

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Adoption of Chapter)	
4901:1-42, Ohio Administrative Code,)	Case No. 12-2157-EL-ORD
Regarding Green Pricing Programs, to)	
Implement Am. Sub. S.B. 315.)	

**REPLY COMMENTS
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

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I. INTRODUCTION

The Office of the Ohio Consumers' Counsel ("OCC"), on behalf of all residential customers of Ohio electric distribution utilities ("EDUs"), responds to comments filed in this proceeding to implement Amended Substitute Senate Bill 315 ("S.B. 315").¹ Among other things, S.B. 315 authorizes the Public Utilities Commission of Ohio ("Commission" or "PUCO") to periodically review, and to recommend ways to improve or expand, the green pricing programs offered as part of competitive retail electric service ("CRES") in Ohio.²

In an Entry dated October 17, 2012, the Commission sought comment on the PUCO Staff's proposed green pricing rules, to be codified in a new Chapter 4901:1-42 of the Ohio Administrative Code ("Chapter 42").³ The Commission instructed that "comments be directed towards whether the proposed rules sufficiently address the

¹ S.B. 315 was signed by the governor on June 11, 2012 and became effective on September 10, 2012.

² R.C. 4928.70. S.B. 315 did not define the term "green pricing program." The PUCO Staff has proposed that the term mean "a program in which an Ohio electric distribution utility or CRES offers an electric product in which the product is marketed based on its fuel source and/or emissions profile. Such programs may include the use of renewable energy credits."

³ The proposed rules were issued as Attachment B to the October 17 Entry.

requirements of Am. Sub. S.B. 315 and how the rules could better address those requirements.”⁴

In initial comments filed on November 19, 2012, OCC urged the Commission to add needed consumer protections and clarity to the PUCO Staff’s proposed rules and to streamline them. OCC suggested changes to the proposed rules to accomplish this goal.

Initial comments were also filed by the consumer organization Citizen Power, Inc. (“Citizen Power”), and individually by industry interests the Retail Energy Supply Association (“RESA”), Ohio Power Company, FirstEnergy Solutions Corp. (“FES”) and Direct Energy Services, LLC and Direct Energy Business, LLC (“Direct Energy”). OCC’s Reply Comments address some of the issues raised by the other commenters.⁵

The industry interests generally view the rules as unnecessary, duplicative, a violation of their free speech rights, inconsistent with the governor’s Common Sense Initiative (“Initiative”) for regulations and beyond the scope of R.C. 4928.70. As discussed herein, the industry interests are wrong on these issues. OCC does agree, however, that the Commission should consider adopting a quarterly filing requirement for green pricing program information as suggested by Direct Energy.

II. DISCUSSION

A. Proposed Rule 3(A) is not duplicative and unnecessary.

The PUCO Staff’s Proposed Rule 3(A) would require providers offering green pricing programs to ensure that any program materials distributed to customers

⁴ Entry at 2.

⁵ If OCC does not address an issue raised in other comments, that should not be construed as OCC acquiescing to the position raised in the other comments.

“accurately portray the product.” In its Comments, OCC noted that the proposed rule does not specify the standard for determining the accuracy of the promotional materials.⁶ OCC suggested that in order to protect consumers and to provide certainty for consumers and providers alike, Proposed Rule 3(A) should require that such promotional materials comply with the marketing and solicitation provision of the CRES rules found in Ohio Adm. Code 4901:1-21-05.⁷ OCC also recommended that those who violate the green pricing rules be subject to the same penalties as those who violate the CRES rules:⁸ a forfeiture of up to \$10,000 per occurrence; suspension, rescission, conditional rescission, revocation or non-renewal of the provider’s certificate; rescission of a customer contract; and/or restitution or damages to the customer.⁹

Direct Energy and Citizen Power addressed the PUCO Staff’s Proposed Rule 3(A). Direct Energy did not oppose Rule 3(A) as proposed, but argued that the proposed rule is duplicative and unnecessary due to the existence of Ohio Adm. Code 4901:1-21-05(C) (“Rule 5(C”).¹⁰ Direct Energy noted that it is a violation of Rule 5(C)(3) if advertisements and promotional materials from CRES providers do not include the environmental characteristics of the service offered, if applicable.¹¹ In addition, Direct Energy observed, Rule 5(C)(9) prohibits CRES providers from marketing, advertising or claiming that environmental characteristics of their generation service energy source(s)

⁶ OCC Comments at 5.

