

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**  
**Harrisburg, Pennsylvania 17105-3265**

**Re: First Energy Pennsylvania  
Implementation Plan**

**Public Meeting: February 26, 2015  
2365991-CMR  
Docket Nos. D-2013-2365991, D-2013-  
2365992, D-2013-2365993, D-2013-  
2365994**

**MOTION OF COMMISSIONER JAMES H. CAWLEY**

At the February 12, 2015 Public Meeting, the Commission released the Focused Management and Operations Audit (Audit) of Metropolitan Edison Company (Met-Ed), the Pennsylvania Electric Company (Penelec), Pennsylvania Power Company (Penn Power), and West Penn Power Company (West Penn), (collectively referred to as "FirstEnergy" or "Companies"). The audit report contained a total of 28 recommendations. In response to the audit, FirstEnergy submitted an Implementation Plan dated January 8, 2015, indicating acceptance of 25 recommendations, partial acceptance of one recommendation, and rejection of two recommendations.

In addition to making the audit report and FirstEnergy's Implementation Plan public, the Commission issued a Secretarial Letter directing FirstEnergy to proceed with its Implementation Plan, and to submit progress reports on the Implementation Plan annually, by February 1st, for the next three years.

At the February 12<sup>th</sup> Public Meeting, I agreed with the release of the Audit, but expressed serious concerns. The fact that many of these recommendations relate directly to findings in previous audits certainly intensifies those concerns.<sup>1</sup> I note that the Companies also indicated acceptance of the majority of previous audit recommendations, but, as evidenced by this current Audit, numerous issues have still not been addressed satisfactorily. Accordingly, action must be taken by this Commission to ensure that the recommendations accepted by the Companies are addressed, and the underlying issues rectified, in a meaningful way. Public utilities are required to meet service standards under the Public Utility Code, 66 Pa.C.S. § 101 *et seq.*, and the Commission's Regulations, 52 Pa. Code § 1.1 *et seq.* Thus, my particular focus and proposed action today are on those recommendations relating to service reliability and customer service.

It is important to note that the Companies accepted the vast majority of the recommendations and submitted an Implementation Plan to respond to Audit's findings and recommendations. Because we have received similar responses to previous Audit recommendations in the past with little meaningful improvement, it is imperative that FirstEnergy develop more *robust* responses to these recommendations. I propose that the Companies be directed to provide a more detailed Implementation Plan that provides specific descriptions for investments,

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<sup>1</sup> The Stratified Management and Operations Audit of Metropolitan Edison Company (Met-Ed), Pennsylvania Electric Company (Penelec), and Pennsylvania Power Company (Penn Power) conducted by the consulting firm Barrington Wellesley Group, Inc. (BWG), released by the Pennsylvania Public Utility Commission (PUC or Commission) on March 1, 2007, at D-05MGT002, D-05MGT003 and D-05MGT004.

process improvements, increased staffing, use of specified technologies, and timelines which will provide binding commitments by the Companies towards rapid compliance with reliability and customer service deficiencies. In so doing, the Companies are strongly encouraged to consult with and interact closely with the Commission's Bureau of Technical Utility Services (TUS) and Bureau of Consumer Services (BCS), as appropriate, so that the Implementation Plan can address the Commission's recommendations, while properly reflecting the best practices and methods to deal with these recurring reliability and customer issues. The Implementation Plan will be either accepted or rejected in whole or in part by Commission Order at a future Public Meeting.

It is also imperative that we adopt some temporary reporting requirements to track the effectiveness of FirstEnergy's progress in correcting many of its operational and customer service performance issues identified in the above-referenced Audit. Therefore, in addition to submitting a more detailed Implementation Plan, FirstEnergy is also directed to provide additional reports attached hereto in Appendix A for a period of three years.

