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May 29, 2015

VIA UNITED PARCEL SERVICE

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

RECEIVED
MAY 29 2015
PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Re: *Implementation Plan for the Focused Management Audit of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company, Docket Nos. D-2013-2365991, D-2013-2365992, D-2013-2365993 and D-2013-2365994; Extension Request*

Dear Secretary Chiavetta:

Enclosed for filing please find the revised implementation plan of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company (collectively, the "Companies") in compliance with ordering paragraphs 1, 5, 6, 7, 8, and 10 of the Order issued on March 30, 2015 by the Pennsylvania Public Utility Commission ("Commission") in the above-referenced proceeding ("March 30 Order"). Please date stamp the additional copy included with this filing and return it to me in the enclosed, postage-prepaid envelope provided.

The March 30 Order directed that the Companies prepare and file revised implementation plans relating to a number of specific topics addressed in the report issued by the Commission's Bureau of Audits on February 12, 2015. Since the issuance of the March 30 Order, the Companies have worked, with the consult and review of Commission technical staff, to establish more detailed plans regarding each topic addressed by the March 30 Order, including those filed today. On May 19, 2015, the Commission issued a Secretarial Letter granting a forty-five day extension for the filing of revised plans regarding the remaining topics, which are addressed in ordering paragraphs 3, 4, 9 and 12. Therefore, those topics have not been included in today's filing and will instead be filed on or before July 13, 2015.

In addition to their efforts in preparing these revised plans, the Companies have undertaken efforts to establish reporting mechanisms for each of the items addressed in ordering paragraph 2 and Appendix A to the March 30 Order, and will begin reporting on each of these items for the quarter concluding immediately after the stated implementation periods, respectively.

May 29, 2015

Please contact me with any questions you may have.

Very truly yours,



Tori L. Giesler

dln
Enclosure

c: Carl Hisiro, Law Bureau
Brent Killian, Electric Safety Division
Dan Mumford, Bureau of Consumer Services
Dan Searfoorce, Bureau of Technical Utility Servies
Dave Washko, Bureau of Technical Utility Services

**Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power
Company and West Penn Power Company
Focused Management and Operations Audits
Implementation Plan**

Ordering Paragraph 5:

Metropolitan Edison Company and Pennsylvania Electric Company are hereby directed to resubmit a response to the Commission's Reliability and Emergency Preparedness Section of the Bureau of Technical Utility Services that details more specifics on reduction goals and methods of how they will significantly reduce their overdue Priority 3 and Priority 4 conditions, if applicable, over the next five years, within sixty days (60) of the entry date of this Order.

Bureau of Audits Recommendation VII-6

Implement and/or modify backlog reduction plans for Met-Ed and Penelec in order to effectively and efficiently reduce the number of overdue Priority 3 conditions.

Response

Metropolitan Edison Company ("Met-Ed") and Pennsylvania Electric Company ("Penelec") (collectively, the "Companies") Priority 3 ("P3") conditions are items classified as such because they do not require immediate attention, and can be successfully managed without compromising the reliability of the transmission system. Therefore, P3 conditions are corrected when projects are initiated to address multiple P3 conditions within a defined geographic area. This strategic approach has enabled the Companies to maintain system reliability and focus on improvement projects with higher priorities with more efficiency.

A sizable portion of the Companies' recorded P3 conditions are minor issues that do not impact the integrity or performance of the transmission system [e.g. missing signage on towers (i.e. public notice), one or two flashed or damaged insulators in a multiple insulator string (i.e. reliability), light to medium wear on hardware or attachment points, and bird nests on or in a structure].

Annually, two routine aerial patrols of the transmission facilities (one in the spring, one in the fall) serve to monitor these reported conditions, which, if they worsen, are elevated to a Priority 2 or Priority 1 condition for scheduled or immediate correction. Additionally, a comprehensive aerial inspection (230kV and above) and a corona / infrared inspection (69kV and above) are each conducted on a four-year cycle. Emergency helicopter inspections and foot patrols/climbing inspections are also conducted as required.

To address the concerns and comments of the Commission, a new process has been developed to categorize and address P3 conditions. In establishing this new process, both of the Companies' existing P3s were compiled and systematically reviewed, and a determination was made for each as to the potential impact to the system in the unlikely event of a condition failure. These P3s were then assigned a ranking when the impact concern was related to either reliability or public notice.

**Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power
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The P3s will be scheduled and addressed for correction in order of assigned ranking, from highest to lowest priority. In addition, P3 conditions that pose the least likely potential for a reliability or public notice impact will be addressed last, or when in close geographical proximity to reliability/public notice conditions with higher rankings. It should be noted that, while the Companies had originally outlined a plan to create an additional P4 category in their January 8, 2015 Implementation Plan, that plan has been eliminated and a P4 category will no longer be used for either backlog or prospectively identified conditions.

Backlog Reduction Plan

- 1) A comprehensive review was completed of all P3 conditions currently in the Companies' transmission line maintenance database.
- 2) All P3 conditions were prioritized during this review based on their probability of presenting possible impact on system reliability.
 - a. All P3 conditions with no or low potential for impact on system reliability and/or public notice will be addressed as work on higher priority P3 conditions in the same physical location are addressed or after all reliability/public notice conditions are corrected. NOTE: With the revised prioritization method, the Priority 4 category is not being used for any existing P3 conditions.
- 3) The Companies have developed a five-year plan to address all existing P3 conditions and will focus first on corrective action for P3 conditions which have the *highest potential* to impact system reliability or hinder proper public notice. NOTE: Reliability impact remains insignificant, otherwise, the condition would be categorized as a Priority 2 or Priority 1.
 - a. New P3 conditions that are identified but not currently accounted for in the existing backlog will be prioritized and addressed based on the same evaluation criteria used to prioritize existing P3 conditions and will be included in the reduction schedule below.
 - b. The backlog starting point for the Companies is those P3s identified as of April 30, 2015. The report will also include any P3s newly identified, which will also be completed over the course of the five-year plan. The Companies anticipate achieving the following minimum milestones:
 - 10% to be completed in 2015
 - 10% to be completed in 2016
 - 25% to be completed in 2017
 - 25% to be completed in 2018
 - 30% to be completed in 2019

**Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power
Company and West Penn Power Company
Focused Management and Operations Audits
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- c. Any staffing increase and/or the use of other resources in future years may lead to an acceleration of this plan, which currently represents **minimum** anticipated backlog reductions.

Individual Responsible

Linda Moss, President, Pennsylvania Operations

Expected Completion Date

December 31, 2019

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company

Focused Management and Operations Audits

Revised Implementation Plan

Ordering Paragraph 6:

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company are hereby directed to: 1) develop a formal Damage Prevention Program to track and measure *all* line hit incidents; 2) recover damages for all third-party line hit incidents; and 3) to take proactive measures to mitigate future line hits, especially in regard to third-party line hits.

Bureau of Audits Recommendation VII-5

Establish a documented Damage Prevention Program to track and measure line hit incidents; recover damages for all line hit incidents; and to take proactive measures to mitigate future line hits.

