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May 15, 2018

Via Electronic Filing
Rosemary Chiavetta, Secretary
PA Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265

Re: Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval of Their Default Service Program (DSP-V) – Docket Nos. P-2017-2637855; P-2017-2637857; P-2017-2637858; and P-2017-2637866

Dear Secretary Chiavetta:

Enclosed for electronic filing please find the Reply Brief and Statement in Support of Joint Petition for Partial Settlement of the Retail Energy Supply Association ("RESA") with regard to the above-referenced matter. Copies to be served in accordance with the attached Certificate of Service.

Sincerely,

Deanne M. O'Dell

DMO/lww
Enclosure

cc: Hon. Mary Long w/enc.
Cert. of Service w/enc.

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of RESA's Reply Brief and Statement in Support of Joint Petition for Partial Settlement upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

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Dated: May 15, 2018

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Petition of Metropolitan Edison	:	Docket No. P-2017-2637855
Company, Pennsylvania Electric Company,	:	P-2017-2637857
Pennsylvania Power Company and West	:	P-2017-2637858
Penn Power Company for Approval of their	:	P-2017-2637866
Default Service Programs	:	

REPLY BRIEF AND STATEMENT IN SUPPORT OF JOINT PETITION FOR PARTIAL SETTLEMENT OF RETAIL ENERGY SUPPLY ASSOCIATION

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I. INTRODUCTION

On December 4, 2017, Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company (collectively, "FirstEnergy" or "Companies") filed for approval of their Default Service Programs for the period of June 1, 2019 through May 31, 2023. The Retail Energy Supply Association ("RESA") is a trade association of electric generation suppliers ("EGSs"), many of whom are licensed in Pennsylvania and make competitive supply offerings available to consumers in the service territories of the Companies.[1] As such, this default service proceeding presents many issues of significant importance to RESA members and RESA has submitted various pieces of supporting testimony and exhibits in support of its preferred outcomes.

Because RESA anticipated and fully addressed many of the arguments in opposition to its recommended outcome in its Main Brief (and incorporates those arguments herein), this Reply Brief is narrowly focused on: (1) responding to the opposition raised by parties regarding the bypassable retail market enhancement rate mechanism; (2) providing additional support for the Joint Stipulation Regarding the Purchase of Receivables Clawback Mechanism; and, (3) addressing proposals to restrict the shopping ability of low-income customer assistance program ("CAP") participants in light of the May 2, 2018 opinion of the

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[1] The comments expressed in this filing represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of twenty retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

Commonwealth Court.[2] Also provided below is RESA's Statement in Support of the Joint Petition for Partial Settlement that is simultaneously being filed with the Commission.

II. REPLY TO MAIN BRIEFS OF OTHER PARTIES

A. Bypassable Retail Market Enhancement Rate Mechanism

Parties oppose the retail rate mechanism based on their arguments that: (1) it is inappropriate to increase the amount of the PTC as a way to incentivize shopping (or to penalize customers for electing to remain with default service); (2) there is no cost based justification to support the proposed mechanism; and, (3) increasing the amount of the PTC will increase overall pricing of electricity.[3]

1. Retail Rate Mechanism Is A Means Of Correcting For Market Inequities Occurring Under Today's Retail Market Design And Not A Way To Incentivize Shopping

All the opposition to the retail rate mechanism is rooted in the premise that it should be judged as a mechanism to incentivize shopping. By characterizing the proposal in this way, the retail rate mechanism is marginalized as a purely artificial tool to push customers onto EGS service. RESA strongly disagrees with this interpretation of the retail rate mechanism. Rather, the retail rate mechanism is a means of correcting for market inequities occurring under today's retail market design.[4] In fact, the market inequities that exist today

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2 *Retail Energy Supply Association v. Pennsylvania Public Utility Commission*, No. 230 C.D. 2017, 2018 WL 2027155 (Pa. Commw. Ct. May 2, 2018).

3 *See, e.g.,* OCA M.B. at 18-25; OSBA M.B. at 9-11; I&E M.B. at 16-24; Industrials M.B. at 7; NextEra M.B. at 2.