Specifically the Implementation Plan shall include the following elements:

A. Address Fully Reliability Benchmarks and Standards.

This Audit broadly identified poor reliability performance and cited a number of detailed shortcomings around this category. These same problems have been appearing in the Companies' previous Audits, dating back to as early as 2004. At a high level, only one FirstEnergy company, Met-Ed, has of late consistently met *benchmark* reliability performance metrics. All of the other FirstEnergy Pennsylvania operating utility companies consistently fail to attain benchmark performance metrics, and often are not even attaining standard performance metrics. Looking at Met-Ed may shed some light on how to turn the other three FirstEnergy Pennsylvania utility companies around. In 2007, UMS Consulting delivered a very detailed reliability plan to improve Met-Ed's reliability performance. Thereafter, Met-Ed has consistently attained benchmark performance. It is unclear why the other Pennsylvania operating utility companies cannot and have not used this best practice to improve performance.

FirstEnergy is therefore directed to submit a detailed reliability plan for each of its Companies describing: the causes of the number and duration of outages; specific investments to address each worst performing circuit and other causes of the Companies' poor reliability performance metrics; detailed inspection and maintenance plans; and detailed staffing and training plans.<sup>2</sup> Capital and expense budgets are to be developed around these reliability plans, and estimated reliability performance improvements should be included in these plans. FirstEnergy's plan should build upon and incorporate any existing corrective action plans any of their

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<sup>2</sup> See Joint Petition for Settlement of Proceeding at Docket I-00040102, September 29, 2004. Detailed plans in this proceeding included staffing studies and commitments, training, worst performing circuit mitigation, inspection and maintenance improvements (transformer evaluations, cutoff replacement, substation inspections and repair, pole inspections and repair, ground inspections, remaining asset life evaluations, and vegetation management improvements), outage detection and related connectivity improvements, higher capital budget commitments, and alignment of management goals.

individual operating companies may have currently in place to improve reliability. This reliability plan shall be submitted to the Commission's Reliability and Emergency Preparedness Section of the Bureau of Technical Utility Services (TUS Reliability) within sixty days of the entry of this Order.

#### B. Worst Performing Circuits

Another recurring theme contained within FirstEnergy's recent audits is its failure to adequately develop and implement remedial actions that effectively correct the deficiencies of circuits found on the worst performing circuits list. Again, this issue has been addressed consistently and accepted in audits dating as far back as 2004. According to the Audit, numerous circuits appear on the 5% worst performing circuits list year after year.<sup>3</sup> FirstEnergy is directed to improve its reporting for these circuits.<sup>4</sup> As directed in Section A, FirstEnergy is directed to include a detailed plan, including project completion dates, to address worst performing circuits that have appeared on the Annual Reliability Report for two or more years in the past five years. This plan shall be submitted to TUS Reliability within sixty days of the entry of this Order.

#### C. Priority 3 Conditions

Audit staff also recommended that FirstEnergy modify backlog reduction plans for Met-Ed and Penelec in order to effectively and efficiently reduce the number of overdue Priority 3 conditions. FirstEnergy's response does not address Audit's recommendation. In fact, the Companies appear to have created a Priority 4 category to push off some overdue Priority 3 conditions. Further, FirstEnergy has not presented a plan to lessen the corrective maintenance backlog.<sup>5</sup> The Commission is concerned that the creation of yet another "Priority" category will not effectively address maintenance backlogs, and encourages FirstEnergy to avoid creation of an additional category. Regardless, FirstEnergy is directed to resubmit a response to TUS Reliability that details more specifics on reduction goals and methods of how Met-Ed and Penelec will reduce significantly their overdue Priority 3, and Priority 4 conditions, if applicable, over the next five years, within sixty days of the entry date of this Order.

#### D. Damage Prevention

Audits recommended that FirstEnergy establish a documented Damage Prevention Program to: track and measure line hit incidents; recover damages for all

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<sup>3</sup> Chapter VII – Electric Operations, Finding and Conclusion No. 4, the Audit Staff noted a total of 57 circuits between the Companies have been on the worst performing circuit (WPC) list for three or more of the five years from 2009 through 2013. Of these, 38 of the circuits were labeled as a WPC while nine of the 38 have been WPCs for all five years. Furthermore, these nine circuits are from either Met-Ed or Penelec. In addition to the current Management Audit, this issue was previously identified during the 2007 Stratified Management and Operations Audit and subsequent 2011 Management Efficiency Investigation.

<sup>4</sup> See Appendix A.