⁷ Id.

⁸ Id. at 5-6.

⁹ Ohio Adm. Code 4901:1-21-15(A).

¹⁰ Direct Energy Comments at [2].

¹¹ Id.

provide an environmental advantage that does not exist.¹² Direct Energy stopped short of recommending that the Commission delete the proposed rule, however.

The Commission should retain the rule as proposed by the PUCO Staff, and bolster it with needed consumer protections, as OCC recommended. Because the green pricing rules are in a separate chapter of the rules from the CRES rules, it is not readily apparent that the CRES rules apply to promotional and marketing materials for green pricing programs. Hence the green pricing rules should cross-reference the applicability of any CRES rules to green pricing programs. The recommendation in OCC's Comments would serve that purpose.

Citizen Power stated that Proposed Rule 3(A) should apply to both program and marketing materials.¹³ Citizen Power recommended that the proposed rule cite to either the Federal Trade Commission's Guides for the Use of Environmental Marketing Claims or the Environmental Marketing Guidelines for Electricity published by the National Association of Attorneys General in 1999, or both, as guidelines for the accurate portrayal of marketing claims.¹⁴ OCC concurs with Citizen Power's recommendation, in addition to the cross-reference suggested in OCC's Comments.

¹² Id.

¹³ Citizen Power Comments at [1].

¹⁴ Id. at [1]-[2].

B. The Commission Should Not Eliminate or Modify Proposed Rule 3(B) as the Industry Interests Recommend.

The rule drawing the most response in comments was Proposed Rule 3(B), which would require providers to submit their green pricing program and marketing materials to the PUCO Staff for review at least ten days before initial distribution to existing or potential customers. Both RESA and Direct Energy recommended deleting the proposed rule.¹⁵ FES suggested alternative language that would make review of green pricing program and marketing materials “periodically upon request by the commission staff.”¹⁶ Alternatively, FES suggested that materials be provided to the PUCO Staff within four calendar days of a request from the PUCO Staff.¹⁷ Ohio Power’s only recommendation was that the information be provided “on an informational basis” instead of specifically for the PUCO Staff’s review.¹⁸

The industry interests oppose the proposed rule on four fronts. They claim that the proposed rule (1) is not within the scope of R.C. 4928.70, (2) is inconsistent with or could be replaced by other CRES-related rules, (3) violates their free speech rights and (4) is administratively burdensome. The industry interests, however, are wrong.

1. R.C. 4928.70 does not prohibit the PUCO Staff’s review of green pricing program and marketing materials.

The industry interests claim that requiring providers of green pricing programs to submit program and marketing materials in advance for PUCO Staff review is not within the scope of R.C. 4928.70. They argue that the proposed rule does not constitute “periodic review” under the statute because it continuously applies to individual

¹⁵ RESA Comments at 5; Direct Energy Comments at [4].

¹⁶ FES Comments at [4].

¹⁷ Id.

¹⁸ Ohio Power Comments at 2.

providers and green pricing projects.¹⁹ They also argue that the purpose of the statute is for the Commission to provide recommendations regarding the programs reviewed and thus there is no basis or justification for prior review or approval of materials by the PUCO Staff.²⁰ Direct Energy contends that the statute gives the PUCO Staff the authority to review or recommend changes to a green pricing program only after the program is in place and has known results, not before the program has begun.²¹

The industry interests' arguments that the PUCO Staff's proposed rule contravenes R.C. 4928.70 are baseless. The statute does not specify a cycle for Commission review of green pricing programs. Instead, through its silence on the issue, the statute leaves the frequency of the review up to the Commission's discretion. Through Proposed Rule 3(C), the Commission would have providers submit program data for review every six months.