4 RESA M.B. at 10-14.

as described by RESA Witness Hudson were not disputed in the record of this proceeding.[5] These inequities include:[6]

- Numerous costs incurred by EGSs (in addition to customer acquisition costs) to make a retail electric product available in the market – many of which are not incurred by EDCs as a result of today's retail market design (and, therefore, not factored into the PTC pricing for default service).
- Costs incurred by EDCs (unlike EGSs) can be recovered from all ratepayers through distribution rates (or other non-bypassable mechanisms) bypassing the need to incorporate them into the PTC.
- EDCs have well-established historical assets and resources that have been paid for (and continue to be paid for) by ratepayers which support both the provision of default service and distribution service so that these costs are not properly allocated to the PTC.[7]
- Default service enjoys many competitive advantages over competitively priced EGSs due to the historical monopoly role of the EDC and the very nature of default service as the automatic "service of first resort" under Pennsylvania's retail market design.

None of the parties opposing the retail rate mechanism directly address any of these inequities nor dispute that the retail rate mechanism can be an effective tool to at least partially mitigate the anti-competitive effect of these inequities. Regarding this point, in fact, there can be no serious dispute.

The historical monopoly position of the EDCs was well understood at the time the Electricity Generation Customer Choice and Competition Act ("Competition Act") was adopted.[8] Specifically, the General Assembly "found and declared" that "the

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5 RESA St. No. 1 at 24-26; RESA St. No. 1-R at 7-11; RESA St. No. 1-SR at 2-7. Although RESA has reached a settlement regarding its concerns related to FirstEnergy's non-commodity billing practices, Mr. Hudson's testimony on this issue further illustrates the difficulty for EGSs under Pennsylvania's existing retail market design in terms of the inability of EGSs to include on the consolidated bills to customers non-commodity products and services although EDCs are able to do so.

6 RESA M.B. at 9-10 (referencing RESA St. No. 1 at 23-25 and RESA St. No. 1-R at 7-8).

7 For example, the Companies the Companies do not allocate costs to the PTC for legal or regulatory costs incurred through this proceeding, metering and related expenses, or billing and IT system costs. See Exhibit RJH-6, FirstEnergy Discovery Response to RESA-I-10.

8 *Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania v. PUC*, 120 A.3d 1103-1104, 1106 (Pa. Commw. Ct. 2015), appeals denied, 136 A.3d 982 and 136 A.3d 983 (Pa. 2016).

Commonwealth must begin the transition from regulation to greater competition in the electricity generation market" and "competitive market forces are more effective than economic regulation in controlling the costs of energy."[9] As part of the transition to competition, the Competition Act defines "direct access," in part, at the right of EGSs to have nondiscriminatory access comparable to the EDC's own use of its system.[10] The Competition Act also empowers the Commission to take steps to prevent anticompetitive or discriminatory conduct and to investigate "the impact on the proper functioning of a fully competitive retail electricity market. . . anticompetitive or discriminatory conduct affecting the retail distribution of electricity."[11]

In furtherance of these statutory provisions, the Commission has a long history of approving and implementing policies designed to create a fair and level playing field in Pennsylvania's retail electricity market. Below are some examples:

- The decision to allow for utility consolidated billing and purchase of receivables is a market design feature to correct for the advantages that the EDC has in billing, collection and customer care costs by having legacy systems that were fully paid for through regulated rates.
- Policies requiring the EDCs to make customer data available via EDI, EGS web portals and other EDC to EGS operational interfaces are a recognition that the EDC is the "gatekeeper" for customer usage and meter data.
- The Commission's code of conduct standards preventing the EDC from leveraging its position to disadvantage new market entrants is a market oversight rule intended to create a level playing field.

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9 66 Pa. C.S. § 2802(5) and (7).

10 66 Pa. C.S. § 2803(Direct Access is defined as "The right of electric generation suppliers and end-use customers to utilize and interconnect with the electric transmission and distribution system on a nondiscriminatory basis at rates, terms and conditions of service comparable to the transmission and distribution companies' own use of the system to transport electricity from any generator of electricity to any end-use customer.)(emphasis added); 66 Pa. C.S. § 2804(6) ("A public utility that owns or operates jurisdictional transmission and distribution facilities shall provide transmission and distribution service to all retail electric customers in their service territory and to electric cooperative corporations and electric generation suppliers, affiliated or nonaffiliated, on rates, terms of access and conditions that are comparable to the utilities own use of its system.") (emphasis added).

11 66 Pa. C.S. §§ 2811(a) and (b).