<sup>5</sup> See Implementation Plan, Recommendation VII-6. The response was to develop a 5-year plan. No specific timelines, quantification of future backlog reductions, or specific maintenance programs are proposed at this time.

line hit incidents; and to take proactive measures to mitigate future line hits. The Companies do not currently have a formal Damage Prevention Program. Approximately 64% of all third-party hits from 2009 to 2013 do not have a cause attributed to them. More specifically, Penn Power did not attribute a specific cause for 91% of its hits over the 2009 to 2013 timeframe. Without proper investigation, analysis, and documentation, the Companies cannot effectively identify and remediate the underlying issues with respect to making necessary internal process and procedural changes and/or culpabilities of third-party contractors. FirstEnergy's "acceptance" of the Audit recommendation in its Implementation Plan had little to do with establishing a documented damage prevention program and only committed to tracking dollars collected as a result of third party hits. It is unclear how FirstEnergy addresses those line hits where third parties are not identified and no damages are recovered. FirstEnergy is directed to: develop a formal Damage Prevention Program to track and measure *all* line hit incidents; recover damages for all third-party line hit incidents; and to take proactive measures to mitigate future line hits, especially in regard to third-party line hits. This plan shall be submitted to the Commission's Electric Safety Section of the Bureau of Investigation & Enforcement within 60 days of the entry date of this Order.

#### E. New Service Installations

Scheduling delays and service extension complaints tracked internally have increased from 93 in 2009, to 221 in 2013 indicating declining performance. In addition, despite establishing standards for service installations, the Companies perform little monitoring of their performance against these standards. While the Audit recommended tracking and measuring the Companies' performance against the standards, FirstEnergy's response indicates only that they will "strive" to meet the standards.

Within sixty days of the entry date of this Order, FirstEnergy is directed to provide a detailed plan to the BCS on how it plans to monitor its performance against the service installation standards and reduce scheduling delays on service extensions. These plans should address any current staffing, training or material shortages related to this service component.

#### F. Lack of Actual Meter Readings

A number of Audit concerns were raised regarding FirstEnergy's failure to read a significant number of meters within six months and twelve months. From 2010 to 2014, FirstEnergy averaged 1,377 unread meters over a six-month period, accounting for as much as 98% of all unread meters in Pennsylvania.<sup>6</sup> Further, according to the most recent data this Commission has received, this issue is not abating. Audit staff identified three recommendations around this issue: (1) improve meter reading performance levels through increased staffing and/or use of contractors while implementing smart meter technologies; (2) initiate measures to comply with PUC regulations by eliminating and/or substantially reducing the number of meters not read within six and twelve month periods; and, (3) develop

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<sup>6</sup> Customer Service Performance Report for 2013.

and maintain a customer meter record database to provide accurate data for reporting purposes and eliminate unknown meter location classifications as part of the AMI implementation process.

BCS Staff has observed that ever since the Allegheny/FirstEnergy merger, when apparently all the FirstEnergy companies adopted bi-monthly meter reading as a “best practice” they adopted from West Penn, meter-reading performance has deteriorated and disputes related to meter reading have increased. While this Commission has shied away from dictating operational practices in the past, clearly FirstEnergy needs to develop a documented plan to address its failure to read meters in a more timely fashion. FirstEnergy is directed to provide a formal and detailed plan for the elimination of unread meters within sixty days of the entry of this Order to the BCS. This plan should include: (1) specifics on how management performance metrics will be aligned with meter read regulations; (2) how meter reading staffing will be adjusted for each company where meters are not being timely read; and, (3) how technology and information systems will address this non-performance prior to installation of smart meters.<sup>7</sup>

FirstEnergy shall provide a response to the Commission that describes how FirstEnergy will account for the location of meters that are unknown for the purposes of providing more accurate information to Audits on the relationship between unknown meter locations and unread meters. The Commission is concerned about FirstEnergy’s failure to provide empirical data to prove that unknown meter locations were not part of the meter reading deficiencies. The Commission is also concerned that increased expense and/or increased delays in AMI meter installations may result from installers being unaware of the meters’ locations. FirstEnergy shall also describe how currently unknown meters will be classified as indoor/outdoor once the AMI meters are installed.