Proposed Rule 3(B), however, can best be described as part of the Commission's monitoring and enforcement authority for CRES to protect consumers under R.C. 4928.10. That statute protects consumers from unfair, deceptive and unconscionable acts and practices in the marketing, solicitation and sale of CRES and in the administration of any contract for CRES. R.C. 4928.70 does not specifically prohibit the Commission from reviewing program and marketing materials before they are distributed to customers, and in fact such review could be construed as a means for recommending improvements to programs under the statute.

¹⁹ RESA Comments at 4; Direct Energy Comments at [2]-[3]; FES Comments at [3].

²⁰ RESA Comments at 4; Direct Energy Comments at [3]; FES Comments at [3].

²¹ Direct Energy Comments at [3].

The statute also does not require that the Commission's review or recommendations for changes to a green pricing program must be after the program is in place, as Direct Energy contends. If that were the case, the statute would have specified that the Commission conduct only a post facto review. But R.C. 4928.70 contains no such limitation, and the Commission should not read one into the law.

The PUCO Staff is intending that the Commission proactively protect consumers by reviewing green pricing program and marketing materials before they are distributed to ensure the materials do not mislead or deceive Ohioans. There is nothing wrong with the PUCO Staff's approach to consumer protection. The industry interests would have the Commission wait until consumers are harmed before determining that claims are deceptive or misleading. But the Commission, as part of its mission to monitor and enforce compliance with rules and statutory protections against deceptive and unfair utility practices,²² should direct its attention on the prevention of harm to consumers.

Proposed Rule 3(B) is not a continuous monitoring of green pricing programs, as the industry interests complain. The review would only occur when a provider is about to start "initial distribution to existing or potential customers."²³ Thus, the review would be a one-time occurrence. In that regard, OCC concurs with Citizen Power, which recommended an exception to the proposed rule for changes to previously accepted green pricing program and marketing materials that are de minimis and not related to green marketing claims, such as inserting a different locale where the offer is being made.²⁴

²² See PUCO Mission statement, available at <http://www.puco.ohio.gov/puco/index.cfm/about-the-commission/mission-and-commitments/>.

²³ Proposed Rule 3(B).

²⁴ Citizen Power Comments at [2].

2. Proposed Rule 3(B) is not inconsistent with or duplicative of other rules that apply to CRES.

The industry interests argue that the proposed rule is inconsistent with or could be replaced by provisions of the CRES rules. Direct Energy pointed to Ohio Adm. Code 4901:1-21-05(B), which requires CRES providers to give the Commission or the PUCO Staff, within five calendar days of a request, any promotional and advertising material targeted for residential and small commercial customers.²⁵ That rule, however, is an after-the-fact rule that would allow consumers to be harmed before the Commission could act. A more preferable function of the Commission is to ward off any harm to consumers before it happens.

FES, on the other hand, suggested that the Commission should rely on a rule requiring CRES providers to make specified information available electronically to the director of the service monitoring and enforcement department or the director's designee within four calendar days of making offers to Ohio residential customers.²⁶ The rule mentioned by FES, however, is specifically for the purposes of market monitoring and providing the public comparative information from CRES providers' residential standard contract offers.²⁷ The intent of that rule is to gather information for consumer awareness, not to determine if the product is accurately portrayed, as the PUCO Staff has proposed. Thus, the rule FES references is a poor substitute for the PUCO Staff's review of program and marketing materials before dissemination to consumers.

²⁵ Direct Energy Comments at [3]. Direct Energy erroneously cited to Ohio Adm. Code 4901:1-21-05(a).

²⁶ FES Comments at [3]-[4]. FES erroneously cited to Ohio Adm. Code 4901:1-23-03(D). The requirement FES referenced is found in Ohio Adm. Code 4901:1-21-03(D).

²⁷ Ohio Adm. Code 4901:1-21-03(D).

In addition, Direct Energy pointed to the sanctions under Ohio Adm. Code 4901:1-21-15 as further proof that the proposed rule is not needed.²⁸ Again, this rule is an after-the-fact rule, which only serves as a means to recompense consumers who have been harmed instead of preventing the harm in the first place. Proposed rule 3(B), on the other hand, proactively protects consumers, serves a unique purpose and is not duplicative with other rules.