- Rate design and cost recovery policies[12] that require the EDCs to reflect wholesale generation supply costs in default service rates instead of through distribution rates or non-bypassable charges, is another market design policy to create a level playing field.[13]

Adopting the retail rate mechanism is consistent with these prior pro-competitive Commission actions focused on creating a fair market in which EGSs have a fair and equal opportunity to compete. While these policies may have had the effect of stimulating shopping, they were not incentives to shop.[14] As RESA Witness Hudson testified, "[c]orrecting for an unfair competitive advantage accruing to the benefit of the EDC's default service is a sound policy regardless of the level of customer shopping."[15]

2. The Retail Rate Adder Is Reasonably Based On The Avoided Customer Acquisition Cost To FirstEnergy

Those opposing the retail rate mechanism take the view that there is no specific cost to the EDC that needs to be recovered through the PTC. This view, however, ignores that part of the current market inequities that exist relative to the EDC's provisioning of default service include numerous costs incurred by EGSs that are not incurred by the EDCs and, therefore, not reflected in the EDC's PTC.[16] FirstEnergy has proposed a reasonable way to calculate one of these costs, i.e. customer acquisition, and to include that cost in the PTC.

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12 52 Pa. Code § 69.1808 of the Commission's Policy Statements addresses the costs of default service that should be recovered in the price to compare.

13 RESA St. No. 1-SR at 3-4.

14 The EDC's default service continues to have a dominant position with market share ranging from 68% to 74% of the residential market. RESA St. No. 1-SR at 2. As RESA Witness Hudson testified, "the fact that EGSs have managed to compete and attain some degree of success does not prove the absence of competitive advantages for default service or the lack of economic barriers for EGSs. Indeed in some of the most notorious examples of regulators or the courts reigning in competitive abuses, there was evidence of some competitors managing to do business. For example, in the Microsoft antitrust case, competitors such as Netscape, Firefox and Mozilla, still managed to compete during the early years of the browser wars. According to some reports, Netscape had as much as half of the internet browser market in 1998, when the Microsoft antitrust trial began." RESA St. No. 1-SR at 2.

15 RESA St. No. 1-SR at 4.

16 RESA M.B. at 11-14.

Thus, arguments that there does not exist any reasonable cost basis upon which to calculate the retail rate mechanism are without merit.

3. Price Competition, Product Differentiation And Individual Consumer Value Drivers Will All Influence The Market Clearing Price For The Range Of Products And Services Offered By EGSs

Some opponents of the retail rate mechanism argue that any increase in the PTC will result in a corresponding increase to EGS prices. This view, however, fails to recognize that price competition, product differentiation and individual consumer value drivers will all influence the market clearing price for the range of products and services offered by EGSs. Because EGSs compete with one another, an EGS that attempted to increase its offer prices by the amount of the retail rate mechanism would be undercut by a competing EGS offering its service at a lower price. Additionally, customer shopping decisions are influenced by a number of factors beyond a simple comparison of the EGS' price to the PTC and these drivers will influence the products and services that are available in the market. Moreover, as explained by RESA Witness Hudson, if adoption of the retail rate mechanism would increase pricing then that would be clear evidence that Pennsylvania's default service market design is inherently anti-competitive and affords the economically unregulated EDC-default service option with a level of market power that would not be tolerated for any other competitive industry.[17]

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17 Market power and monopoly power are defined as the ability of a firm to control or influence the price of a good or service. If the EDC can effectively set the clearing price at which its competitors (i.e., EGSs) price their services, then, by definition, the EDC default service has substantial market power (or even monopoly power) creating the risk of anticompetitive market outcomes and reducing consumer welfare. RESA St. No. 1-R at 11.

B. Purchase of Receivables Clawback Provision

1. Support For Joint Stipulation Regarding POR Clawback

While the POR clawback mechanism is unnecessary and has the potential to result in unintended consequences,[18] RESA did not oppose continuing the clawback mechanism as a way to limit the number of contested issues in this proceeding and in recognition that its purpose is to address concerns regarding alleged undisciplined pricing and other unsavory marketing practices by some EGSs (though RESA does not agree that there is evidence of a widespread problem).[19]

However, RESA's non-opposition to the POR clawback was conditioned on the implementation of the following:

