

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke Energy)
Ohio, Inc. for an Increase in its Electric Distribution) Case No. 12-1682-EL-AIR
Rates.)

In the Matter of the Application of Duke Energy) Case No. 12-1683-EL-ATA
Ohio, Inc. for Tariff Approval.)

In the Matter of the Application of Duke Energy)
Ohio, Inc. for Approval to Change Accounting) Case No. 12-1684-EL-AAM
Methods.)

**OBJECTIONS TO STAFF REPORT AND STATEMENT OF MAJOR ISSUES
OF CINCINNATI BELL TELEPHONE COMPANY LLC, CINCINNATI BELL
WIRELESS, LLC AND CYRUSONE INC.**

In accordance with R.C. § 4909.19, Ohio Admin. Code § 4901-1-28 and the Hearing Examiner’s Entry of January 10, 2013, Cincinnati Bell Telephone Company LLC, Cincinnati Bell Wireless, LLC and CyrusOne Inc. (collectively “the Cincinnati Bell companies”) hereby submit their objections to the January 4, 2013 Staff Report.

The Cincinnati Bell companies submit these objections without prejudice to or limitation upon their right to participate fully at the hearing in this proceeding, including the cross-examination of all witnesses presented as to all issues raised during the course of the proceeding. Whether or not they presents witnesses at the hearing, the Cincinnati Bell companies may adduce evidence through cross-examination of any witness concerning not only their objections to the Staff Report, but also to objections filed by others, particularly Duke Energy Ohio, Inc. (“DE-Ohio”), and as to such additional issues which the Commission or the Hearing Officer may, in their discretion, permit the parties to present in accordance with Ohio Admin. Code § 4901-1-28(C).

INTRODUCTION

On January 4, 2013, the Commission's Staff submitted its findings in the Staff Report concerning DE-Ohio's application for an increase in electric distribution rates. The investigation and preparation of the Staff Report were conducted in accordance with the Commission's Entry dated August 29, 2012. The Staff Report examines the operating income and rate base, rate of return, rates and tariffs, and quality of service of DE-Ohio.

OBJECTIONS TO STAFF REPORT

Operating Income

The Cincinnati Bell companies object to the Staff Report's failure to adjust property tax expense to reflect settlements between Duke and the Ohio Department of Taxation that reduced Duke's property tax liability.

Rate of Return

The Cincinnati Bell companies object to the recommended rate of return as reflecting the higher risk of an integrated utility, which includes businesses with higher risks than the distribution business, resulting in an excessive rate of return for distribution rates.

Cost of Service Analysis

The Cincinnati Bell companies object to the Staff Report's acceptance of DE-Ohio's Cost of Service Study, which does not accurately reflect customer related costs of service and disproportionately assigns costs to the DP customer class. Correspondingly, the rate of return in Table 1 on page 28 is skewed downward for the DP class of service.

Distribution of Proposed Revenue Increase

The Cincinnati Bell companies object to the proposed disproportionate rate increase recommendation in the Staff Report for the DP customer class.

STATEMENT OF MAJOR ISSUES

1. The proposed rate increases would have a disproportionate impact on customer classes.
2. The rate of return is excessive for a low risk distribution business.

Respectfully submitted,

/s/ Douglas E. Hart
Douglas E. Hart (0005600)
441 Vine Street, Suite 4192
Cincinnati, OH 45202
(513) 621-6709
(513) 621-6981 fax
dhart@douglasshart.com

Attorney for the Cincinnati
Bell Companies

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Objections to Staff Report and Statement of Major Issues of the Cincinnati Bell Companies was served upon the parties of record listed below this 4th day of February 2013 by electronic service.

/s/ Douglas E. Hart

Amy B. Spiller
Rocco O. D'Ascenzo
Jeanne W. Kingery
Elizabeth H. Watts
Duke Energy Business Services LLC
139 E. Fourth Street, 1303-Main
P.O. Box 961
Cincinnati, OH 45201-0960
Amy.spiller@duke-energy.com
Rocco.D'Ascenzo@duke-energy.com
Jeanne.Kingery@duke-energy.com
Elizabeth.Watts@duke-energy.com

Thomas J. O'Brien
Bricker & Eckler LLP
100 South Third Street
Columbus, OH 43215
tobrien@bricker.com

Terry L. Etter
Kyle L. Kern
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, OH 43215-3485
etter@occ.state.oh.us
kern@occ.state.oh.us

David F. Boehm
Michael L. Kurtz
Jody M. Kyler
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202
dboehm@bklawfirm.com
mkurtz@bklawfirm.com
jkyler@bklawfirm.com

Colleen L. Mooney
Ohio Partners for Affordable Energy
231 West Lima Street
Findlay, OH 45839-1793
Cmooney2@columbus.rr.com

Mark A. Whitt
Andrew J. Campbell
Whitt Sturtevant LLP
The KeyBank Building
88 East Broad Street, Suite 1590
Columbus, OH 43215
whitt@whitt-sturtevant.com
Campbell@whitt-sturtevant.com
Thompson@whitt-sturtevant.com

Vincent Parisi
Matthew White
Interstate Gas Supply, Inc.
6100 Emerald Parkway
Dublin, OH 43016
vparisi@igsenergy.com
mwhite@igsenergy.com

Trent A. Dougherty
Cathryn N. Loucas
Ohio Environmental Council
1207 Grandview Avenue, Suite 201
Columbus, OH 43212-3449
trent@theoec.org
cathy@theoec.org

Christopher J. Allwein
Williams Alwein and Moser, LLC
1363 Grandview Ave., Suite 212
Columbus, OH 43212
callwein@wamenergylaw.com

Kimberly W. Bojko
Colleen M. O'Donnell
Carpenter, Lipps & Leland LLP
280 North High Street, #1300
Columbus, OH 43215
Bojko@carpenterlipps.com
ODonnell@carpenterlipps.com

J. Thomas Siwo
Matthew W. Warnock
Bricker & Eckler LLP
100 South Third Street
Columbus, OH 43215-4291
tsiwo@bricker.com
mwarnock@bricker.com

Andrew J. Sonderman
Kegler, Brown, Hill & Ritter LPA
Capitol Square, Suite 1800
65 East State Street
Columbus, OH 43215
asonderman@keglerbrown.com

M. Howard Petricoff
Vorys, Sater, Seymour and Pease LLP
P.O. Box 1008
Columbus, OH 43216-1008
mhpetricoff@vorys.com

John Jones
Thomas Lindgren
Office of the Ohio Attorney General
180 E. Broad Street, 12th Floor
Columbus, OH 43215
John.jones@puc.state.oh.us
Thomas.lindgren@puc.state.oh.us

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Summary: Objection to Staff Report and Statement of Major Issues electronically filed by Mr. Douglas E. Hart on behalf of Cincinnati Bell Telephone Company LLC and Cincinnati Bell Wireless, LLC and CyrusOne Inc.