3. Where, as here, the purpose of the PUCO Staff's review of green pricing program and marketing materials is to protect Ohioans from unlawful statements about their electric choices, the review would not violate the free speech rights of program providers.

Both RESA and Ohio Power raised concerns that the PUCO Staff's review would violate the free speech rights of green pricing program providers. RESA expressed the fear that future Commissions will use the penalty provisions of Chapter 4901:1-21 "as a means of prior restraint on the CRES provider's commercial speech."²⁹ Ohio Power also contends that the PUCO Staff's review will amount to a "gag order."³⁰ Their arguments, however, are without merit.

As Ohio Power admits, the materials that would be reviewed by the PUCO Staff involve commercial speech.³¹ When it comes to commercial speech, however, the rights of the speaker are not absolute, as the U.S. Supreme Court has acknowledged:

The First Amendment's concern for commercial speech is based on the informational function of advertising. Consequently, there can be no constitutional objection to the suppression of commercial messages

²⁸ Direct Energy Comments at [3]. See also Ohio Power Comments at 2.

²⁹ Id. OCC suggested that the penalty provision of Ohio Adm. Code 4901:1-21-15 be incorporated into the green pricing rules. OCC Comments at 5-6. As the language of OCC's proposal shows, the penalty would be imposed only after notice and hearing. Id., Attachment at 3.

³⁰ Ohio Power Comments at 2.

³¹ Id.

that do not accurately inform the public about lawful activity. The government may ban forms of communication more likely to deceive the public than to inform it, or commercial speech related to illegal activity.³²

http://www.law.cornell.edu/supct/html/historics/USSC_CR_0447_0557_ZO.html - 447 US 557n6

Admittedly, the proposed rule does not make the scope of the review clear. When read with Proposed Rule 3(A), however, the PUCO Staff's review apparently would be to determine whether the materials accurately portray the green pricing programs providers offer to consumers. Thus, the purpose of the PUCO Staff's review of the materials would be to protect Ohio consumers from unlawful statements. In addition, the review would protect the provider's competitors from losing existing or potential customers due to misleading or deceptive statements in the provider's materials. This is a proper function of prior review of commercial speech by government bodies.

Ohio Power also raised the concern that "there are no objective standards in the proposed rule that would facilitate an independent and objective determination by Staff that the materials should be approved."³³ In this regard, OCC recommends that the proposed rule should state that the review would be to ensure compliance with Ohio Adm. Code 4901:1-21-05.³⁴ The Commission should adopt OCC's recommendation.

4. The PUCO Staff's review of green pricing program and marketing materials before distribution to customers should not be administratively burdensome.

In their comments, several of the industry interests raised concerns about the burden Proposed Rule 3(A) would impose on green pricing program providers. Direct

³² *Central Hudson Gas & Electric Corp. v. Public Service Comm'n of New York*, 447 U.S. 557, 563-564 (1980) (citations omitted).

³³ Ohio Power Comments at 2.

³⁴ OCC Comments at 5-6.

Energy asserted that the proposed rule is a significant administrative burden.³⁵ Ohio Power called the proposed rule “unwise because it could unduly disadvantage of [sic] one competitive provider over another; holding up one provider’s marketing activities while letting another’s proceed without delay could stifle competition in this area, especially given the lack of specific guidance as to what materials should be deemed acceptable.”³⁶ These arguments, however, are without basis.

As noted earlier, the review would only take place before initial distribution of the program and marketing materials. If the Commission were to exempt from the rule modifications that are de minimis or do not involve green pricing claims, the review would only be necessary when a provider changes the claims or descriptions in its program or marketing materials.

RESA opposed the proposed rule as contravening the Initiative. RESA argued that by adding ten business days to every marketing program rolled out, the proposed rule may deter providers from bringing green pricing programs to Ohio.³⁷ This argument, however, is not availing.

In fact, the proposed rule is consistent with the Initiative. Under the Initiative, “[p]rotecting the public is first and foremost....”³⁸ A cornerstone of the Initiative is to promote compliance over punishment.³⁹ By subjecting green pricing program and marketing materials to pre-distribution review by the PUCO Staff, the Commission

³⁵ Direct Energy Comments at [4].