Response

In response to Recommendation VII-5, Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company (collectively, the “Companies”) have established and documented a comprehensive Damage Prevention Program to track and measure line hit incidents, recover damages for all line hit incidents, and to take proactive measures to mitigate future line hits. (See Attachment Recommendation VII-5A.) Corporate and Energy Delivery Claims management will communicate the program to all affected business units to ensure consistent and effective implementation by August 2015. The following response highlights a few of the elements of the Companies’ Damage Prevention Program.

Data Tracking and Analysis

One of the key elements of the Damage Prevention Program is the establishment of an improved tracking and measuring system associated with line hit incidents. While the Companies have had an established process to investigate, analyze and document all claims, including the root cause, the software system historically used for claims management did not provide the capability to easily capture and report detailed records or summarize trends at a micro level. Therefore, in February 2015, the Companies implemented the new CS-STARS Enterprise Claims Management Platform (“STARS”), which is capable of providing more robust reporting and trending capabilities. The Companies’ transition from their legacy system to the new STARS system will be complete by the end of 2015, at which time the Companies will be able to comprehensively monitor trends, such as those associated with root cause or geography, which will provide the Companies additional information that can be analyzed for trending and acted upon to better prevent and respond

to third party line hits. Another expected benefit includes increased reporting and analyses of claims lifecycles, thereby providing better visibility into metrics such as closure rates, payments/receivables amounts and operating company performance. The enclosed screen shots demonstrate the level of detail and ease of use that will be enabled by STARS, such as general claim information entry, details for responsible parties, financial details associated with the claim, and a sample invoice that STARS will generate to bill third parties. (See Attachment Recommendation VII-5B.)

Damage Reimbursement and Recovery

With regard to recovering all line hit incidents, the limitations of the legacy system's reporting functionality hindered tracking of the Companies' success in recovering damages associated with third party underground hits. Despite these limitations, data available reflects that the Companies have been rather successful in recovering damages – 97% of all third party hits between 2011 and 2013 were invoiced, 84% of which were successfully recovered against.

The Companies recognize the importance of deterring offenders from third party line hits by diligently pursuing all damages, which is to be accomplished by initiation of the Companies' Receivable Claims process (see Attachment Recommendation VII-5C), as referenced throughout the Companies' Damage Prevention Program.

Proactive Mitigation

Finally, the Companies are committed to not only recouping operating company losses as a result of third party damage, but also educating their workforce, contractors, and the public about the dangers of, impacts of, and means to avoid such damage. To that end, the Damage Prevention Program places an emphasis on increased employee and contractor engagement over traditional efforts, as well as outlines a more active public education strategy than the Companies have historically engaged. In addition, the Companies plan to propose the establishment of a best practices collaborative with other utilities, agencies, and stakeholders to the Pennsylvania One Call System Board of Directors at the upcoming July 2015 meeting. Such a collaborative would provide for a regular outlet to review trends and share best practices. This collaboration effort would be an opportunity to also discuss damage prevention in relation to contractor management.

Individual Responsible

Linda Moss, President, Pennsylvania Operations

Expected Completion Date

December 2015 and Ongoing.

Damage Prevention Program



1) PURPOSE

FirstEnergy's operating companies maintain thousands of vehicles and facilities – including poles, wires, and equipment - that may be damaged by the negligence of third parties. The Damage Prevention Program has been designed to ensure that the FirstEnergy Pennsylvania operating companies ("Companies") are properly protected against such damage by outlining targeted education, mitigation, and recovery efforts aimed to prevent such incidents and, where they occur, collect reimbursement from those parties that have damaged operating company property.

2) EDUCATION AND PREVENTION

- (1) Excavator and public education events will be coordinated by FirstEnergy's Energy Delivery Operations Services department using Pennsylvania One Call System ("POCS") training materials. The Energy Delivery Operations Services Department will sponsor and participate in those POCS Safety Day Conferences taking place within the Companies' footprint, during which it will have the opportunity to share best practices, gain new insights, expand the FirstEnergy safe-digging network, and gain an improved understanding of the excavation industry.
- (2) Training materials will be developed and distributed to the operating companies' engineers, Line Department personnel, and Claims Department staff. The training materials will also be distributed at the Power Systems Institute, the program developing aspiring linemen. Annual refresher training will be conducted through a web-based platform. Content will include but not be limited to:
 - i. Best practices to prevent damaging underground facilities
 - ii. Determining who and when to call
 - iii. Preparing dig-request tickets
 - iv. Responsibilities of the Facility Owner
 - v. Responsibilities of the Excavator
 - vi. Common Ground Alliance ("CGA") Universal Marking Standards
 - vii. Excavation procedures prior to and during excavating to prevent facility damage
 - viii. Emergency response procedures
 - ix. Special focus areas informed by causation trends identified through data analyses
- (3) FirstEnergy's Corporate Communications Department will coordinate regular public media communications regarding dig-ins. Content of communication materials will be informed by causation trends identified through data tracking and analyses. Efforts will include but may not be limited to:
 - a. Annual press releases on "dig-in" safety; and
 - b. Quarterly social media public service reminders
- (4) Claims Staff Training:
 - a. The Receivable Claims Processing Manual will be used to train new Corporate and Energy Delivery Claims employees by providing them the procedure for processing and collecting receivable claims for damages to FirstEnergy utility property.

Damage Prevention Program



- b. The Corporate Claims Department and Energy Delivery Claims management will conduct annual refresher training in the form of a Claims Conference to include all levels of claims staff. Continuing education related to third party damages will be provided, and relevant trends will be discussed to promote the proper investigation, analysis and documentation of all claims. The Claims Conference will reinforce the importance and need for timely, accurate information, as well as provide an explanation of how this information is used to successfully recover costs related to third party damage.

(5) Field Mitigation

- a. Proper field procedures are critical to ensuring that facilities are clearly marked in response to dig requests.
 - i. Dig-request tickets are received from POCS into KorTerra, the ticket-screening software application. Tickets with underground facilities in the vicinity of the dig box are to be immediately sent to the locate contractor. Within three business days, the locate contractor will report to the dig site to locate and mark facilities in the area of the dig box. Once the marking is complete, the locate contractor will transmit a positive response to POCS, as well as to KorTerra. Although the law only requires a single positive response, a response will also be sent from the KorTerra system as an added measure of protection.
- b. Inspection and maintenance procedures are critical to ensuring damage incidents are thoroughly investigated and recovered against, and any damage is identified in a timely manner. The operating companies inspect all pad mounted equipment, poles, and overhead lines at regular intervals as part of these procedures. These inspections will include area observation for abnormal conditions that could pose a risk to underground facilities. Any abnormal conditions found will follow the normal process associated with corrective maintenance for inspection and maintenance. Urgent concerns are to be addressed through the trouble call process, and issues requiring further work are tracked in GIS and/or CREWS and followed up as required.