#### G. Overtime and Staffing Level Issues

Manpower issues are likely to be at the root of many operational and maintenance issues at FirstEnergy. Again, deficiencies in manpower have been documented in the Companies’ Audits since 2004, and do not appear to have been adequately resolved. In this recent review, Audits recommended that FirstEnergy conduct a staffing study accounting for future retirements to determine the proper staffing levels of craft workers to reduce overtime to the target level of 15% and to improve reliability. While I will not repeat the well-documented research of Audit staff, I will summarize it by saying that FirstEnergy appears to have not addressed adequately the need to build in a reasonable level of major storms and mutual assistance efforts into manpower planning requirements. A “steady state” planning level that fails to build in reasonable contingencies has proven, thus far, to be inadequate. This conclusion is reinforced by the various poor performance issues identified (VII-6 – Priority 3 Condition backlog; X-7 – new service installation backlog; as well as the Companies’ overall failure to consistently achieve reliability standards and meter reading requirements). It appears that FirstEnergy companies may not have sufficient staff to meet their internal goals and Commission

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<sup>7</sup> The Smart Meter Plan for Met-Ed, Penelec and West Penn Power indicates that 98.5% of all smart meters will not be installed until December 31, 2019.

requirements. West Penn seems to have taken the initiative and is embarking on a hiring program, but the other three FirstEnergy Pennsylvania utility companies had no plans to hire more linemen and other skilled staff.<sup>8</sup>

The FirstEnergy Companies are directed to provide a detailed analysis of their staffing levels for craft workers and how staffing levels will reduce overtime to the target level of 15% and improve reliability. FirstEnergy should consider the impact that major storms and mutual assistance efforts have on increasing overtime for craft workers. We suggest that FirstEnergy undertake a ten-year look back and account for the major storms and mutual assistance efforts to determine how much excessive overtime and delinquent work flow could be driven by those factors. This analysis shall be submitted to TUS Reliability within sixty days of the entry of this Order.

In addition to reviewing staffing levels, Audit staff recommended that FirstEnergy initiate policies to address poor worker acceptance of emergency call outs. Union contracts allow for mandatory response. However, FirstEnergy does not enforce this, with the result being that certain workers are putting in excessive hours – which can result in fatigue – as well as related safety and performance issues. Audit staff recommended that FirstEnergy enforce acceptance of emergency call outs to better distribute overtime. FirstEnergy responded that it will commend employees with good response rates and “counsel” employees with poor response rates. Without a more detailed explanation, it is not clear that “counseling” will have any significant impact. The FirstEnergy Companies are directed to work with managers and union leaders to develop a more detailed plan to increase acceptance of emergency call outs that, at a minimum, meets the requirements in the union contract provisions. This plan shall be submitted to TUS Reliability within sixty days of the entry date of this Order.

#### H. Call Center Issues

West Penn Power’s contact center performance from 2008 to 2013 falls below what other electric distribution companies (EDCs) in Pennsylvania have achieved during the same period. In particular, West Penn Power’s call abandonment rate in 2013 was almost two times the panel average, and its rate of calls answered within thirty seconds is 11% below the panel average. In 2012, as a result of the decline in call center performance, measures were implemented to accommodate periods of significant call volumes, particularly during major events. These measures included analysts performing continuous real-time monitoring of call volumes to maximize the use of available resources, and offering customer mobile phone applications that enabled customers to report power outages. Both of these measures led to some

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<sup>8</sup> Penelec and Edinboro University of Pennsylvania are entering into a recently announced partnership to train and hire electric utility line and substation workers. However, this program does not ensure that staffing levels will be adequate to ensure reliability. Further, staffing adequacy studies should be provided in the Companies’ reliability plan pursuant to this Section. Since the end of Audits field work on April 22, 2014, Audits was not informed of any recruitment practices, both for entry-level and experienced line-workers. FirstEnergy did indicate that they had a PSI training program for line-workers in place at West Penn Power, but had no such program actively in place at the other companies. The Audit Staff asked if FirstEnergy had any intentions to start PSI programs at the other Pennsylvania utility companies, and the Company indicated that they had no such plans.

improvements in performance metrics. Inbound telephone capacities are monitored on a daily basis and calls are routed between the three major Contact Centers. Calls for all of the Companies are able to be handled by each of these three major Contact Centers. When necessary, a third-party vendor is utilized in order to realize full utilization of resources and minimize busy signals.