³⁶ Ohio Power Comments at 1-2.

³⁷ RESA Comments at 4.

³⁸ Executive Order 2011-01K at 1.

³⁹ Id. at 1-2.

would be protecting the public by ensuring that providers comply with PUCO rules, rather than punishing them after-the-fact, as some of the industry interests would prefer.⁴⁰

The review contained in the PUCO Staff's Proposed Rule 3(B) would not be administratively burdensome on providers, especially if materials could be submitted electronically.⁴¹ The industry should cooperate with the PUCO Staff's review that is designed to protect consumers.

C. The Commission Should Consider Adopting a Quarterly Filing Requirement for Proposed Rule 3(C), as Direct Energy Recommended.

In Proposed Rule 3(C), the PUCO Staff suggested that the Commission establish a semi-annual filing requirement for providers to file details of their green pricing programs with the Commission. In its comments, Direct Energy noted that Ohio Adm. Code 4901:1-25-02 already contains reporting requirements for similar information.⁴² Direct Energy recommended that instead of creating another report with different deadlines, the Commission should amend the Market Monitoring rules to include the green pricing data the proposed rule would require.⁴³ In addition, Direct Energy recommended that the Commission update the existing market monitoring forms to separate green pricing data from other data required on the form.⁴⁴

OCC has no objection to this change, subject to the discussion regarding confidentiality in the next section of these Reply Comments. Ohio Adm. Code 4901:1-25-02(A)(2) requires quarterly filings of information similar to that identified in Proposed

⁴⁰ See Direct Energy Comments at [4].

⁴¹ See Executive Order 2011-01K at 3, section 2.g.

⁴² Direct Energy Comments at [4].

⁴³ Id.

⁴⁴ Id.

Rule 3(C). Having green pricing information on a quarterly basis would be of greater benefit to the Commission as it reviews green pricing programs.

D. Many of the Providers' Concerns Regarding Disclosure of Competitively Sensitive Information Are Unfounded.

Several of the industry interests opposed some of the PUCO Staff's proposed rules because they feared the rules would lead to disclosure of competitively sensitive information. Direct Energy stated that Proposed Rule 3(B) "is an unnecessary blanket disclosure of competitively sensitive data."⁴⁵ FES opposed Proposed Rule 3(C), claiming that filing competitive sensitive information was not required by R.C. 4928.70.⁴⁶ And both FES and Direct Energy opposed the filing of competitively sensitive data under Proposed Rule 3(D), which would make the information public unless and until the provider filed a motion for protection, for fear it would be disclosed.⁴⁷ FES suggested that Proposed Rule 3(D) could be amended to make the information protected upon filing,⁴⁸ while Direct Energy recommended that "the green product data for CRES providers be treated as confidential information, unless and until the interconnection applicant or customer owner may make, or agree to make, such information public subject to Ohio Admin. Code § 4901:1-25-02(A)(5)(b)."⁴⁹ Many of these fears are unfounded.

Unless docketed, proprietary information provided to the Commission is subject to Ohio's Public Records law. R.C. 149.43(A)(1)(v) broadly defines public records to

⁴⁵ Id.

⁴⁶ FES Comments at [5].

⁴⁷ Id.; Direct Energy Comments at [5].

⁴⁸ FES Comments at [5].

⁴⁹ Direct Energy Comments at [5].

include records kept at any state office but excludes or exempts from this definition those records “whose release is prohibited by state or federal law.” Because Ohio has adopted the Uniform Trade Secrets Act, and has codified the definition of “trade secrets,”⁵⁰ public agencies such as the Commission are prohibited from releasing public documents that qualify as a trade secret. Although the exception is to be narrowly construed in favor of disclosure,⁵¹ information meeting the definition of “trade secret” is not to be disclosed.⁵² Thus, if green pricing information provided to the Commission truly is a “trade secret” under the law, the providers should have no fear of the information being disclosed.

As for information that is docketed, the Commission has established a procedure for the submission of material that the filer would like to be protected.⁵³ The process requires a showing by the filer that the material is worthy of protection, and is subject to challenge. This process is preferable to Ohio Adm. Code 4901:1-25-02(A)(5)(b), which would make the information confidential until the filer deems that it should not be.

