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**Federal Express**

November 30, 2018

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

**RECEIVED**

NOV 30 2018

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**Re: PPL Electric Utilities Corporation Management Audit**  
**Docket No. D-2016-2576052**

Dear Ms. Chiavetta:

Enclosed for filing on behalf of PPL Electric Utilities Corporation ("PPL Electric") is PPL Electric's Implementation Plan Progress Update in the above-captioned proceeding. This Update is being filed in accordance with the Audit Report issued on December 8, 2016 at the above referenced docket.

Pursuant to 52 Pa. Code § 1.11, the enclosed document is to be deemed filed on November 30, 2018, which is the date it was deposited with an overnight delivery service.

If you have any questions regarding these comments, please call me at (610) 774-5696 or Bethany Johnson, Manager-Regulatory Operations for PPL Electric Services at (610) 774-7011.

Very truly yours,

Kimberly A. Klock

Enclosures

cc : Nathan Paul



**PPL ELECTRIC UTILITIES CORPORATION**  
**2018 IMPLEMENTATION PLAN**  
**SECOND ANNUAL PROGRESS UPDATE**

**SUBMITTED IN RESPONSE TO THE RECOMMENDATIONS IN THE  
STRATIFIED MANAGEMENT AND OPERATIONS AUDIT REPORT**

**NOVEMBER 2018**

**IMPLEMENTATION PLAN INITIALLY SUBMITTED NOVEMBER 2016**

**Prepared for the Pennsylvania Public Utility Commission Bureau of Audits**

**RECEIVED**

**NOV 30 2018**

**PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**

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## 1. Introduction

**PPL Electric Utilities Corporation (PPL EU) has always been recognized as having high standards for conducting business and serving customers, and is well respected within the industry. We have strong management processes, our team is focused on providing reliable electricity at reasonable prices, and we are a trusted community member. As such, we welcome the opportunity to explore economically beneficial opportunities for PPL EU to further improve its management and operations, and deliver better service to its customers.**

**PPL EU appreciates the time and effort invested into the Management Audit process, and the opportunity it presents to improve the business. PPL EU is pleased to submit this second annual Progress Update to the Implementation Plan, which was submitted in November 2016 for review by the PUC. This update documents PPL EU's progress over the past year executing the original Implementation Plan, and provides details of our commitment and efforts to act on the recommendations in the Management Audit, address opportunities for improvement in operational effectiveness and improve service to our customers.**

**This document contains an update for each of the 118 recommendations presented in the Management Audit Final Report. PPL EU is pleased to report significant progress, with 109 implementation plans now marked complete and fully implemented, and where appropriate integrated into PPL EU's ongoing operations (details of actions and outcomes are provided, where relevant). A further 3 implementation plans are on-track, against a modified implementation plan or timeline according to the explanations provided. As detailed in the original Implementation Plan, PPL EU disagreed with and rejected 6 recommendations, for the reasons previously provided, and there is no plan or timeline for implementation for these recommendations.**

**PPL EU thanks the PUC Audit staff for the continued opportunity to improve our business through the Management Audit and the process of executing this Implementation Plan. We look forward to the continuous improvement and mutually beneficial progress that will be achieved as the recommendations and plans continue to be implemented.**

## 2. Reference list of names

### **PPL Companies and names**

<b>Acronym</b>	<b>Full name</b>
<b>PPL</b>	PPL Corporation
<b>PPL SC</b>	PPL Services Corporation
<b>PPL EU</b>	PPL Electric Utilities Corporation
<b>PPL EUS</b>	PPL EU Services Corporation
<b>LG&amp;E</b>	Louisville Gas and Electric Company
<b>LKE</b>	LG&E and KU Energy LLC
<b>Energy Supply</b>	PPL Energy Supply, LLC

### 3. Summary of recommendations and implementation status

Reference	Recommendation	Implementation status	Owner	Page
II-C-1	PPL EU should reduce its non-purchased power operating costs to a level that compares more favorably to its Pennsylvania peers.	Complete and ongoing	M. Beers	14
II-C-2	Develop and implement a PPL EU strategic planning process and develop a PPL EU strategic plan	Complete and ongoing	M. Beers	15
II-C-3	Enhance the PPL EU safety program to achieve greater work place safety and employee safety awareness and involvement.	Complete and ongoing	B. Matweecha	16
IV-A-1	Assign responsibility to the appropriate unit within PPL EUS to ensure correct affiliate relationships and transactions, follow regulatory compliance, and adhere to good management practices	Complete	M. Beers	17
IV-A-2	Consolidate PPL EUS into PPL SC and PPL EU and recast PPL SC as the PPL Corporation leadership function.	Rejected	M. Beers	19
IV-A-3	Consider establishing a conventional corporate money pool and cease the CEP Commerce and CEP Lending relationships	Complete	T. Henninger	20
IV-A-4	PPL Corporation should consider further reducing PPL EU's exposure to affiliate relationships and streamline the corporate organization structure	Complete	J. Bergstein	22
IV-B-1	Have the TransLink President be a different individual than the PPL Transmission and Substations Vice President and have the TransLink President report to a non-PPL EU executive	Complete and ongoing	E. Duane, T. Lynch	24
IV-C-1	Track and document all PPL EU affiliate transactions.	Complete and ongoing	M. Beers	26
IV-C-2	Implement controls to increase the amount of PPL SC direct charges and decrease the amount of indirect charges to PPL EU.	Complete and ongoing	J. Bergstein	28
IV-C-3	Analyze the 2015 increase in PPL EU payment amounts to the service companies and reduce the amounts paid going forward.	Complete and ongoing	M. Beers	29
IV-C-4	Analyze the 2015 negative budget variances for charges from PPL EUS to PPL EU and implement measures to prevent recurrence.	Complete and ongoing	M. Beers	30