- The POR clawback charge should only be approved for an additional two-year period as an extension of the current pilot, rather than a four year program.[20]
- After the additional two-year period, the POR clawback should be reevaluated with the results of that reevaluation presented to the parties during the mid-point collaborative RESA recommended for the summer of 2020 to evaluate the procurement portfolio.[21]
- The Companies should develop a reporting mechanism for conveying timely information to EGSs about the nonpayment of an EGS' customers' charges.[22]
- The Companies' modify their POR rules (Section 12.9 of the EGS Tariffs) to allow EGSs to conduct credit screening for residential customers.[23]

An EGS assessed a clawback charge must pay the clawback charge and, if it does not, the Companies maintain the right to withhold the amount from the POR payments owed

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18 More specifically, the clawback charge presents a risk that an EGS engaging in good faith business practices could unwittingly trigger the charge even though the EGS' business practices are not increasing the overall bad debt levels. RESA St. No. 1 at 13-14, RESA Exh. RJH-3.

19 RESA St. No. 1 at 14.

20 RESA St. No. 1 at 14-15.

21 RESA St. No. 1 at 7, 14-15.

22 RESA St. No. 1 at 13-17.

23 RESA St. No. 1 at 17-18.

by the Companies to the EGS. Thus, with the POR clawback mechanism in place, EGSs are potentially subject to financial penalties if their customer base experiences an unusually high level of non-payment.[24] This is very different from the traditional "non-recourse" POR program where the EDCs purchase the EGS's accounts receivables and assume all risk related to non-payment.[25] RESA's proposed modifications were designed to give the EGSs the tools necessary to enable them to proactively limit the non-payment of their customers.[26]

RESA supports the Joint Stipulation Regarding POR Clawback as a reasonable resolution of its issues related to the clawback mechanism. While adopting this Stipulation does not implement all of RESA's proposals, the Companies agree to develop an EGS-specific customer arrears report with unpaid aged EGS account balances on a quarterly basis beginning no later than October 22, 2018 reflecting EGS arrears for the third quarter 2018.[27] With this information, EGSs can undertake a range of proactive measures to address customer non-payment if they are provided timely data about the customer's payment status. For example, an EGS may elect to contact the customer to determine the root cause of the nonpayment (i.e. perhaps the customer is dissatisfied with the EGS's product or service) and could offer a different product or other value-add that would assist the customer with making payment.[28] EGS action with their nonpaying customers could lessen the amount of

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24 RESA St. No. 1 at 15-16.

25 See Respond Power, St. No. 1 at 6-7 ("Essentially, the clawback charges have transformed the Companies' POR program into 'with recourse' programs" because the Companies have the future remedy of imposing clawback charges on EGSs after fully purchasing the receivables if the customers do not pay their EGS charges.)

26 As designed there is no way for EGSs to take proactive action to prevent (or to even know) that their customers' non-payment will subject them to the requirement to pay the Companies' clawback charge. Waiting until the charge is assessed and then attempting to validate the data relied upon by the Companies to assess the clawback charge is not reasonable because the underlying data may be many years old and may involve end users who are no longer customers of the EGS at the time the charge is assessed. RESA St. No. 1 at 15-16.

27 Joint Stipulation Regarding POR Clawback at ¶ 3.

28 RESA St. No. 1 at 15.

uncollectible expense for all ratepayers.[29] Giving EGSs the tools to proactively manage the underlying cause of a charge that the Companies may assess is a reasonable way to balance the competing concerns related to the POR clawback.

2. Response To OCA's Opposition To Joint Stipulation In Support Of POR Clawback

The Joint Stipulation includes the Companies' agreement to develop an EGS-specific customer arrears report that will be provided to the EGSs to give them information about their customers' non-payment which may result in the imposition of a clawback charge that the EGS will have to pay. Only OCA objects to this provision claiming that "EGSs are not entitled to receive or permitted to access such customer information" and that "there has been no showing that proper customer consent has been obtained or will be obtained."[30]

Taking the view that EGSs should be denied access to information about their customers makes no sense. EGSs are licensed by the Commission and required to comply with various Commission regulations.[31] This includes the regulatory requirements governing their release of customer information to third parties and maintaining the confidentiality of a consumer's personal information.[32] Any EGS that fails to comply with the Commission's requirements will face costly consumer complaints, regulatory actions, and the possible revocation of its authority to operate.