However the Commission seeks to protect confidential information, it should severely limit the scope of the information to be protected. Only information that is truly a “trade secret” should be protected.

⁵⁰ R.C. 1331.61(D).

⁵¹ See *State ex rel. Rucker v. Guernsey Cty. Sheriff's Office*, 126 Ohio St.3d 224, 2010 Ohio 3288, 932 N.E.2d 327, ¶ 6 (“We construe the Public Records Act liberally in favor of broad access and resolve any doubt in favor of disclosure of public records.”)

⁵² See *State ex rel. Lucas Cty. Bd. of Commrs. v. Ohio Environmental Protection Agency* (2000), 88 Ohio St.3d 166, 172, 2000 Ohio 282, 724 N.E.2d 411 (“The Ohio Uniform Trade Secrets Act, R.C. 1333.61 through 1333.69, is a state law exempting trade secrets from disclosure under R.C. 149.43.”).

⁵³ Ohio Adm. Code 4901-1-24.

E. The Commission should reject the changes to Proposed Rule 3(E) advocated by Direct Energy and FES.

None of the parties objected to the intent of Proposed Rule 3(E), which requires any CRES provider who offers a green pricing program to maintain sufficient documentation to verify that adequate resources were secured and retired to support the products offered. Direct Energy recommends that the rules be incorporated into existing CRES requirements in Ohio Adm. Code 4901:1-21.⁵⁴ FES requests that a Green-e certification process satisfy the Commission's information request in Section E.⁵⁵ For non-Green-e products, FES requests that internal audited reports satisfy the requirement.⁵⁶ The Commission should not adopt these changes.

If a CRES provider wants to substitute the Green-e certification documentation to satisfy this rule, it should be allowed only at the discretion of the Commission and through a filed waiver request. The Commission should adopt the rule as proposed by the PUCO Staff, with the changes recommended in OCC's Comments.

F. Providers Should Be Required to Document That the Resources Used for Green Pricing Programs Are Separate from Those Used to Meet Ohio's Alternative Energy Portfolio Standard.

Only RESA appears to challenge Proposed Rule 3(F) which requires sufficient documentation to verify that the resources used to support participation in the green pricing program are separate from the resources used for compliance with the state's alternative energy portfolio standard ("AEPS"). RESA argues that "[n]o reason has been presented why a uniform, single system of verifying that the power being sold as green

⁵⁴ Direct Energy Comments at 6.

⁵⁵ FES Comments at 6.

⁵⁶ Id.

power is in fact from renewable resources. [sic]”⁵⁷ RESA also remarks that separate documentation systems will raise costs without a well-defined benefit.⁵⁸ RESA is off base with its criticism, however.

The criteria for a renewable energy credit (“REC”) used to satisfy the Ohio AEPS is very specific and can be more rigorous than a REC used to satisfy a green pricing program. The Ohio AEPS has requirements as to technology type, where geographically the REC is generated (and whether it is deliverable into the state), the in-service date of the generation and the life of the REC.⁵⁹ It is only logical that the green program provider be able to present documentation that qualifies the green product for AEPS purposes and for green pricing program purposes.

Also, if customers are paying a premium to have a higher percentage of their power be “green,” these RECs should not be used for compliance with the AEPS since customers are already paying for these through bypassable alternative energy riders in the case of EDUs or internally in the price offered by CRES for retail electric service. The Commission should adopt the PUCO Staff’s Proposed Rule 3(F), with the changes recommended in OCC’s Comments.

III. CONCLUSION

Many of the arguments offered by the industry interests in opposition to the green pricing rules proposed by the PUCO Staff are baseless. The Commission should reject the industry’s proposals discussed above. In order to protect consumers, the Commission

⁵⁷ RESA Comments at 6.

⁵⁸ Id. at 6-7.

⁵⁹ Ohio Adm. Code 4901:1-40-03 and 4901:1-40-04.

should adopt the PUCO Staff's proposed rules, with the changes recommended in OCC Comments.

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I hereby certify that a copy of the foregoing Reply Comments was served by electronic service to the persons listed below on this 4th day of December 2012.

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