3) DATA TRACKING AND ANALYSIS

- (1) The Corporate Claims Department will be responsible for maintaining the STARS Enterprise Claims Management system. Data will be housed within the STARS Enterprise Claims Management system to track and measure all new claims, including third party underground hits.
- (2) The Energy Delivery Claims Department will utilize the reporting functionality of the STARS Enterprise Claims Management system to review data captured from third-party underground line hits such as geographic location, offender, detailed cause (from a pre-determined list of options for consistency) and the amount of damages. The Energy Delivery Claims department will then analyze this data for trends in root cause, repeat offenders or geography on a quarterly basis and report to the Claims Governance Committee.¹

¹ The Claims Governance Committee is comprised of representatives of FEU Distribution Support, FEU Operations Services, Legal, Corporate Claims, and Regional Claims.

Damage Prevention Program



4) DAMAGE REIMBURSEMENT AND RECOVERY

- (1) When a third party hit occurs to a facility a CREWS Work Request is created which then creates an automatic notification to STARS and creates a Receivable claim.
- (2) Upon receipt of an automatic STARS notification, Energy Delivery Claims will identify and investigate third party underground hits in coordination with other FirstEnergy departments and contractors in the timeliest manner possible. Identification and investigation will follow the FirstEnergy Receivable Claims Processing Manual. Upon notification of a damage incident, the Energy Delivery Claims department will review company records to determine the identity of the third party, obtain supporting documentation, and gather cost information (Labor, Materials, Expenses, etc.).
- (3) If the third party or their insurer fails to pay a damage invoice, civil litigation may be undertaken by the Corporate Claims Department, consistent with the Receivable Claims Process. The claims system, STARS, will track which receivable claims are sent to outside law firms and the value of unpaid damages.
- (4) Consistent with the Education and Prevention section of this Damage Prevention Program, best practices and trends associated with repeat line offenders will be discussed at the stakeholder meetings. As always, Energy Delivery will work collaborate to provide any intelligence on repeat offenders to the Department of Labor and Industry to enable the Department to enforce and administer fines for any person in violation of the Act, which includes repeat line hit offenders.

Claim - will populate on save (*AUTO-GENERATE*)

- My Favorites
 - All claims
 - Invoiced claims w/ no pymts w/in 30 days
- My STARS
 - Calendar
 - Tasks
 - Contacts
 - Claims
 - Claim - will populate on save (*AUTO-GENERATE*)
 - Locations
 - Approvals
 - Payment Processing
 - Forms & Letters
 - Reports
 - BI Reports
 - Occurrences
 - Imports/Exports
 - Admin

Receivables - General Info

- Pages
 - Receivables - General Info
 - Loss Information
 - Responsible Party Info
 - CREWS
 - Collections Information
 - Status
 - Contract Details

General Information

Claim Number: *AUTO-GENERATE*

Loss Date: 5/21/2015 Report Received Date: 5/21/2015

FE Company: Operating District:

Claim Rep: Claim Rep Assign Date: 5/21/2015

Claim Rep Title: Claim Rep Phone:

Cause: Dig In Detail Cause:

RP/Driver Name: will populate on save

Coverage: Receivables

Accident Description:

Description	Code
Dig In - Other	2149
Excavated in Tolerance	2104
Excavation inconsistent with ticket (scope)	2107
Excavation prior to lawful start date	2106
Expired Ticket	2102

CREWS/SAP Information

CREWS Work Request No.: SAP Order No:

SAP Notification No.:

WS Type: District:

Region: Crew HQ:

Claim Is Billable?:

CREWS Remarks:

Claim - will populate on save (*AUTO-GENERATE*)

- My Favorites
 - All claims
 - Invoiced claims w/no pymts w/in 30days
- My STARS
 - Calendar
 - Tasks
 - Contacts
 - Claims
 - Claim - will populate on save (*AUTO-GENERATE*)
 - Locations
 - Approvals
 - Payment Processing
 - Forms & Letters
 - Reports
 - SI Reports
 - Occurrences
 - Imports/Exports
 - Admin

Responsible Party Info

- Pages
 - Receivables - General Info
 - Loss Information
 - Responsible Party Info
 - CREWS
 - Collections Information
 - Status
 - Contract Details

Responsible Driver Information

RP Type: Principal Identified Date:

RP/Driver Name:

If Responsible Party is a firm, please find a contact using the RP/Driver Company look up below:

RP/Driver Company:

If Responsible Party is an individual, please find a contact using the RP/Driver Name look up below:

RP/Driver First Name: RP/Driver Last Name:

RP Address 1: RP Address 2:

RP City: RP State:

RP Zipcode: RP County:

RP Phone: RP Work Phone:

RP E-mail: RP Fax Number:

Responsible Driver Demographic Info

RP Birth Date: RP/Driver SSN:

Minor Child?: RP Driver License Number:

Responsible Owner Information

Vehicle Yr, Mk, Md: Plate No./State:

Carrier/TPA Information

RP Carrier Company: Carrier/TPA Claim Number:

Policy Number:

Contact Carrier



Claim - Washington, George (ME003543)

- My Favorites
- All claims
- My STARS
- Calendar
- Tasks
- Contacts
- Claims
- Claim - Washington, George (ME003543)
- Locations
- Approvals
- Payment Processing
- Forms & Letters
- Reports
- Occurrences

Financials

Pages

- Receivables - General Info
- Loss Information
- Responsible Party Info
- CREWS
- Collections Information
- Status
- Contract Details
- Financials
- Contacts
- Notes
- Tasks
- Files
- Email

Incurred Formula: FE O/S Amount

Use Valuation: Current Prior Difference 5/21/2015 15 OK

	Incurred	Paid	Outstanding	Reserved	True O/S	In Process	Scheduled
+ General Expenses	319.27	319.27	0.00	0.00	-319.27	0.00	0.00
- Collection/Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Receipts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Recovery/Write Off	0.00	0.00	0.00	0.00	0.00	0.00	0.00
not used	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Legal Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00
not used	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTALS	319.27	319.27	0.00	0.00	-319.27	0.00	0.00

Current Total
 Claim is Open
 Last Financial Activity on 5/21/2015 2:02:35 PM by (Lindow, Michael)
 Currency: USD

411 Clear All Search Manage Views
 Claim No. equals ME003543

New Transaction New Scheduled Payment

Transaction Date	Activity Type (Trans)	Time Code (Labor)	SAP Transaction Date	Status	Transaction Type	Personnel Number	Am
5/21/2015				Open	Labor Cost		
5/21/2015				Open	Material (Inventory) Cost		



Claim Invoice

Attachment Recommendation VII-5B

On Behalf Of:
Ohio Edison Co. The Illuminating Co.
Toledo Edison Co. Pennsylvania Power Co.
Metropolitan Edison Co. Penelec Co.
Jersey Central Power & Light FirstEnergy Services, Inc.
Manongahela Power Co. Potomac Edison Co.
West Penn Power Co.
And Other Affiliates

Claim Number: ME003543
Invoice Number:
Invoice Date:
Due Date:
Insurance Ref Number:

George Washington
1600 Pennsylvania Avenue
Washington, DC 12345

Amount Due	Amount Enclosed
\$319.27	

Please return this portion with your payment within 15 days of the invoice date.
Include the Claim Number on your check.