Despite these changes, the contact center performance of West Penn Power is still not comparable to the other Pennsylvania EDCs. FirstEnergy is directed to provide a detailed plan to BCS within sixty days of the entry date of this Order describing changes in policies, procedures, training, turnover mitigation strategies, and any staffing changes that West Penn Power will implement to bring its thirty-second call answering statistic on a par with other FirstEnergy Pennsylvania utility companies and other Pennsylvania utilities.<sup>9</sup>

#### I. Residential Customer Dispute Response Times

The Companies' residential disputes with a response time greater than 30 days were drastically higher in 2011, 2012, and 2013 relative to other Pennsylvania EDCs, and that performance worsened significantly after 2011. While some improvement occurred in 2013, Met-Ed, Penelec, and West Penn Power are still significantly higher than previous years, and performance has not returned to pre-2011 levels.

The reasons for the delay in response to disputes include higher than anticipated attrition (see Customer Service Representative turnover levels addressed in Chapter X – Customer Service, Finding and Conclusion No.4), increased average handle times (AHT) due to CIS system integration issues, and resource allocations to respond to the major storm events in 2011 and 2012 (see Chapter X – Customer Service, Finding and Conclusion No. 4). Improvements in the Contact Center operations were made by year-end 2012, in which AHTs were lowered resulting in more time to complete the residential disputes.

Despite these changes, our auditors concluded that the Companies are not in compliance with Section 56.151(5) of the Commission's Regulations.<sup>10</sup> In response to Audit's recommendation to resolve these violations, the Companies implemented an automated work assignment process in the first quarter of 2015, known as iWD (Intelligent Work Distribution). All disputes going forward will be managed, tracked and assigned through iWD. The process will prioritize work based on age and due dates. The Companies have provided a clearly defined process for improved dispute resolution responses. The Commission will closely monitor the Companies' progress. If, however, the Companies' performance does not improve by December 31, 2015, the Commission shall direct FirstEnergy to file a supplemental plan with BCS by secretarial letter to address this issue within sixty days of notification.

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<sup>9</sup> A general call answering standard of 80% of calls answered within 30 seconds is well supported by Pennsylvania consumer performance statistics.

<sup>10</sup> 52 Pa. Code § 56.151(5).

## J. Management Performance

Lastly, Audits has determined that often the Companies' goals are not often aligned with Commission guidelines, policy statements, and Regulations as they relate to reliability and service performance. For example, it seems that benchmark performance levels should be a minimum goal when directing employee performance on reliability, yet apparently this is not the case. Stretch goals should extend beyond benchmark performance levels. As it stands now, FirstEnergy only provided very vague assurances that it would comply with this audit recommendation. FirstEnergy is therefore directed to report within sixty days to the Commission how it is specifically aligning management performance metrics with the Commission's guidelines, policy statements and Regulations as they relate to reliability, safety, operational efficiency and customer service deficiency issues identified in this audit. For reliability, performance metrics should be targeted at the Commission Benchmarks. If targets are not at the Commission Benchmark, FirstEnergy shall provide detailed explanations as to why. These responses should be delivered to the applicable Commission Bureau(s) within sixty days of the entry of this Order. Upon Commission approval, these management performance metrics should be documented, and included under these dockets.

In conclusion, I want to stress that our goal with this Motion is to receive clear, detailed plans from FirstEnergy to ensure that its Pennsylvania member companies meaningfully improve their performance. Rather than impose fines at this time, the Companies are directed to use their financial resources to expedite correction of these longstanding performance issues, so as to deliver tangible benefits to the Companies and their customers. Therefore, pursuant to Sections 501, 504, 505, 506 and 1501 of the Public Utility Code, I propose to have FirstEnergy provide specific plans and commitments to correct these deficiencies, so that the Companies can focus on compliance. Additionally, I propose concurrent reporting requirements to track performance closely.