Reference	Recommendation	Implementation status	Owner	Page
IV-D-1	Negotiate comprehensive, arms-length service level agreements for each affiliate relationship and submit them to the PUC for approval.	Revised schedule (adjusted plan as noted)	M. Beers	31
IV-D-2	Apply asymmetric pricing of affiliate transactions allowing for market pricing of affiliate transactions when it benefits PPL EU.	Complete	M. Beers	33
IV-D-3	Negotiate a mutual aid agreement with LG&E.	Complete	S. Raymond	35
IV-E-1	Add a specific section on affiliate relationship and transaction policies to the Standards of Integrity and include them in the annual employee training and acknowledgement.	Complete	A. Khanwaikar	36
IV-F-1	Revise the PPL Corporation Cost Allocation Manual to correct its deficiencies and have it cover LKE as well.	Complete	J. Bergstein	37
IV-F-2	Have only one PPL Corporation Cost Allocation Manual and follow it for all transactions priced at fully allocated cost, including PPL EU and its affiliates.	Complete	M. Beers, J. Bergstein	39
IV-F-3	PPL EU should engage an independent review of the current PPL Corporation tax sharing agreement from the fairness to PPL EU ratepayers perspective, negotiate revisions to the tax sharing agreement as necessary, have arms-length signatures on the revised agreement by PPL SC and PPL EU, and have an independent verification of the taxes charged or credited to PPL EU at least every three years.	Rejected	A. Torok	41
IV-F-4	Require positive employee time reporting for all affiliate transaction related cost accounting.	Complete and ongoing	M. Beers, S. Breininger	42
IV-F-5	Maintain records for regulatory review of the justification and rejustification for all market based prices.	Complete and ongoing	M. Beers, J. Bergstein	43
IV-G-1	Participate in benchmarking studies for each cost based affiliate service at least once every three years.	Complete and ongoing	M. Beers, J. Bergstein	44
IV-H-1	Reevaluate prior ring fencing measures and consider enhancing PPL EU ring fencing.	Complete and ongoing	T. Henninger, E. Duane	45
IV-I-1	Voluntarily apply all of the recommended affiliate relationships and transactions good practices in this chapter to the indirect affiliate relationships.	Revised schedule (adjusted plan as noted)	M. Beers	46
IV-J-1	Conduct regular internal audits of affiliate relationships and transactions.	Complete and ongoing	R. Yeager	48

Reference	Recommendation	Implementation status	Owner	Page
V-C-1	Establish a budget variance threshold policy.	Complete	M. Beers, S. Breininger.	50
V-C-2	Develop a policy and process to review unclassified assets and complete the unitization process to place new assets in proper accounts in a timely manner.	Complete and ongoing	J. Schwartz	51
VI-A-1	Include a representative from the IT Department in TEAM and TAM meetings as needed.	Complete	P. Waldrab	52
VI-A-2	Adopt a two or three year review cycle for all Transmission Engineering Instructions and Transmission Construction Standards.	Complete and ongoing	D. Gladey	53
VI-A-3	Transfer the remaining Transmission Expansion functions to T&S Project Management or T&S Asset Management.	Complete	D. Bonenberger	55
VI-B-1	Adopt the reduction in the CEMI10 goal to CEMI9.	Complete	C. Lauver	56
VI-B-2	Complete the addition of distribution asset condition to the asset management system.	Complete	C. Lauver	57
VI-B-3	Complete the planned linkage of substation maintenance cycles in the asset management application.	Complete	C. Lauver, J. Sinclair	59
VI-B-4	Consider expanding the troubleshooter function to include coverage during the normal work day.	Complete	D. Quier	61
VII-A-1	Establish a designated individual to fulfill a specific role and responsibilities to interface with PEMA in a state-wide event.	Complete	E. Wurster	62
VII-A-2	Complete the efforts to coordinate critical system priorities among PPL SC, IT, and PPL EU and integrate the results into the respective emergency response plans.	Complete	E. Wurster	63
VII-B-1	Provide initial training and periodic refresher training on the NIMS structure to the key Emergency Response Plan roles.	Complete and ongoing	V. Cucé	64
VII-B-2	Modify the number of event levels used in the Emergency Response Plan.	Complete	V. Cucé	66
VII-B-3	Conduct formal after action reviews after all activations of the ECC.	Complete	V. Cucé	68
VII-C-1	Consolidate the business continuity plans for critical applications.	Complete and ongoing	S. Gelatko	69
VII-C-2	Complete the updates to PPL's cybersecurity documents based upon the lessons learned from the GridEx III exercise.	Complete	S. Gelatko	70



Reference	Recommendation	Implementation status	Owner	Page
VII-C-3	Consider adding a courtesy notification to the PUC in the event of a significant cyber security event to the Corporate Emergency Management Plan.	Complete	S. Gelatko	71
VII-D-1	Perform a comprehensive review and update of the PPL EU Emergency Response Plan.	Complete and ongoing	V. Cucé	72
VII-D-2	Add documentation of plan reviews and revisions to the PPL emergency plans.	Complete	V. Cucé	73
VII-D-3	Develop a summary document defining the action plans and procedures maintained to support compliance with 52 Pa. Code § 101.3 (a).	Complete	V. Cucé	74
VIII-A-1	Analyze the causes of all motor vehicle accidents and develop or modify the defensive driving program to focus on avoidance of all types of vehicle accidents.	Complete and ongoing	B. Matweecha	75
VIII-A-2	Convert the Permits spreadsheet to a database.	Complete	M. Hasel, C. Kester	76
VIII-B-1	Participate in a Supply Chain benchmarking study at least every other year.	Complete and ongoing	D. Amico	77
VIII-B-2	Improve the consistency in materials controls implementation and tracking of materials activity.	Revised schedule (adjusted plan as noted)	E. Mease, J. Fedor	78
VIII-B-3	Conduct a comprehensive review of emergency stock and spares at least every two years.	Complete and ongoing	J. Fedor	80
VIII-B-4	Decrease the threshold for review of zero use items from three years to no more than two years.	Complete	J. Fedor	82
VIII-C-1	Monitor the aging of the vehicle fleet and resulting maintenance and availability implications.	Complete and ongoing	J. Adkisson	84
IX-A-1	Incorporate unit costs and service quality metrics into the Customer Services Monthly Performance Indicators Report to improve performance management.	Complete	C. Graham	85
IX-A-2	Identify root causes for each DART incident and act to correct the underlying problems.	Complete and ongoing	P. Walnock	86
IX-B-1	Create targets for the First Call Resolution and the Alert Message metrics.	Complete	C. Graham	87
IX-B-2	Establish work management and performance metrics and targets for the Major Accounts group.	Complete	J. Davis	88
IX-B-3	Develop and implement appropriate metrics and targets across all existing and new customer contact channels.	Complete	C. Graham	89