Claim Number: ME003543 **Invoice Number:** **Tax ID:** 23-0870160 **Accident Date:** 05/21/2015

Make check payable to : Metropolitan Edison Co.

Mail to: FIRSTENERGY CLAIMS DEPARTMENT, 76 South Main St., Akron, OH 44308

George Washington

George Washington damaged Met Ed underground facilities when he performed excavation within tolerance of One Call markings.

Billing Information:

Contact Claims Department with Questions:

Metropolitan Edison Co. (610) 921-6422

Material and Misc Cost	148.03
Labor Cost	171.24
Equipment Cost	0.00
Excess Height Cost	0.00
Set and Sell Cost	0.00
Contractor Cost	0.00
Total Amount Due	319.27

Balance Summary		
Credit	Debit	Balance Due
\$0.00	\$0.00	\$319.27

Claim Processing Manual



Section R-1

Receivable Claims

1) PURPOSE

The purpose of this document is to provide the procedure for processing and collecting receivable claims for damages to FirstEnergy utility property.

2) SCOPE and APPLICABILITY

This procedure applies to all property damage claims asserted by FirstEnergy utilities:

- (a) where the claimed damages are readily ascertainable; and
- (b) where a tortfeasor or responsible party can be identified.

3) DEFINITIONS

- a) Receivable Claim – A claim for compensation made by FirstEnergy against any individual, business, governmental entity or organization whose actions resulted in damage to Company property.
- b) Responsible Party – The individual(s), business(es), governmental entity or organization(s) whose actions resulted in damage to Company property.

4) REGIONAL CLAIMS RESPONSIBILITY.

- a) The Regional Claims Representative receives notice of a receivable claim and logs it in the Receivable Claims Dashboard upon receipt.
- b) The Regional Claims Representative shall initiate an investigation. The investigation shall attempt to identify the Responsible Party, confirm the validity of the Receivable Claim and prepare the information necessary to recover from the Responsible Party. The investigation shall include:
 - i) Crews Claim Summary;
 - ii) Damage Claim Report;
 - iii) Photographs, if applicable;
 - iv) Dig-In Report, if applicable;
 - v) Police Report, if applicable;
 - vi) PowerOn Notification, if applicable; and
 - vii) Any related invoices or vendor bills for work performed.
- c) The Regional Claims Representative creates a claim in the Claims Management System. The information entered in the Claims Management System includes:
 - i) The name and contact information for each Potentially Responsible Party;
 - ii) All billable costs incurred by the FE Utility as a result of the damage claim;
 - iii) A detailed description of the incident including the date and location of the damage; and
 - iv) The Regional Claims Representative shall keep notes detailing the investigation of the damage claim in the "Notes" tab of the FE Claims System.

Claim Processing Manual



Section R-1

Receivable Claims

- [REDACTED]
- d) Within five business days of identifying the responsible party, the Regional Claims Representative shall send a letter to the responsible party containing notice of the claim and identifying the Corporate Claims Representative handling the collection of the claim. However, if the claim is ready for invoicing within this five-day period, the Regional Claims Representative may notify Corporate Claims that the file is complete in lieu of sending this letter.
 - e) The Regional Claims Representative notifies Corporate Claims when the Receivable Claim is ready for review and invoicing. The goal for completing this step is 30 days from the date of the incident.
 - f) Corporate Claims shall prepare The Payment Summary report and forward it to the appropriate Regional and Corporate Claims Managers on a quarterly basis and to their Directors on a monthly basis.
 - g) The Regional Claims Representative will provide support for the collection of Receivable Claim invoices.

5) CORPORATE CLAIMS RESPONSIBILITY

- a) Upon notification from the Regional Claims Representative that a Receivable Claim file is ready for invoicing, the Corporate Claims Representative shall do the following within three (3) business days:
 - i) Review the contents of the claim file to confirm it is complete;
 - ii) Review the costs incurred to confirm they are collectible;
 - iii) Identify any evidentiary or legal problems with the Receivable Claim; and
 - iv) Approve the claim and issue an invoice to the Responsible Party, request additional information from the Regional Claim Representative or communicate concerns regarding collectability with the Region to determine whether the claim should be invoiced, changed or voided.
- b) The Corporate Claims Representative attempts to collect the invoiced amount from the Responsible Party and/or any identified sources of insurance by, among other things, advising the responsible party in writing of the collection claim, and invoice.
- c) In the event the invoice is unpaid, an acceptable settlement is not reached or a payment contract is not initiated, the Corporate Claims Representative shall at a minimum do the following
 - i) After thirty (30) days, issue a reminder letter enclosing the invoice;
 - ii) After forty-five (45) days, contact the Responsible Party and/or the applicable insurer by phone;
 - iii) After sixty (60) days, issue a second reminder letter enclosing the invoice;
 - iv) After seventy-five (75) days, contact the Responsible Party and/or the applicable insurer by phone; and
 - v) Upon learning that the Responsible Party and/or the Vehicle owner does not have insurance, or if insurance coverage cannot be confirmed, the Corporate Claims Representative shall forward the appropriate form notifying the proper state agency keeping in mind any time limitations for submitting this form under state law.

Claim Processing Manual



Section R-1

Receivable Claims

- d) The Corporate Claims Representative shall write-off claims that are denied or that are unpaid after 180 days of invoicing date if there is a low probability of recovery. Write-off claims shall be:
- i) Sent to outside legal counsel for further collection efforts. The Corporate Claims Representative shall provide the Regional Claims Representative with a list of write-off claims sent to outside legal counsel on a weekly basis;
 - ii) Closed and voided if the invoice is uncollectible.
 - iii) Corporate Claims shall notify Regional Claims Manager 1 week prior to forwarding an invoice for outside collection.
- e) The Corporate Claims Representative shall manage outside legal counsel, provide litigation support, update the Claims Management System and resolve claims by negotiation or legal judgment against a Responsible Party. These activities should be reflected in the "Notes" tab of the FE Claims System.
- f) The Corporate Claims Representative shall notify regional claims on a quarterly basis the status of collection claims.

6) ACCOUNTING FOR RECEIVABLE CLAIMS (subject to change)

- a) The invoice status impacts the FE Utilities' accounts. Therefore Regional and Corporate Claims Representatives shall be aware that:
- i) When an invoice is created, the applicable utilities' receivables account (143) is increased and a negative amount is applied to their expenses account (653).
 - ii) For payments received toward open invoices, the utilities' receivables account (143) is reduced, and the cash account (131) is increased with the payment.
 - iii) For any claims sent to collections, the utilities' receivables account (143) is reduced, and the amount is added back to their expenses account (653).
- b) Corporate Claims Representatives shall send the claims sent to outside legal counsel list referenced in d)i) to the applicable Business Services representative for that utility to assist in forecasting and budgeting.

