinnati Gas & Electric Co.
Case No. 97-103-EL-EFC

Adjustment to Cost of Coal (continued)

		Actual Purchase from Federal No. 1				If Cyprus Purchase				
Month	Plant	1000 tons	BTU/lb.	c/mmBTU	Cost ($)	1000 Tons	c/mmBTU	Savings	CG&E Share	Adjustment
Aug-97	East Bend	54.00	13,287	108.90	1,562,711	36.30	103.00	(56,914)	69%	(39,270)
Aug-97	Miami Fort	24.50	13,287	108.40	705,752	-	102.50	-	71%	-
Aug-97	Beckjord	16.70	13,287	107.50	477,070	-	101.60	-	77%	-
Sep-97	East Bend	6.30	13,259	110.50	184,605	6.30	103.10	(12,363)	69%	(8,530)
Sep-97	Miami Fort	19.00	13,259	110.00	554,226	19.00	102.60	(37,284)	71%	(26,472)
Sep-97	Beckjord	14.30	13,259	109.10	413,715	14.30	101.70	(28,061)	77%	(21,607)
Oct-97	East Bend	8.50	13,307	109.90	248,615	-	-	-	69%	-
Oct-97	Miami Fort	0.20	13,307	109.40	5,823	-	-	-	71%	-
Oct-97	Beckjord	4.80	13,307	108.50	138,606	-	-	-	77%	-
Nov-97	East Bend	6.50	13,159	114.20	195,359	6.50	104.00	(17,449)	69%	(12,040)
Nov-97	Miami Fort	5.40	13,159	113.70	161,587	5.40	103.50	(14,496)	71%	(10,292)
Total		**780.60**			**22,377,393**	**386.10**		**(543,761)**		**(379,292)**

CG&E share of adjustment:	379,292
Ohio retail allocation factor:	75.4%
Ohio retail adjustment:	285,986

Notes

Tons from Cyprus are limited to total tons purchased for Gallagher in that month (see Sch. SJR-1).
Tons are assigned to plants based on largest difference in cost/mmBTU
Cost of Cyprus purchase is actual cost in that month (see Sch. SJR-2), or if no purchase made in that month, estimated price based on difference in transportation costs
CG&E share calculated from MP Audit Exhibit 3-1
Ohio retail allocation factor calculated using ratio of Fuel Only Cost of retail sales to total sales from Form ER-18-S