<b>Reference</b>	<b>Recommendation</b>	<b>Implementation status</b>	<b>Owner</b>	<b>Page</b>
IX-B-4	Reduce barriers to automated bill payments because of credit card fees.	Complete	M. Lawall-Schmidt	90
IX-B-5	Develop additional metrics and targets for assessing the effectiveness and efficiency, including unit cost performance, of the Energy Efficiency function.	Complete	J. Davis	91
IX-C-1	Correct contracting deficiencies and establish a contract management function within Customer Services.	Complete and ongoing	C. Graham	92
IX-D-1	Develop unit cost metrics that compare dollars spent per job for both Universal Service WRAP and Act 129 WRAP programs.	Complete and ongoing	M. Stumpf	93
IX-D-2	Develop metrics that track and report comparable KWh saved per administrative dollars spent and per job completed for the Universal Service WRAP and Act 129 WRAP programs.	Complete	M. Stumpf	94
IX-D-3	Revise the Justified Complaints Rate target of "no more than 5%" to 0% and allocate additional resources to analyze and resolve internal controllable errors.	Complete	M. Stumpf	95
IX-F-1	Merge the Metering Operations and Revenue Protection functions to improve performance and reduce O&M costs.	Complete	M. Lawall-Schmidt	96
IX-F-2	Modify billing metrics to focus attention on error rates instead of billing achievement rates.	Complete	D. Keiser	97
IX-F-3	Analyze the bill printing practices for opportunities to improve efficiencies and reduce costs.	Complete	D. Keiser	98
IX-F-4	Amend, update, or renegotiate the contracts with the two credit contractors to include service level agreements and performance metrics.	Complete and ongoing	M. Lawall-Schmidt	99
IX-F-5	Take actions to reduce the growth in net write-offs.	Complete and ongoing	M. Lawall-Schmidt	100
X-B-1	Accelerate the evaluation of the system changes and other implementation requirements that are needed to have phone agents enroll customers in OnTrack.	Complete	M. Stumpf	101
X-B-2	Continue to explore methods to streamline and reduce fraud risk from the OnTrack household income validation process and then expedite implementation of the improvements.	Complete	M. Stumpf	103

Reference	Recommendation	Implementation status	Owner	Page
X-B-3	Implement improvements that will enable PPL EU and its OnTrack agencies to simplify the electricity usage criterion for the eligibility and re-certification processes.	Revised schedule (adjusted plan as noted)	M. Stumpf	104
X-B-4	Implement a Low-Income Energy Assistance Programs (LEAP)-type system to streamline the OnTrack referral and enrollment processes.	Complete	M. Stumpf	106
X-C-1	Re-evaluate the staff resources that are dedicated to and support the OnTrack program.	Complete	M. Stumpf	108
X-D-1	Set OnTrack enrollment targets for the agencies that are based on a more rigorous and analytical estimation process of the universe of eligible customers.	Complete	M. Stumpf	109
X-D-2	Reduce the number of existing OnTrack agencies to improve cost effectiveness and performance management of the enrollment and recertification process.	Complete	M. Stumpf	110
X-D-3	Establish standard work processes and practices, ensure adequate supervisory performance, and require standardized training standards.	Complete	M. Stumpf	111
X-E-1	Improve OnTrack outsourcing processes and decisions.	Complete	M. Stumpf	112
X-E-2	Develop a more coordinated, structured, and consistent strategy for ongoing and future OnTrack contracting practices and contract and performance management.	Complete	M. Stumpf	113
X-E-3	Perform standardized monthly auditing by Regulatory Programs of the OnTrack agencies' monthly reports.	Complete	M. Stumpf	114
X-F-1	Establish metrics that will measure the success in meeting the four key and overarching objectives of the OnTrack program.	Complete and ongoing	M. Stumpf	115
X-F-2	Accelerate analysis of actual historical unit costs with the OnTrack agencies and consider changing the contract pricing structure to a unit price per task completed.	Complete	M. Stumpf	116
X-F-3	Develop new performance indicators and other metrics that will improve month-to-month management of the OnTrack program and identify changes to the design and eligibility requirements that will improve PPL EU's ability to meet OnTrack objectives.	Complete	M. Stumpf	117
X-F-4	Establish periodic operational and compliance audits by the PPL SC internal auditors.	Complete	M. Stumpf	118

Reference	Recommendation	Implementation status	Owner	Page
XI-1	Continue the current IT integrated path of improvement.	Complete and ongoing	M. Green	119
XI-2	Conduct regular ITIL Process Maturity Assessments to identify areas requiring more attention.	Complete and ongoing	M. Green	121
XI-3	Continue development and implementation of underutilized modules in ServiceNow.	Complete	M. Green	122
XI-4	Evaluate the implications of moving away from ServiceNow	Complete	M. Green	123
XI-5	Continue building the Service Oriented Architecture platform.	Complete and ongoing	M. Green	124
XI-6	Evaluate the long-term effectiveness of IT projects, including trending hardware and software write-offs in the financial system.	Complete and ongoing	M. Green	125
XI-7	Implement five-year period trending in performance metric evaluations.	Complete and ongoing	M. Green	126
XI-8	Scrutinize the three service company approach for IT.	Complete	M. Green	127
XII-1	Reassign the PPL EUS HR personnel to the appropriate PPL SC HR functional counterpart organization units.	Rejected	T. Lynch	128
XII-2	PPL SC HR should participate in an appropriate HR comprehensive benchmarking study.	Complete and ongoing	L. O'Connor, T. Lynch	129
XII-3	Select and implement HR metrics for each functional area that will measure the effectiveness and efficiency of the function.	Complete	L. O'Connor, L. Greenwald	130
XII-4	Provide opportunities and encouragement for more employees within PPL SC HR to obtain relevant professional HR certifications.	Complete and ongoing	T. Lynch	132
XII-5	Measure all four levels of training effectiveness according to the Kirkpatrick model.	Rejected	T. Lynch	133
XII-6	Update the PPL SC and PPL EU succession plan.	Complete and ongoing	T. Lynch	134
XII-7	Improve the HR system self-service portal.	Complete	L. O'Connor	135
XIII-1	Update the PPL Corporation's Executive Compensation Policy to include accurate definitions of 16(b) Officers and Tier I and Tier II executives.	Complete	M. Cherichella	136
XIII-2	The BOD and CGNC should ensure all executives actively participate in the EMPACS process and timely complete the annual EMPACS individual performance review.	Complete	M. Cherichella	137