7) PERFORMANCE ASSESSMENT

- a) Cycle Times will be measured by adherence to the following timing goals:
- i) Regional Claims Representative logs all new receivable claims into the Receivable Dashboard upon receipt as required by Section 4(a).
 - ii) Regional Claims Representative sends a letter to the Responsible Party or notifies Corporate Claims that the claim is complete and ready to be invoiced within five business days of identifying the Responsible Party as required by Section 4(d).
 - iii) Regional Claims Representative notifies Corporate Claims that the receivable claim is ready for review and invoicing within 30 days of the date of the incident as required by Section 4(e).
 - iv) Regional Claims Representative prepares the Receivable Claims report and forwards it to the appropriate Regional and Corporate Claims Managers on a quarterly basis and to their Directors on a monthly basis as required by Section 4(f).

Claim Processing Manual



Section R-1

Receivable Claims

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- v) Within 3 business days of receipt of notification by Regional Claims that a Receivable Claims File is ready for invoicing, Corporate Claims shall review the file for collectability and communicate the results to Regional Claims as required by Section 5(a).
 - vi) In the event an invoice remains unresolved, Corporate Claims shall:
 - (1) Send a reminder letter and copy of the invoice to the Responsible Party after 30 days;
 - (2) Contact the Responsible Party and/or the applicable insurer by telephone after 45 days;
 - (3) Send a second reminder letter and copy of the invoice to the Responsible Party after 60 days;
 - (4) Contact the Responsible Party and/or the applicable insurer by telephone after 75 days;
 - (5) Institute litigation against the Responsible Party within 180 days
 as required by Section 5(c) and (d).
 - vii) Corporate Claims shall notify the Regional Claims Manager 1 week prior to forwarding an invoice for outside collection as required by Section 5(d)(iii).
 - viii) Corporate Claims shall provide Regional Claims a status report for all receivable claims on a quarterly basis as required by Section 5(f).
 - b) Percent of invoice dollars collected to total invoiced dollars (not including voided claims).
 - c) Number of invoices per total customer in the region.
 - d) Number of open claims over 180 days after the invoice is issued (180 day report).
 - e) Number of open claims in collections.
 - f) The dollar amount of claims collected internally compared with claims collected using outside collection efforts.
 - g) Accuracy and Completeness. This measures the accuracy and completeness of the investigation files, including the electronic file in the Claims Management System, to ensure they contain the necessary information.

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company

Focused Management and Operations Audits

Revised Implementation Plan

Ordering Paragraph 7:

Metropolitan Edison Company, the Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company are hereby directed to provide a detailed plan on how it plans to monitor its performance against the service installation standards and reduce scheduling delays on service extensions and should address any current staffing, training or material shortages related to this service component.

Bureau of Audits Recommendation X-7

Monitor all new service installation performance to ensure new service installations are being completed within the targeted deadlines.

Response

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company (collectively, the “Companies”) will develop reports to monitor performance of new service installations consistent with the accepted recommendation as follows:

- 90% of new service installations or service upgrades requiring construction of electric facilities and excluding primary line extensions will be completed within ten business days when a customer location is ready for service and all tariff and regulatory requirements are met
- 99% of new service installations requiring no construction of electric facilities will be completed within three business days after a customer’s service location is ready for service and the customer has met all tariff and regulatory requirements.

Upon final development of the reports, the Companies will begin monitoring performance of new service installations as recommended against the current Company-established performance standard. If these reports reflect trends in performance requiring improvement, the respective Company(ies) will formulate and implement gap closure plans to improve the scheduling of new service installations. The timeline targeted to create and monitor performance for the new service installation reports is outlined below.

New Service Installations Requiring No Construction Report

Action Item	Due Date
Identify reporting categories	Complete
Develop draft report	Complete
Document process and responsibilities	Complete
Review draft report	Complete

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Incorporate changes from feedback and finalize report	Complete
Provide training to internal stakeholders	Complete
Distribute report monthly	Beginning May 2015
Review report monthly	Beginning May 2015
Identify process improvement opportunities and implement gap closure plan, if needed	Beginning May 2015

New Service Installations Requiring Construction Report

Action Item	Due Date
Identify reporting categories	Complete
Document process and responsibilities	Complete
Develop training	May-July 2015
Train internal stakeholders	August 2015
Develop programming to create report	May-July 2015
Implement software enhancement	September 2015
Distribute report monthly	Beginning September 2015
Review report monthly	Beginning September 2015
Identify process improvement opportunities and implement gap closure plan, if needed	Beginning September 2015

Individual Responsible

Linda Moss, President, Pennsylvania Operations

Expected Completion Date

September 30, 2015

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Ordering Paragraph 8:

Metropolitan Edison Company, the Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company are hereby directed, as more fully discussed in the body of this Order, to submit a formal and detailed plan for the elimination of unread meters, which plan should include, among other things: 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.

Bureau of Audits Recommendation X-1:

Improve meter reading performance levels through increased staffing and/or use of contractors while implementing smart meter technologies.

Response

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company (collectively, the “Companies”) have committed to improved meter reading performance not only as a term of this management audit, but also through commitments made to parties as part of the settlements reached in the Companies’ recently approved base rate proceedings.¹ Towards this end, the Companies have established a multi-tiered approach that involves staffing changes, a stronger focus on tracking and performance management, and the strategic engagement of technological enhancements.

Staffing:

As part of the Companies’ commitment to improved meter reading performance, the Companies have identified additional opportunities to increase and more efficiently deploy their staffing resources, with several new initiatives implemented in 2015. These initiatives include increasing the Companies’ use of contract and temporary meter readers, streamlining the meter reading hiring process, and establishing a shared resource program.

In 2014, the Companies initiated an effort to increase their permanent meter reading staff. The Companies have continued their efforts to increase staffing in 2015 by engaging

¹ Specifically, the Companies committed to ensure that their policies and procedures are designed to read meters in compliance with Chapter 56 of the Commission’s regulations and the Companies’ respective tariffs. Joint Petition for Partial Settlement of Rate Investigation, *Pa. Pub. Util. Comm’n v. West Penn Power Co.*, Docket No. R-2014-2428742 (approved by Order entered April 9, 2015); Joint Petition for Partial Settlement of Rate Investigation, *Pa. Pub. Util. Comm’n v. Metropolitan Edison Co.*, Docket No. R-2014-2428745 (approved by Order entered April 9, 2015); Joint Petition for Partial Settlement of Rate Investigation, *Pa. Pub. Util. Comm’n v. Pennsylvania Elec. Co.*, Docket No. R-2014-2428743 (approved by Order entered April 9, 2015); Joint Petition for Partial Settlement of Rate Investigation, *Pa. Pub. Util. Comm’n v. Pennsylvania Power Co.*, Docket No. R-2014-2428744 (approved by Order entered April 9, 2015).

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contractors and temporary meter readers. The chart below shows the increases in staffing achieved since January 2014 for each company. There are current plans to hire additional resources at West Penn Power and Penelec, and the Companies will continue evaluating their staffing levels on a forward looking basis to determine whether additional resources are appropriate.