Maintaining the status quo is no longer acceptable and failure to file these detailed plans and correct these performance issues in a timely manner will result in the referral of this matter to the Bureau of Investigation and Enforcement (I&E) for whatever action they deem necessary. I strongly encourage FirstEnergy to give deference to the efforts of Audits to facilitate performance improvement, to adhere to Audits' recommendations, and to implement other complementary measures as necessary. I also strongly encourage FirstEnergy to work closely with TUS, the Electric Safety Division of I&E, and BCS during the ensuing sixty days to ensure that the level of plan detail provided meets Commission expectations.

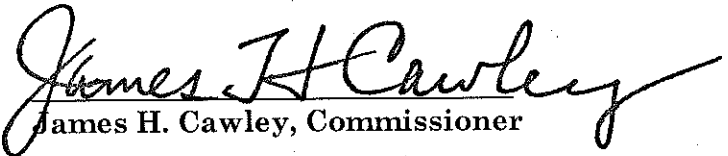
**THEREFORE, I move that:**

1. FirstEnergy be directed to file responses to the data requests identified in this Motion.



2. FirstEnergy be directed to file detailed plans within sixty (60) days of the entry of this Order, as further described in the body of this Motion.
3. Law Bureau prepare an Order consistent with this Motion.
4. Law Bureau prepare a Tentative Order for Commission consideration after receiving the FirstEnergy's more detailed revised Implementation Plan with recommendations to accept or reject, in whole or in part, the revised Implementation Plan.
5. Law Bureau prepare a Final Order for Commission consideration after receipt of any comments to the Tentative Order or filed changes to the revised Implementation Plan.

DATE: February 26, 2015

  
James H. Cawley, Commissioner

#### Appendix A

1. FirstEnergy is directed to provide additional detail in its reporting of the 5% of worst performing circuits in its Commission Quarterly Reliability Reports to highlight those circuits that appear multiple times on Quarterly Reliability Reports, but not necessarily in four quarters in a calendar year. For each Quarterly Reliability Report filed pursuant to 52 Pa. Code § 57.195, this additional detail shall include highlighting those worst performing circuits that have appeared in two or more Quarterly Reliability Reports in the past four quarters.
2. Met-Ed and Penelec are directed to provide a quarterly report that shall consist of a chart documenting the Open Priority 3 repairs and the Overdue Priority 3 Repairs for each company each quarter. If the Companies decide to create a new Priority 4 repair category, the Companies shall also provide information on the Open "Priority 4" conditions, as well as the number of Open/Overdue Priority 3 Repairs that were moved to the "Priority 4" category for each company each quarter for the rolling 12-months. This information shall be submitted with the Quarterly Reliability Reports.
3. FirstEnergy is directed to track and measure line hit incidents, causes of line hits, and damage recovery amounts for all third-party line hit incidents for

each company. This information shall be provided in the Quarterly Reliability Reports.

4. Each FirstEnergy Pennsylvania EDC is directed to report the number of total and overdue 10-day and 3-day service installations for each company, on a quarterly basis, to the Commission's Bureau of Consumer Services within six months of the date of this Order.
5. FirstEnergy is directed to provide additional detail as described below in the staff reporting section in the Quarterly Reliability Reports. The additional detail shall include:
  - i. The number of staff in each category added each quarter. For each staff member added, information on whether they were a new hire, or if they are already at the journeyman or other experienced level of training. FirstEnergy shall coordinate with TUS reliability and the Audits Bureau when establishing these categories.
  - ii. The number of staff in each category lost each quarter. For each staff member lost, give the reason for the loss (retirement, voluntary separation, etc.).
  - iii. The number of staff in each category that the company is planning to hire in the next calendar year.
6. Met-Ed, Penelec, and West Penn shall document the specific basis for failure to issue a bill based on an actual meter reading every other month pursuant to Chapter 56 within 60 days of entry of this Order. The documentation shall categorize the reasons for not reading the meters at least every other month and provide the total numbers of failed readings by category. The Company shall provide this quarterly until each company has reduced such instances to levels on par with the average performance of other Pennsylvania utilities. Penn Power shall provide this data for customers whose bill is not read every month.
7. FirstEnergy is directed to provide quarterly reports to the Commission's Bureau of Consumer Services on a forty-five (45)-day lag basis, for each company, on residential disputes with response times greater than 30 days, within sixty (60) of the entry of this Order.