Reference	Recommendation	Implementation status	Owner	Page
XIV-A-1	Identify and correct the cause of inconsistencies and errors in the diversity expenditure report and track Disabled Owned business spend for reporting purposes.	Complete	D. Connelly	138
XIV-A-2	Analyze the effectiveness of each vendor diversity outreach effort, set appropriate diverse spend goals in each category, and implement initiatives to achieve the goals.	Complete and ongoing	D. Connelly	139
XIV-B-1	Further enhance recruiting efforts to target female applicants.	Complete and ongoing	L. O'Connor, L. Greenwald	141
XIV-B-2	Further enhance the hiring rates for females and minorities to maintain the parity of PPL EU employees and the labor market.	Complete and ongoing	L. O'Connor, L. Greenwald	142
XIV-B-3	Further enhance initiatives to improve the female promotion rate.	Complete and ongoing	L. Greenwald, L. O'Connor	143
XIV-B-4	Determine the cause of the increase in involuntary and voluntary female terminations and implement initiatives to reduce these termination rates.	Complete	L. Greenwald	144
XIV-C-1	Expand the EEO/AAP tagline on job advertisements to include all requirements.	Complete	L. O'Connor	146
XIV-C-2	Consider identifying mental and physical demands of all jobs and communicating them through inclusion on job descriptions.	Rejected	L. O'Connor, L. Greenwald	147
XV-B-1	Enhance employee core competencies in transmission project design, contracts and interconnection agreements, protection and control engineering, and field construction.	Complete and ongoing	P. Waldrab	148
XV-B-2	Establish strategic alliances with no more than three engineering services companies for design work.	Complete	P. Waldrab	149
XV-D-1	Expand staffing and contractor personnel forecasting models for the call centers from a one-year to a five-year time horizon.	Complete	C. Graham	150
XV-D-2	Develop resource forecasting models for each Customer Services group with significant employee and contractor resources.	Complete	C. Graham	151
XV-D-3	Link and correlate Customer Services' Job Codes and SRC codes to the existing organizational groups to facilitate staffing studies and requirements forecasting.	Complete	C. Graham	152
XV-G-1	Implement a PPL Corporation level workforce planning process to precede the budgeting process for PPL EU, PPL SC, and PPL EUS.	Complete and ongoing	L. O'Connor, L. Greenwald	153

<b>Reference</b>	<b>Recommendation</b>	<b>Implementation status</b>	<b>Owner</b>	<b>Page</b>
XV-G-2	Conduct a staffing study or participate in a benchmarking study that evaluates staffing levels or labor cost at least every three years.	Complete and ongoing	T. Lynch	155
XV-G-3	Reevaluate the employee and contractor mix in each function on a directly comparable basis during each annual workforce planning process.	Complete and ongoing	D. Bonenberger, S. Raymond, J. Price	156
XVI-1	Appoint PPL Corporation level executives responsible enterprise-wide for each utility and support service, including transmission, distribution, and customer services.	Rejected	T. Lynch	157
XVI-2	Charter a robust merger synergy initiative as constrained by the regulatory merger conditions and follow a well-established process to achieve merger synergies.	Complete and ongoing	M. Caverly	158

#### 4. Recommendation responses and implementation updates

## **Chapter II-C — Recommendation 1**

*PPL EU should reduce its non-purchased power operating costs to a level that compares more favorably to its Pennsylvania peers.*

**Response:** Accept

### **Original implementation plan:**

PPL EU has a stated objective of being a top rated utility in terms of safety, customer service, reliability, and operating costs. As a result of internal efforts, PPL EU is already in the second quartile for cost performance (as compared to a customer-weighted average cost per customer of Pennsylvania utilities and a larger panel of over 20 utilities located in the northeastern US), and continues to focus on further improving cost performance.

As part of the annual budgeting process, PPL EU asks officers and management team to analyze non-purchased power costs and to present their projections and budgets for the upcoming 1- and 5-year periods. The leadership team is required to find ways to reduce their costs or keep cost increases at or below the projected level of inflation (and wage increases). Where costs are projected to increase faster than inflation, leaders are required to present and defend the rationale for such increases.

PPL EU's annual 1- and 5-year budgeting process provides a "multi-year plan to reduce these costs below present levels where practical and possible". As part of the annual budgeting and ongoing cost management processes, regular reports regarding cost levels and cost reduction efforts are provided to the PPL CEO.

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** M. Beers



## **Chapter II-C — Recommendation 2**

*Develop and implement a PPL EU strategic planning process and develop a PPL EU strategic plan*

**Response:** Accept

### **Original implementation plan:**

The formulation of a strategic plan for the future will allow PPL EU to continue to provide reliable service at a reasonable cost while responding to outside market forces. This plan will also outline a regulatory rate strategy to ensure PPL EU designs an appropriate rate structure that emphasizes value for customers while earning a fair and reasonable return for its shareholders.

The development of this plan and the planning process will be led and coordinated by PPL EUS with the involvement and input of PPL EU's functional officers and leaders.

A thorough and effective strategic planning effort will incrementally cost \$1.5 to \$2 million a year from added labor costs for an internal team and external consultants.

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** M. Beers

**Chapter II-C — Recommendation 3**

*Enhance the PPL EU safety program to achieve greater work place safety and employee safety awareness and involvement.*

**Response:** Accept

**Original implementation plan:**

PPL EU agrees with the need to enhance employee safety awareness and involvement. To address this, in 2015 and 2016 PPL EU introduced two safety programs to help boost employee awareness and involvement with safety and health. The programs are:

- Bargaining Unit Safety Advocate Program
- Occupational Athletic Program

PPL EU will conduct a detailed review of the results of these programs in Q3/Q42017. The programs will be refined (as needed) and if successful, they will continue to be utilized across the company.

**Original expected date of completion:** 4Q2017

**2017 updated status:** Complete and ongoing

**2017 update on progress achieved and current plans:**

Date	Action
2Q2017	BUSA program is an ongoing program with a six month turnover of 8 Bargaining Unit Employees every six months, resulting in positive feedback and observed success. The program has been further enhanced based on review of progress, having trained and put into the field 2 additional BUSA classes of 8 employees each since November of 2016. Safety has also begun to utilize past BUSA employees to assist in accident and incident investigation, regional safety blitzes and the development of work methods and safety rules. Altogether PPL Safety has trained 36 BUSAs. Effectiveness will be evaluated each business year for continuation.
2Q2017	Occupational Athletics began its Life Enhancement Part 2 Training in June of 2017, based on positive feedback and observed success. This entailed Occupational Athletics providing 30 minute Lunch and Learn seminars and 60 training classes dealing with mental fitness, relaxation and time management as well as topics that included advance stretching techniques, injury prevention and aging well. Effectiveness will be evaluated each business year for continuation.