PA Companies Change in Headcount 1/1/14 - 4/30/15			
OpCo	1/1/14 Headcount	4/30/15 Headcount	Percentage Change in Headcount from 1/1/14 to 4/30/15
Met-Ed	49	78	59%
Penelec	59	70	19%
Penn Power	17	24	41%
West Penn Power	73	95	30%

Each of the Companies employ meter readers that operate within the Companies' bargaining units. Associated union contracts include clauses which limit the time a temporary or contract meter reader can be employed, with the Met-Ed and West Penn Power contracts being the most restrictive. As such, the Companies have been working with their respective unions to negotiate agreements providing for increased lengths of service during which a contracted workforce can be utilized in the meter reading capacity. As part of these efforts, both Met-Ed and West Penn have successfully negotiated Memorandums of Agreement with the IBEW Local 777 and the UWUA Local 102, respectively, extending the duration of time that may be worked as a temporary or contractor meter reader. Meanwhile, current Penelec and Penn Power contract language concerning the use of temporary or contract meter readers is adequate to support the Companies' efforts under this initiative.

Additionally, the Companies have undertaken a review of their hiring practices and policies related to recruiting and onboarding temporary and contract meter readers in order to reduce the duration of the hiring process. As part of this review, recommendations on wages, benefits, and timing of entry level testing are expected in June 2015. The Companies are also developing a plan to create geographic hiring pools. This initiative will lead to the development of a list of pre-screened, qualified candidates that can be accessed to quickly fill openings that occur in a designated area, which is expected to reduce the short-term absences associated with backfilling openings that occur in meter reading positions.

Finally, the Companies have implemented a new shared resource strategy using "roving" meter readers based on positive experience drawn from best practices employed by their affiliated operating companies. As part of this strategy, the Companies float meter readers from one service center to another in order to address any short-term gaps and to prevent estimates. The Companies are actively deploying this strategy within each of their territories as their current union contracts permit. Occasionally, the use of overtime and

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non-traditional resources (such as meter service personnel who are trained to read meters), where appropriate, will also be used to supplement the meter reader workforce to obtain required reads. Instances where these steps may be taken include times when unexpected staffing shortages occur or individual incidents arise such as employee illness, vehicle breakdown, or unexpected inclement weather occurring during a shift. On occasions like these, extended workday hours or a Saturday workday may be used to avoid estimates.

Tracking and Performance Management:

A key feature in the Companies' plan towards reducing missed meter readings is enhancing their tracking and performance reporting processes. Enhancements have been specifically made with the goal of enabling improved access to meter reading productivity data related to: read, error, and consecutive estimation rates, as well as estimation reason. The enhanced reporting was designed as an internal portal-based tool which allows for meter reading data to be provided through centralized reporting platforms rather than through a multitude of excel and access databases. This model provides more frequent access to key data and allows for more flexible user interaction with the data through the use of point-and-click selections. For instance, management now has drill-down capability to review data at the individual meter reader level, including information such as average number of reads per day, the number of breaks recorded, etc. Data can be tracked daily, or over longer periods of time. This new reporting gives greater visibility to the meter reading workload and provides management with the tools necessary to help better understand and address reasons for missed reads. Access to the reporting is available to every management level employee who is responsible for oversight of meter reading performance.

Each of these performance areas - read rate, error rate and consecutive estimate rate - have been incorporated into broader-scope management reports, specifically the Companies' monthly ELT reports. In addition to these metrics, a new 6 and 12-month no-read meter metric has been introduced to the monthly performance review as detailed in the response to Recommendation III – 1 and will be included in the monthly Pennsylvania State Management Reports, facilitating the Companies' ability to manage their performance towards meeting their specific regulatory requirements and commitments. It is expected that by providing these new data points in various views, the Companies' management will be better able to identify trends that will lead to the informed deployment of process improvements such as training, re-routing, hiring additional resources, deploying the shared resource plan, or utilizing non-traditional meter readers.

Technology Enhancements:

From a technological standpoint, a specific initiative has been undertaken to investigate an interim solution to utilize meter readings from smart meters ahead of full deployment of the billing functionality with which the meters will ultimately interface. Under this type of program, register data from smart meters that have been installed in the field and whose communication of actual reads has been verified would be entered into the Companies' FieldNet system, which is currently used to enter meter reads. This would minimize the

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number of missed reads that often result from temporary issues such as weather and access issues, by eliminating the need for readers to access those particular meters in the field and instead allowing for the use of electronically transmitted readings. The Companies expect to finalize the procedure for utilizing these reads in June 2015.

Finally, the Companies realize the need for a longer-term strategy, in addition to the Companies' shared resource strategy, that acknowledges the operational challenges around continuing to read meters manually as long term full-time meter reading positions are being phased out during the smart meter deployment. Therefore, the Company has organized a team comprised of various business unit leaders who are directly involved in meter reading oversight to develop a plan identifying opportunities and creating plans to improve overall meter reading performance. This team is comprised of members from the Companies' Customer Service Analytics group along with each of the Companies' Pennsylvania Operations Support Directors. The team will develop a plan to provide feasible operational methods to address these challenges while remaining on track with the Companies' smart meter deployment timeline. Specific recommendations are anticipated in July 2015 regarding reading strategies and staffing plans, with a focus on meeting all Pennsylvania regulatory requirements during the transition to smart meters throughout the deployment timeline.

Bureau of Audits Recommendation X-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.

Response

The Companies' commitments under their Revised Response to Recommendation X-1 and their respective recently approved rate case settlements are anticipated to help drive improvements to this concern. The Companies have also developed focused efforts to be targeted to specific accounts not experiencing reads within six and twelve months, which partner with the multi-tiered approach outlined in Revised Response to Recommendation X-1. These focused efforts build upon the improvements anticipated as a result of staffing increases by identifying opportunities for improvements to existing processes, which are being paired with enhancements to IT systems to improve overall meter reading performance. These efforts include:

Process Enhancements:

Meter reading managers and supervisors will proactively focus on accounts with less than six consecutive estimates to prevent them from accruing six months of estimates. Access issues have been identified as the primary driver behind meters being estimated for six or more months. As such, the Companies have developed a process targeted specifically at reducing access-related estimates, outlined below:

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- Each of the Companies will review their individual estimates monthly to determine which estimates are a result of access issues.
- If a reading cannot be obtained due to an access issue, the Company will initially send a letter to the customer requesting that the customer resolve the access issue.
- The Company will continue to send access letters to the customer notifying them up through the point that termination activities commence.² In the meantime, phone calls and supervisor field visits to the service location may be used to help facilitate meter access.
- When the Company reaches the point of termination, the Company will attempt to contact the customer prior to sending a letter notifying the customer that he/she has 10 days to contact the Company to arrange for a meter reading. If the Company does not receive a response, a notice will be posted at the property 72 hours in advance of the termination as a final warning. If after delivery of both of these notices a response is not received, the service will be disconnected.