Moreover, OCA's view that some type of "new" or "additional" consumer consent is needed to release this information within the control of the EDC to the EGS is inconsistent with the Commission's efforts through the years to ensure that EGSs have equal access to

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29 RESA St. No. 1 at 17.
30 OCA M.B. at 15-16.
31 66 Pa.C.S. § 2809.
32 52 Pa. Code §§ 54.8 and 54.43(d).

customer information. As explained in RESA's Main Brief, the Commission has already concluded that a customer's privacy is not compromised when a utility shares non-payment information with the non-billing party regarding the non-billing party's charges.[33] More recently, in the context of implementing restrictions on the shopping ability of PPL's customer assistance program ("CAP") customers, the Commission has recognized that EGSs are entitled to be proactively informed by the EDC about their customer's CAP status. In the PPL case, EGSs are expected to drop customers who are enrolled in PPL's CAP – therefore the information about CAP participation is needed. According to the Commission, expecting EGSs to continually check PPL's web-portal to constantly cross-check customer lists to determine which of the EGS's customers has recently enrolled in CAP is unreasonable. Thus, the Commission directed PPL to generate an EGS-specific report about customer enrollments in CAP and to email that information to each EGS on at least a once a month basis.[34]

The non-payment reports proposed by FirstEnergy are similar to the reports directed by the Commission in the PPL context because the FirstEnergy reports also contain information upon which the EGSs will be impacted. Here, the non-payment of the EGS's customers may lead to imposition of the clawback charge that the EGS will be required to pay. Therefore, similar to the decision of the Commission in the PPL context, there is no

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33 RESA M.B. at 7.

34 *Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2017 Through May 31, 2020*, Docket No. P-2016-2526627, Final Order entered February 9, 2018 at 25.

rational reason upon which to deny EGSs access to the reports (about the EGSs' customers) that the Companies are willing to provide.[35]

C. No Restrictions on Ability of CAP Participants To Shop Should Be Implemented

As explained more fully in RESA's Main Brief, it supports the Companies' position that no restrictions should be placed on the ability of CAP participants to shop.[36] While the Commonwealth Court has issued a decision regarding RESA's appeal of PPL's CAP-SOP, the period of time to seek allocator remains open and, therefore, the decision has not yet become final. Moreover, and consistent with the Companies' Main Brief, the record evidence in this proceeding shows that a CAP shopping price ceiling would severely limit, if not entirely eliminate, the EGS options available to the Companies' CAP participants.[37] While the most recent action of the Commonwealth Court does recognize that restrictions on the shopping ability of CAP participants may be appropriate, the Commonwealth Court is also clear that the Commission is required to ensure that an appropriate balance is achieved[38] – a balance which cannot be achieved here based on the restrictions proposed, the record evidence, and the result that would occur.

III. STATEMENT IN SUPPORT OF JOINT PETITION FOR PARTIAL SETTLEMENT

RESA supports the Joint Petition for Partial Settlement ("Settlement"). While the Settlement does not resolve all of the issues and concerns raised by RESA, it does represent

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35 Also worth noting is that EGSs may freely access this information from FirstEnergy today for their active customers. FirstEnergy M.B. at 26, n. 102. However, similar to the PPL situation, obtaining access to the information can be a laborious process for EGSs.

36 RESA M.B. at 21-29.

37 Companies M.B. at 37-39.

38 *Retail Energy Supply Association v. Pennsylvania Public Utility Commission*, No. 230 C.D. 2017, 2018 WL 2027155, at *11 (Pa. Commw. Ct. May 2, 2018).

improvements on many issues proposed by the Companies (as well as the other parties) and was developed as the result of the parties working cooperatively to reach a reasonable and comprehensive compromise of all the issues. In addition, the Settlement reduces the administrative burden and costs to resolve the numerous issues. For all these reasons and as explained further below, the Settlement is in the public interest and should be adopted. Thus, RESA respectfully requests that the Settlement be approved without modification.

A. Non-Commodity Products

In testimony, RESA raised concerns related to billing for non-commodity products and services and recommended that the Commission direct the Companies take action to address these concerns. More specifically, RESA Witness Hudson testified about inherent competitive disparity regarding the billing practices for the Companies based on: (1) the obstacles that EGSs face in their ability to bring innovations to market in Pennsylvania because of utility bill limitations such as restricting charges under the POR program to "basic service" charges only; and, (2) the fact that FirstEnergy offers and markets non-commodity products and services and offers customers the ability to bill for these products on the utility consolidated bill.[39] To address these concerns, RESA recommended that the Commission require the Companies to implement a pilot supplier consolidated billing program, and until such program is in place, allow EGSs to bill non-commodity products with the utility bill.[40]

Through the Settlement, the parties agree that issues related to supplier consolidated billing shall be addressed in the Commission's generic proceeding on the topic at Docket

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39 RESA St. No. 1 at 27-37.
40 RESA St. No. 1 at 33-37.