**2017 updated expected date of completion:** Complete and ongoing

**Responsible manager:** B. Matweecha

## Chapter IV-A — Recommendation 1

*Assign responsibility to the appropriate unit within PPL EUS to ensure correct affiliate relationships and transactions, follow regulatory compliance, and adhere to good management practices*

### **Response:** Accept in part

PPL EU accepts the need to ensure that affiliate relationships and transactions continue to be clear, compliant with regulations, and monitored appropriately. PPL EU believes that this responsibility is addressed as part of current processes. PPL EU will reevaluate current responsibilities within these processes to ensure optimum clarity. PPL EU also commits to continue benchmarking its costs to other utilities to ensure its costs are comparable. Therefore, the benefits from reevaluation and any resulting clarifications are expected to be minimal. PPL EU does not feel the additional headcount and associated costs necessary to track these agreements and transactions at a high level of detail are justified.

### **Original implementation plan:**

PPL EUS will reevaluate affiliate relationship responsibilities within the company and determine if any changes to responsibilities or other process improvements to increase compliance and good practices are warranted.

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** On-track for completion as planned

### **2017 update on progress achieved and current plans:**

Date	Action
2Q-3Q2017	A Corporate Center Evaluation project was initiated and completed, with the support of an external consultant, to review 6 Service Lines (functions) within PPL SC and the services provided to PPL EU. The review resulted in some refinements to organizational structure, activities within PPL SC and PPL EU, and governance.
3Q-4Q2017	Implementation of the Corporate Center Evaluation changes (organizational reporting, activities, governance) progressing, with expected completion by the end of the year (or January 1, 2018).
4Q2017	Role within PPL EU Finance organization has been assigned the responsibility to ensure correct affiliate relationships and transactions, confirm regulatory compliance, and adhere to good management practices, with accountability to the PPL EU VP of Finance and Regulatory Affairs and Controller.

The objective of the Corporate Center Evaluation was to determine how best to ensure a “lean” corporate center structure and appropriate governance. The targeted structure would strive to reduce overall costs, reduce the size and “footprint” of the corporate center groups, and strengthen and clarify appropriate governance, controls and oversight.

The implementations of the changes (organizational, activities, governance) started at the conclusion of the review at the start of 3Q2017, and are expected to continue until the end of the year.

**2017 updated expected date of completion: 4Q2017**

**Responsible manager: M. Beers**

**2018 update on progress achieved and current plans:**

<b>Date</b>	<b>Action</b>
3Q-4Q2017	Implementation of the Corporate Center Evaluation changes (organizational reporting, activities, governance) was completed in 4Q2017.
1Q2018	An analyst within the PPL EU Financial Planning and Analysis group was assigned the responsibility to ensure correct affiliate relationships and transactions, confirm regulatory compliance, and adhere to good management practices. Accountability resides with the Manager PPL EU Financial Planning and Analysis and, in turn, the PPL EU VP Finance and Regulatory Affairs and Controller.

**2018 updated implementation status: Complete**

**Responsible manager: M. Beers**

## Chapter IV-A — Recommendation 2

*Consolidate PPL EUS into PPL SC and PPL EU and recast PPL SC as the PPL Corporate leadership function*

**Response:** Reject

The audit report recognizes that the creation of PPL EUS and “separating the support functions into a services company provides transparency of costs for regulatory filings, and simplifies the process for charging of support provided to other affiliates and Talen during the transition period”. Although functions within PPL SC and PPL EUS have similar names, the role played by each group differs. The PPL EUS groups are focused on providing support to PPL EU, which is a distinct and different role than PPL SC, which is providing corporate level support.

Roles (example activities)		
	PPL SC	PPL EUS
<b>Accounting</b>	Service company specific/technical accounting, corporate consolidation, external reporting	PPL EU revenue, plant and general accounting, PPL EU budgeting, forecasting, and cost reporting
<b>Communications</b>	Corporate level communications – annual reports, shareholder and earnings releases, officer and board of director appointments	PPL EU-specific communications – customer communications, storm updates
<b>Human Resources</b>	Executive compensation, benefits design, corporate level inclusion and diversity, employee and retiree service center	Labor relations, specific employee issue resolution, PPL EU succession and workforce planning, recruiting and hiring

This difference in roles is reflected in the different ways costs are charged by the two groups. Most of PPL EUS's costs are direct charged to PPL EU, evidence of its focus on supporting PPL EU. Many of PPL SC's costs are indirectly allocated, indicative of its corporate-level role. PPL believes that the creation of PPL EUS has generally enhanced cost reporting and transparency for regulatory filings with a minimal increase in costs.

**Responsible manager:** M. Beers

## Chapter IV-A — Recommendation 3

*Consider establishing a conventional corporate money pool and cease the CEP Commerce and CEP Lending relationships*

**Response:** Accept in part

PPL understands the concerns expressed about the understanding of affiliate relationships and the related documentation, and (as noted in the implementation plan below) will evaluate the feasibility of a “conventional corporate money pool.” PPL, however, takes exception to several of the conclusions and findings offered in the Final Report to support this recommendation.

Although we will examine whether a “conventional corporate money pool” will improve borrowing costs and lending returns for PPL EU, it is important to note that PPL EU’s current borrowing costs are lower than that of PPL due to the fact that PPL EU has a higher credit rating than PPL. In addition, PPL EU’s lending returns are currently based upon PPL’s borrowing costs and, due to PPL’s credit rating, the investment returns earned by PPL EU are significantly higher than investing on a stand-alone basis.

Also, the financial risks of the current lending relationships of PPL EU are low. PPL EU has not experienced any lack of repayment with its affiliate lending transactions. Furthermore, as noted in the management audit, financial risk has been greatly reduced with the spinoff of Energy Supply. As a result of the spinoff of Energy Supply, PPL obtained an “Excellent” business risk profile by Standard & Poor’s and a “Low Business Risk” assessment provided by Moody’s. These risk assessments by both S&P and Moody’s are the foundation of strong investment grade ratings of PPL that result in a low probability of financial risk to PPL EU related to any affiliate relationships. PPL views the current affiliate structure as efficient and it has been in place for many years with no adverse impact to PPL EU.

In addition, there are constraints associated with pooling money across PPL’s subsidiaries. To the extent a “conventional corporate money pool” would be established, any cash to be included from Kentucky would likely require approval from the Kentucky Public Service Commission. The inclusion of cash from WPD Midlands is not likely to be cost beneficial due to tax considerations. Given the significant capital expenditure plans for the PPL subsidiaries, the company is in a negative free cash flow position and thus it is difficult to understand where any significant benefit might be derived.