The following techniques will be used in conjunction with the above-described strategy for addressing access issues as appropriate in order to reduce unplanned estimates:

- a. Previously estimated accounts will be sorted and worked by cycle.
- b. Meters with access-related estimates will be read during non-traditional hours in situations where it will prove successful.
- c. Vacant accounts will be identified and associated meters removed.
- d. Off-cycle readings will be obtained.
- e. Special access instructions will be communicated to supervision.

Performance Metrics:

In addition to the strategies outlined above and those outlined in the Revised Response to Recommendation X-1, the Companies have established target goals tied directly to the number of meters included in the six and twelve-month “no read” measure. The goal established by the Companies represents the Companies’ desire to produce steady improvement during their transition to smart meters. The goals established include a target reduction each year over the respective Company’s 2014 performance. Target goals exclude meters which cannot be disconnected per regulatory guidelines (e.g., instances where it is determined that cutting service at the pole will impact other customers). The target performance goal will remain in place until each operating company has fully transitioned to smart meter operations. The Companies will report performance on these figures in their PA State Management Reports to enable them to review performance each month, analyze the month’s events, and establish gap closure plans as trends dictate.

Number of residential meters with no actual reading within last 6 months per PUC Quality of Service Annual Report

² The Companies will evaluate on a case by case basis and may initiate termination actions for those customers where no actual reading has been obtained for at least 7 months in accordance with applicable regulatory guidelines.

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OpCo	2014 Actual	2015 Goal	2016 Goal	2017 Goal	2018 Goal
Met-Ed	881	700	500	200	30
Penelec	59	50	40	30	30
Penn Power ³	44	35	20	0	0
West Penn	327	250	150	50	30
Combined Totals	1,311	1,035	710	280	90

Number of residential meters with no actual reading within last 12 months per PUC Quality of Service Annual Report⁴					
OpCo	2014 Actual	2015 Goal	2016 Goal	2017 Goal	2018 Goal
Met-Ed	139	100	50	0	0
Penelec	3	0	0	0	0
Penn Power	7	0	0	0	0
West Penn	52	40	20	0	0
Combined Totals	200	147	74	0	0

Technological Enhancements:

In addition to the technology enhancements discussed in Revised Response to Recommendation X-1, the Companies intend to review the process established by the team evaluating the use of smart meter readings for applications which can be specifically applied to the six and twelve-month “no reads.”

³ The Companies anticipate that smart meter deployment will reduce the number of residential meters without an actual reading within the last 6 and 12 months as reported in the Pennsylvania State Management Reports to zero. Penn Power is expected to have smart meters fully deployed with fully functional supporting communications systems in 2017, which is why its figures drop to zero at that point.

⁴ The 2015 target goal for the number of residential meters with no actual reading per PUC Quality of Service Annual Report is intended to be reflective of the performance from June 2015-December 2015.

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Bureau of Audits Recommendation X-8

Develop and maintain a customer meter record database which provides accurate data for reporting purposes, and eliminates unknown meter location classifications as part of the AMI implementation process.

Response

Prior to the use of GPS technology, the meter location field in the Companies' system (designated as "inside" or "outside") was the primary tool used to locate a meter. The Companies now use GPS technology, which applies longitude and latitude coordinates for a meter location.

Generally speaking, with the more recent availability of GPS coordinates and the Companies' practice of using reports that now contain combined meter and GPS information, traditional meter location information has become less critical for purposes of identifying meter locations, and in fact, is less accurate and timely compared to available GPS information. However, in order to address the Commission's concern regarding the small percentage of meters without locations assigned, the Companies will place additional emphasis on updating undisclosed meter locations in 2015. In order to do so, the Companies will initiate a communication effort with their meter reading personnel beginning in June 2015 regarding the importance of updating meter locations as part of their morning job briefings. The Companies will also create monthly reports by July 2015 which summarize those meters without a meter location for active customers in order to monitor the Companies' progress towards identifying unknown meter locations.

In addition to underscoring the importance of updating meter locations with meter reading personnel, the Companies will coordinate with their smart meter deployment vendor to ensure that any necessary updates to the meter location are confirmed during smart meter installation.

Individual Responsible

Linda Moss, President, Pennsylvania Operations

Expected Completion Date

Ongoing

**Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company
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Ordering Paragraph 10:

West Penn Power Company is hereby directed to provide a detailed plan to BCS describing changes in its policies, procedures, training, turnover mitigation strategies, and any staffing changes that West Penn Power Company will implement to bring its thirty-second call answering statistic on a par with the other FirstEnergy Pennsylvania utility companies and other Pennsylvania electric utilities.

Bureau of Audits Recommendation X-4

Implement measures to improve the Contact Center performance levels including efforts to reduce Customer Service Representative turnover levels.

Response

1. Contact Center Performance

In the merger settlement agreement between Allegheny Energy, Inc. (“AYE”) and FirstEnergy Corp., it was agreed that improvements would be made at the contact centers that would result in West Penn Power Company (“West Penn” or “Company”) customers experiencing a service level of 70% of calls answered in 30 seconds (70/30) by the end of a five-year period (i.e., February 2016). The five-year period was established to allow West Penn to deploy technology upgrades and implement an operating framework to increase efficiency.

These efforts have helped West Penn improve call answering statistics every year since the merger was consummated in 2011. In fact, West Penn exceeded expectations by achieving the 70/30 performance level during 2014, a full year earlier than the commitment date of February 2016. With continued improvement initiatives to take place as outlined below, it is anticipated that West Penn’s year-end 2015 service level will reflect significant improvement over its 2014 performance.

In fact, as of April 2015, West Penn is achieving a service level of 80% of calls answered within 30 seconds – a performance level that brings West Penn in line with the performance of not only its affiliated Pennsylvania EDCs, but within the average range of historical performance achieved by *all* of its Pennsylvania EDC peers, as illustrated in the chart below.

Year	FE	WP*	PP&L	PECO	Duquesne	UGI
2008	81%	58%	76%	80%	80%	87%
2009	78%	60%	81%	81%	78%	80%
2010	80%	66%	79%	77%	77%	78%

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2011	80%	62%	82%	80%	76%	82%
2012	78%	65%	83%	85%	77%	85%
2013	82%	69%	75%	85%	80%	80%
2014	80%	71%	N/A	N/A	N/A	N/A
2015**	83%	80%	N/A	N/A	N/A	N/A
AVG.	80%	66%	79%	81%	78%	82%

Source: 2010 and 2013 PA PUC Customer Service Performance Reports

* Jan 2008 through Mar 2012 WP Service Levels include all AYE operating companies. AYE call data was not able to be broken out by operating company prior to the merger.