No. M-2018-2654254.[41] The parties also acknowledge, as part of the Settlement, that any party retains the ability to request that the Commission – as part of the supplier consolidated billing docket – take administrative notice of the record in this proceeding regarding the current non-commodity billing practices of the Companies for their own products and services.[42]

RESA supports the resolution of this issue as a reasonable compromise to most effectively utilize resources and in recognition that the Commission is in the process of investigating supplier consolidated billing. Because RESA secured the agreement of the other parties that they would not object to a request that the Commission take judicial notice of the record developed here, the Settlement retains the ability of RESA to continue to pursue its advocacy regarding this issue in a broader context. As such, RESA supports the Settlement regarding this issue.

B. FERC 494 Settlement And Network Integration Transmission Services

The Companies classify certain PJM-related cost components as "non-market based" ("NMB") charges and, for these cost components, the Companies have assumed the cost obligation on behalf of all load on their system, including default service load and load served by EGSs. The Companies are proposing to add as an NMB charge charges related to the reallocation of PJM RTEP costs resulting from FERC Docket No. EL05-121-009 but, as part of the Settlement, the Companies are not proposing any changes to the current treatment of Network Integration Transmission Services ("NITS").[43]

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41 Joint Petition for Partial Settlement at Section II, 11,A,1.
42 Joint Petition for Partial Settlement at Section II,11,A.2.
43 Joint Petition for Partial Settlement at Sections II,11,B and E.

RESA's concerns related to the FERC 949 Settlement charges were based on the complicated nature of this issue given the pendency of the settlement at FERC and how approval of the settlement will impact the reallocation of original transmission cost allocations.[44] Based on further discussions with the Companies as well as the rebuttal testimony submitted on behalf of the Companies, RESA agrees to consider this issue as uncontested consistent with the terms of the Settlement.

Regarding, NITS the Companies do not provide the same cost assignment treatment as they do for other NMB Charges. While RESA did not propose to change the Companies current treatment of NITS, RESA supported the testimony of ExGen to reassign the cost responsibility for residential customers to the Companies.[45] Though RESA continues to support reclassifying NITS as a non-market based charge wherein the Companies would assume these costs on behalf of all load and recover costs through non-bypassable charges and supported ExGen's attempt to place additional cost recovery methodologies on the table for consideration, the parties were unable to find a mutually agreeable way to move this issue forward and have ultimately agreed to maintain the status quo as reflected in the Settlement.[46] Based on the discussions in this proceeding, RESA supports this resolution of the issue at this time but does not waive any rights to continue to pursue its preferred approach in future proceedings as may be appropriate.

C. Net Metering And Time Of Use

RESA did not raise any concerns related to the Companies' net metering policies or its Time-Of-Use ("TOU") rate but does not oppose the agreement of the Companies in the

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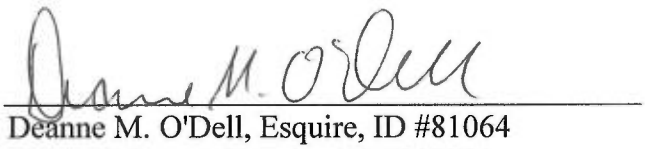
44 RESA St. No. 1 at 38-39.
45 ExGen St. No. 1 at 3-5; RESA St. No. 1-R at 33-35.
46 Joint Petition for Partial Settlement at Section II,11,E.

Settlement to make a specific proposal regarding their residential TOU in the earlier of their first base rate increase requests or default service proceedings following full implementation of smart meter back office functionality.[47] However, as explained more fully in its Main Brief, RESA reserves its right to advocate its view regarding the direction provided by the Commonwealth Court.[48]

IV. CONCLUSION

RESA recommends that the Companies' default service petition be modified consistent with the recommendations discussed in its main brief and herein.

Respectfully submitted,



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Date: May 15, 2018

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47 Joint Petition for Partial Settlement at Sections II,11.,C and D.

48 RESA M.B. at 30 discussing *Re: Proceeding initiated to comply with directives arising from Commonwealth Court order in DCIDA v. PUC,* 123 A3d 1124 (Pa. Commw. Ct. 2015).