**Original implementation plan:**

PPL will evaluate the feasibility of a “conventional corporate money pool” with adequate protections for PPL EU to determine if PPL EU might benefit from lower short-term borrowing costs and higher lending returns. The evaluation will include a determination of the cost benefit to not only PPL EU, but also PPL and its subsidiaries to fully evaluate the overall cost benefit, as well as the consideration and required approvals of other stakeholders.

PPL will provide internal training on the relationships CEP Commerce, LLC. has with CEP Lending, Inc., PPL Energy Funding Corp. and its subsidiary CEP Reserves, Inc. so that they are

well understood. In addition, we will add further documentation of those relationships to internal files.

**Original expected date of completion:** 4Q2017

**2017 updated status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
3Q2017	Evaluated the feasibility of a "conventional corporate money pool" and determined that PPL EU would not derive lower short-term borrowing costs and higher lending returns in comparison to its current borrowing and lending relationships. In addition, establishing a money pool would likely require multiple regulatory jurisdiction approvals given PPL's multiple jurisdictions of operations. Additionally, any benefits from lower short-term borrowings and/or higher lending returns (even if they were available) would be treated as "below the line" items and not included as part of the regulatory framework that provides that provides benefit to the PPL EU ratepayer.
3Q2017	Members of the cash management team review all funds flows associated to these respective entities as part of staff meetings to ensure all parties are aware of the purpose for transaction flows. In addition, Board members of the respective entities periodically review loan agreements, loan activity, and credit metrics as evidenced by the Board Meeting minutes.
3Q2017	Further documented PPL and PPL EU existing relationships with respect to CEP Commerce, LLC. and CEP Lending Inc. in a memo to the file.

**2017 updated expected date of completion:** Complete

**Responsible manager:** J. Bergstein

## Chapter IV-A — Recommendation 4

*PPL Corporation should consider further reducing PPL EU's exposure to affiliate relationships and streamline the corporate organization structure*

### **Response:** Accept in part

PPL, as part of its ongoing management processes, regularly reviews the appropriateness of its affiliate relationships. PPL will continue to monitor these relationships and adjust them as deemed necessary over the course of its ongoing review.

While the names associated with some functions within the corporate organization structure may appear similar, the role played by each differs. Please see response to Chapter IV-A Recommendation 2 above. Therefore, streamlining the organization structure as recommended here could be detrimental and may result in cost or tax implications for both PPL EU and its customers.

### **Original implementation plan:**

PPL will perform a review and analysis of affiliate charges and relationships, and if appropriate consider reducing exposure and streamlining on a case by case basis.

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** On-track for completion as planned

**2017 update on progress achieved and current plans:**

Date	Action
2Q-3Q2017	A Corporate Center Evaluation project was initiated and completed, with the support of an external consultant, to review 6 Service Lines (functions) within PPL SC and the services provided to PPL EU. The review resulted in some refinements to organizational structure, activities within PPL SC and PPL EU, and governance.
3Q-4Q2017	Implementation of the Corporate Center Evaluation changes (organizational reporting, activities, governance) progressing, with expected completion by the end of the year (or January 1, 2018).

The objective of the Corporate Center Evaluation was to determine how best to ensure a “lean” corporate center structure and appropriate governance. The targeted structure would strive to reduce overall costs, reduce the size and “footprint” of the corporate center groups, and strengthen and clarify appropriate governance, controls and oversight.

The Corporate Center Review produced an updated and clarified understanding of the services provided by PPL SC to PPL EU in the core six Service Lines, directly and indirectly, and how those services are delivered alongside services to the other utilities within PPL. Based on this understanding, the review proposed changes that resulted in the move of 20 roles from PPL SC



to PPL EU, all of which are primarily focused on serving PPL EU. The activities performed by the employees in those 20 roles, as well as some other activities that did not amount to full employee positions, were similarly transitioned into PPL EU. At the same time, rules of governance were outlined and clarified for 9 managers of PPL EU focused groups either within PPL SC or PPL EU, establishing dual-reporting to reinforce appropriate accountabilities both within PPL SC and PPL EU.

The implementations of the assorted changes (organizational, activities, governance) started at the conclusion of the review at the start of 3Q2017, and are expected to continue until the end of the year.

**2017 updated expected date of completion:** 4Q2017

**Responsible manager:** J. Bergstein

**2018 update on progress achieved and current plans:**

Date	Action
3Q-4Q2017	Implementation of the Corporate Center Evaluation changes (organizational reporting, activities, governance) was completed in 4Q2017.

**2018 updated implementation status:** Complete

**Responsible manager:** J. Bergstein

## Chapter IV-B — Recommendation 1

*Have the TransLink President be a different individual than the PPL Transmission and Substations Vice President and have the TransLink President report to a non-PPL EU executive*

**Response:** Accept in part

PPL understands the recommendation and rationale to have the TransLink President be a different individual than a PPL EU executive and have that individual report to a non-PPL EU executive.

TransLink is in its infancy as a newly formed company and currently benefits greatly from the experience of the PPL EU Vice President of Transmission and Substations. In addition, this organizational structure is cost effective and appropriate for the development stage of TransLink. Also, pursuant to Pennsylvania corporate law, there is no prohibition for the same person serving as an officer of multiple subsidiaries, and in fact the Federal Energy Regulatory Commission assumes officers will serve as officers or directors for multiple subsidiaries under the same parent and has a process for reporting certain “interlocking” positions.

The addition of a separate President and support staff for TransLink could cost PPL over \$1 million a year. At a time when deemed cost effective and desirable for the size of the TransLink business, PPL will consider hiring or otherwise selecting a President for TransLink who is not a PPL EU executive and have that individual report to someone other than a PPL EU executive.

**Original implementation plan:**

PPL will evaluate the appropriateness and cost effectiveness of hiring a separate President and implement if appropriate.

**Original expected date of completion:** 4Q2018 and later as appropriate

**2017 updated implementation status:** On-track for completion as planned

**2017 update on progress achieved and current plans:**

Date	Action
3Q2017	Determination made that the small size of the TransLink business does not yet make it appropriate or cost effective to hire a separate President
3Q2018	PPL will evaluate again if the size of the TransLink business makes it appropriate and cost effective to hire a separate President

**2017 updated expected date of completion:** 4Q2018 and later as appropriate

**Responsible manager:** E. Duane, T. Lynch

**2018 update on progress achieved and current plans:**

Date	Action
3Q2018	PPL again evaluated again whether the size of the TransLink business makes it appropriate and cost effective to hire a separate President. The determination was made that the small size of the TransLink business does not yet make it appropriate or cost effective to hire a separate President

Since PPL has evaluated this issue in two successive years and currently does not have plans to significantly expand the TransLink business. As a result, PPL EU views the implementation of this recommendation to be complete.