**2015 FE and WP data are through April of 2015

Finally, West Penn agreed as part of the Commission-approved settlement of its most recent base rate case proceeding¹ that it would achieve a service level of 80% of calls answered within 30 seconds by the end of calendar year 2016, the level of performance at which the Company is currently performing. Meanwhile, as the chart above reflects, Met-Ed, Penelec and Penn Power have each demonstrated a solid history of consistently achieving this level of service outside of years where major storms presented unexpected challenges. Such challenges were reviewed for lessons learned and led to process improvements in the Companies' handling of calls during major events.²

Significant progress has been made by implementing several key ongoing initiatives:

- Implementation of a common customer service system allowing more agents to handle peak call volumes.
- Training of agents from all FirstEnergy contact center locations to enable them to handle calls from other states and operating companies within the FirstEnergy system. As a result, more than 60% of all FirstEnergy calls can be handled in any FirstEnergy contact center.
- Prior to the merger there were 130 agents that could handle West Penn calls; now there are more than 800 agents that can handle many types³ of West Penn calls.
- In addition to training CSRs in all locations to handle West Penn calls, staffing at the Fairmont Contact Center has increased from approximately 130 pre-merger to more than 160 today.

¹ Joint Petition for Partial Settlement of Rate Investigation, *Pa. Pub. Util. Comm'n v. West Penn Power Co.*, Docket No. R-2014-2428742 (approved by Order entered April 9, 2015).

² For example, the Companies' third party contractor, NCO, which typically handles collection calls, has been trained to now be able to also take outage calls during periods of high call volume.

³ Contact center calls are routed to CSRs using a skills-based assignment process, whereby CSRs become qualified to handle call types of increasing complexity based on their training, experience, and demonstrated abilities. Call categories include: move-in/move-out requests, outage notifications, high bill complaints, collection calls, etc.

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- Deployment of Virtual Hold technology has improved customer service and allowed achievement of better service levels. This technology allows callers to opt for a call back during peak call times rather than waiting on hold. By using this option, callers maintain their place in the queue but are able go about their daily business without waiting on hold.

In addition to the steps listed above, more recent and planned changes include the following:

- Further training was conducted to enable more agents to handle all call types in every FirstEnergy Contact Center. An incremental 170 agents over those listed above were trained in late 2014 and the first quarter of 2015.
- Enhanced web and mobile functionality has been implemented, allowing many customers to access information without needing to make a phone call. Recent functionality updates include:
 - Home Energy Analyzer (July 2010)
 - FirstEnergy Corp. and individual operating company mobile websites (November 2012)
 - Mobile App with Apple & Google Play (February 2013)
 - Billing, payment and outage alerts (email and SMS text) functionality (February 2013)
 - Outage Update and Phone Number Update enhancements for mobile (April 2013)
 - Tools to update mailing address, supplier release information, and heat/water sources (October 2013)
 - Introduced updated/enhanced version Home Energy Analyzer (February 2014)

Customers choosing to engage in the Companies' online services have continued to increase by about 10% each year. The Companies are continually seeking opportunities to enhance and improve their online services. The Companies project that usage of their online tools/transactions will continue to increase each year by 8 – 10% for the next two years.

- The Companies' interactive voice response ("IVR") technology will be updated starting in late 2015. In addition to enhancing customer satisfaction, the upgrade is expected to allow more customers to complete their transactions within the IVR and lead to more accurate call routing, thereby reducing transfers and increasing efficiency.

Deployment of additional technology and cross training of staff allows not only West Penn, but indeed, all of the Companies to better balance workloads and more efficiently use the resources available to them.

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2. Turnover

In identifying opportunities for improvement to turnover rates, the Companies have dedicated themselves to understanding the drivers of turnover and to differentiating the reasons for Customer Service Representative (“CSR”) turnover. The Companies have experienced two general categories of turnover: 1) turnover that occurs when a CSR leaves the Companies due to dissatisfaction or inability to successfully perform their role (“resignation”)⁴; and 2) turnover that occurs when a solid performer in the contact center finds a promotional opportunity elsewhere within the FirstEnergy system (“promotion”). This has led to a focus on two key strategies to improve upon turnover levels and causes which include both ensuring that hires are a good fit for the role and improving quality of workplace life for the existing employee.

A. Improving the Hiring Process

Turnover increased in the years prior to the recent management audit mostly due to the large storms that occurred and the overtime that was required to serve the Companies’ customers. Many CSRs sought other job opportunities outside the Companies as a result of the demands of storm staffing. Contact center management has identified enhanced communications to clearly describe expectations for overtime during periods of large storm events during prospective employee interviews as an opportunity for process improvement, and has focused more on educating candidates and assessing their ability and willingness to work overtime in emergency situations.

For instance, a video was developed to facilitate clear and consistent communication of all expectations associated with the CSR role. The video is shown to each candidate before the interview is conducted. Showing the video ensures that all candidates receive a consistent and accurate message about all the expectations of the job. Use of the video began in February 2015.

The Companies have also made changes to their recruitment process to better assess a candidate’s aptitude for the CSR role. In the past, a test was administered solely to determine whether the candidate had the basic technical skills to perform the job. Now, in addition to the technical test, candidates are assessed to make sure there is a good fit with the various demands of the role. This change was implemented in mid-2014.

These process enhancements have already demonstrated early signs of success and the Companies expect to continue experiencing very positive results.

⁴ Note that this category may also include terminations.

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B. Improving Workplace Quality of Life

Because the contact center is an important source of candidates for other departments within the larger organization, leading to turnover due to promotion, contact center management recognizes that it should be expected and encouraged that CSRs will continue to find promotional opportunities and move into roles of increasing responsibility.

Prior to 2014, CSRs were required to work in their role for a minimum of two years before being eligible to apply for other internal opportunities. This policy was unpopular among the CSR workforce and was identified by contact center management as a leading contributor to turnover due to resignation for CSRs. As a result, this policy was changed in 2014, now allowing CSRs to work for a minimum of one year before being eligible to apply for another role. This change has helped reduce turnover due to resignation, as CSRs now have available options earlier that were not accessible in the past. As a result, job satisfaction has increased dramatically and the Companies have seen a positive impact to turnover levels.

C. Other efforts the Companies have undertaken to improve turnover include:

- An increased focus on training and introducing new skills to current employees;
- Implementation of technology to blend off-phone work into the normal workday for many more employees, introducing a greater variety of work into the workday;
- Establishment of a dedicated internal website to streamline communications within the call center;
- Investment in facility upgrades to modernize work spaces;
- Reinvention of the way CSRs are supported during difficult calls, providing a consistent supervisor support model; and
- Establishment of a rewards and recognition team to identify solid performance and provide consistent rewards.

Each of these changes are targeted to help reduce turnover. Although bottom line improvements can take several years to materialize, indicators show significant progress. For example, attendance levels improved more than 20% in 2014 as compared to 2013. Also, job satisfaction figures improved by an average of 17% in 2014 as compared to 2013.

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Individual Responsible

Gary Grant, Director, Customer Contact Centers

Expected Completion Date

Ongoing

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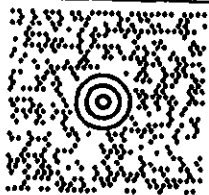
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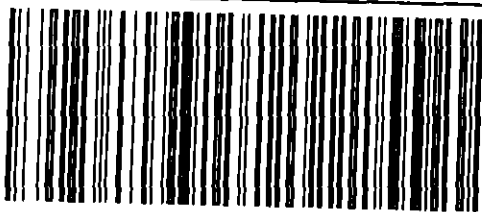
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