In the future, if the business circumstances change, PPL will evaluate the appropriateness and cost effectiveness of hiring a separate President and implement, if appropriate.

**2018 updated implementation status:** Complete and ongoing

**Responsible manager:** E. Duane, T. Lynch

## Chapter IV-C — Recommendation 1

*Track and document all PPL EU affiliate transactions.*

**Response:** Accept in part

PPL EU accepts the need to ensure that its affiliate relationships and transactions continue to be clear, compliant with regulations, and monitored appropriately. PPL EU believes that this responsibility is addressed as part of current processes. PPL EU will reevaluate current responsibilities to support optimum clarity with regards to the standard for record keeping and documentation, and introduce additional requirements where warranted.

However, PPL EU does not feel the additional headcount and costs that would be incurred to provide additional detailed tracking and documentation for all agreements and transactions is justified.

**Original implementation plan:**

Linked to implementation plan for Chapter IV-A Recommendation 1 above, PPL will reevaluate affiliate transaction tracking and documentation within the company and determine if any changes are warranted.

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** Revised schedule (adjusted plan as noted)

**2017 update on progress achieved and current plans:**

Date	Action
2Q-3Q2017	A Corporate Center Evaluation project was initiated and completed, with the support of an external consultant, to review 6 Service Lines (functions) within PPL SC and the services provided to PPL EU. The review resulted in some refinements to organizational structure, activities within PPL SC and PPL EU, and governance.
3Q-4Q2017	Implementation of the Corporate Center Evaluation changes (organizational reporting, activities, governance) progressing, with expected completion by the end of the year (or January 1, 2018).
4Q2017	Evaluation of tracking and documentation of affiliate transactions conducted as part of regular year-end processes.
4Q2017	Role within PPL EU Finance organization has been assigned the responsibility to ensure correct affiliate relationships and transactions, confirm regulatory compliance, and adhere to good management practices, with accountability to the PPL EU VP of Finance and Regulatory Affairs and Controller.
1Q-2Q2018	Any further needed changes made, where warranted, to the tracking and documentation of affiliate transactions.

The Corporate Center Evaluation produced an updated and clarified understanding of the services provided by PPL SC to PPL EU in the core six Service Lines, directly and indirectly, and how those services are delivered alongside services to the other utilities within PPL. It also resulted in a number of changes (organizational, activities, governance) that are currently underway and are expected to continue until the end of the year. As a result of those changes and their timing, PPL determined that any changes to tracking and documentation should happen subsequently, and not interfere with implementation of the changes. This necessitated a postponement of the final activity in this implementation plan by up to 6 months.

**2017 updated expected date of completion:** 2Q2018

**Responsible manager:** M. Beers

**2018 update on progress achieved and current plans:**

Date	Action
3Q-4Q2017	Implementation of the Corporate Center Evaluation changes (organizational reporting, activities, governance) was completed in 4Q2017.
1Q2018	<p>A financial analyst within the PPL EU Financial Planning and Analysis group was assigned the responsibility to ensure correct affiliate relationships and transactions, confirm regulatory compliance, and adhere to good management practices. Accountability resides with the Manager PPL EU Financial Planning and Analysis and, in turn, the PPL EU VP Finance and Regulatory Affairs and Controller.</p> <p>The financial analyst monitors actual to budget dollars on a monthly basis. This analysis monitors allocated costs and any allocation rate changes that occur. Variance discussions are held between the PPL EU Financial Planning and Analysis analyst and the PPL SC department when necessary.</p>

**2018 updated implementation status:** Complete and ongoing

**Responsible manager:** M. Beers

## **Chapter IV-C — Recommendation 2**

*Implement controls to increase the amount of PPL SC direct charges and decrease the amount of indirect charges to PPL EU.*

**Response:** Accept in part

PPL EU agrees with the intent of the management audit recommendation that PPL SC direct charges be maximized to the extent feasible. However, the recommendation is based on a mistaken finding that indirect charging has gone up significantly in 2015. The finding does not fully account for the fact that several functions were moved out of PPL SC to form PPL EUS. The groups that were moved out of PPL SC to PPL EUS are groups who primarily charge directly to PPL EU (e.g., facilities, supply chain) and the remaining groups in PPL SC are more weighted to indirect allocation of costs.

PPL believes that due to the type of functions remaining in PPL SC, increasing the amount of direct charges could be costly and difficult without producing a benefit (e.g., detailed time reporting for PPL officers would be unduly complex with no added benefit).

**Original implementation plan:**

PPL EU will perform an annual analysis of direct and indirect charges from PPL SC to PPL EU, starting with year-end 2015 charges, and present the results to the PPL EU leadership team.

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** J. Bergstein

### **Chapter IV-C — Recommendation 3**

*Analyze the 2015 increase in PPL EU payment amounts to the service companies and reduce the amounts paid going forward.*

**Response:** Accept in part

PPL EU agrees that the service companies should strive to keep costs down and charge PPL EU appropriately. PPL EU currently has processes to that end as part of the annual budgeting process and will continue to monitor and improve those processes going forward. As it stands, PPL EU does not have a current commitment to reduce the amounts paid going forward.

**Original implementation plan:**

PPL EUS will continue to monitor service company charging to PPL EU and determine if any changes or improvements are warranted on a case by case basis.

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** M. Beers

## **Chapter IV-C — Recommendation 4**

*Analyze the 2015 negative budget variances for charges from PPL EUS to PPL EU and implement measures to prevent recurrence.*

**Response:** Accept in part

PPL EU accepts the need to analyze negative budget variances, and does so monthly. Since the formation of PPL EUS in 2015, PPL EU has worked to improve the budgeting process and will continue to do so. Also, as with any business budget planning, it may not be reasonable to expect complete elimination of variance between the budget and actual spend.

**Original implementation plan:**

PPL EUS will continue to monitor PPL EUS budget variances to determine causes and if any future changes or improvements are warranted.

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** M. Beers



## Chapter IV-D — Recommendation 1

*Negotiate comprehensive, arms-length service level agreements for each affiliate relationship and submit them to the PUC for approval.*

### **Response:** Accept in part

PPL EU accepts the need for competitively priced services from its affiliates. It also understands the recommendation for arms-length service level agreements (SLA) that support market pricing for affiliate transactions where possible.

While negotiated SLAs may indicate a cost competitive price, PPL EU does not believe this is the only or optimal way to ensure the prices charged by its affiliates are reasonable and competitive for the level of services provided. PPLs in-house capabilities are extremely effective in that the service providers are intimately familiar with PPL businesses and are able to provide efficient and effective services in both routine and non-routine (emergency) situations. Requesting third-party proposals for the multitude of services PPL EU receives from its affiliates would prove to be time and resource intensive, incurring costs beyond expected benefits.

### **Original implementation plan:**

PPL EUS will reevaluate current affiliate relationships for situations where additional specific SLAs may be warranted by the size and potential benefit of ensuring arms-length agreements. PPL EU does commit to continue benchmarking its costs to other utilities to ensure its costs are comparable.

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** Revised schedule (adjusted plan as noted)

**2017 update on progress achieved and current plans:**

Date	Action
2Q-3Q2017	A Corporate Center Evaluation project was initiated and completed, with the support of an external consultant, to review 6 Service Lines (functions) within PPL SC and the services provided to PPL EU. The review resulted in some refinements to organizational structure, activities within PPL SC and PPL EU, and governance.
3Q-4Q2017	Implementation of the Corporate Center Evaluation changes (organizational reporting, activities, governance) progressing, with expected completion by the end of the year (or January 1, 2018).
1Q-2Q2018	Evaluation of situations where additional specific SLA's may be warranted and implementation of those same.

The Corporate Center Evaluation produced an updated and clarified understanding of the services provided by PPL SC to PPL EU in the core six Service Lines, directly and indirectly, and how those services are delivered alongside services to the other utilities within PPL. It also

resulted in a number of changes (organizational, activities, governance) that are currently underway and are expected to continue until the end of the year. As a result of those changes and their timing, PPL determined that any accompanying new or adjusted SLAs should happen subsequently, and not interfere with implementation of the changes. This necessitated a postponement of the final activity in this implementation plan by up to 6 months.

**2017 updated expected date of completion: 2Q2018**

**Responsible manager: M. Beers**

**2018 updated implementation status: Revised schedule (adjusted plan as noted)**

**2018 update on progress achieved and current plans:**

Date	Action
3Q-4Q2017	Implementation of the Corporate Center Evaluation changes (organizational reporting, activities, governance) was completed in 4Q2017. A number of services and tasks were transitioned from PPL SC to PPL EU.
4Q2018-1Q2019	PPL EU will conduct a focused review and discuss with PPL SC to determine if any services or tasks may benefit from service level agreements (SLAs). The result of the SLA discussions is expected to produce an inventory of specific transactions.

**2018 updated expected date of completion: 1Q2019**

## Chapter IV-D — Recommendation 2

*Apply asymmetric pricing of affiliate transactions allowing for market pricing of affiliate transactions when it benefits PPL EU.*

**Response:** Accept in part

Where applicable, PPL EU accepts the need for competitively priced services from its affiliates and acknowledges and applies the asymmetric pricing concept.

Requesting third party proposals for each of the multitude of services PPL EU receives from its affiliates would prove to be overly time and resource intensive as it would require comparing different service levels offered vs. in-house capabilities. While no detailed analysis has been performed, PPL EU expects the costs of such an undertaking would likely exceed the benefits. PPL EU does not believe comparative pricing is the only or optimal way to ensure prices charged by its affiliates are reasonable and competitive for the level of services provided. PPL EU's in-house capabilities are extremely effective in that the service level providers are intimately familiar with the businesses and are able to provide efficient and effective services in both routine and non-routine (emergency) situations. Additionally the National Association of Regulatory Utility Commissioners ("NARUC") guidelines note that each state or federal regulatory commission may have unique circumstances that govern affiliates transactions, cost allocations, and/or service or product pricing standards.

### **Original implementation plan:**

PPL EU will evaluate current affiliate relationships for opportunities to conduct competitive bids or additional benchmarking warranted by the size and potential benefit of ensuring arms-length agreements.

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** Revised schedule (adjusted plan as noted)

**2017 update on progress achieved and current plans:**

<b>Date</b>	<b>Action</b>
2Q-3Q2017	A Corporate Center Evaluation project was initiated and completed, with the support of an external consultant, to review 6 Service Lines (functions) within PPL SC and the services provided to PPL EU. The review resulted in some refinements to organizational structure, activities within PPL SC and PPL EU, and governance.
3Q-4Q2017	Implementation of the Corporate Center Evaluation changes (organizational reporting, activities, governance) progressing, with expected completion by the end of the year (or January 1, 2018).
1Q-2Q2018	Evaluation of opportunities to conduct competitive bids or additional benchmarking, and make decisions to execute, where warranted.

The Corporate Center Evaluation produced an updated and clarified understanding of the services provided by PPL SC to PPL EU in the core six Service Lines, directly and indirectly, and how those services are delivered alongside services to the other utilities within PPL. It also resulted in a number of changes (organizational, activities, governance) that are currently underway and are expected to continue until the end of the year. As a result of those changes and their timing, PPL determined that any related new competitive bids or additional benchmarking should happen subsequently, and not interfere with implementation of the changes. This necessitated a postponement of the final activity in this implementation plan by up to 6 months.

**2017 updated expected date of completion: 2Q2018**

**Responsible manager: M. Beers**

**2018 updated implementation status: Complete**

**2018 update on progress achieved and current plans:**

Date	Action
3Q-4Q2017	Implementation of the Corporate Center Evaluation changes (organizational reporting, activities, governance) was completed in 4Q2017.
2-3Q-2Q2018	PPL EU considered opportunities to conduct competitive bidding and additional benchmarking, and has concluded that additional bidding or benchmarking is not warranted at this time.

PPL SC labor costs (wages) are validated annually against the market to ensure competitive support costs. In addition, when external resources are secured by PPL SC to support PPL EU, the invoices costs are not marked up by the service company and are directly passed through to the business. Requesting third party proposals for the many services PPL EU receives from PPL SC would be overly time and resource intensive, would add cost to each project, and would likely have costs that exceed any potential benefits.

**2018 updated expected date of completion: 2-3Q2018 Complete**

**Responsible manager: M. Beers**

### Chapter IV-D — Recommendation 3

*Negotiate a mutual aid agreement with LG&E.*

**Response:** Accept

**Original implementation plan:**

PPL EU will negotiate a mutual assistance agreement with LG&E.

**Original expected date of completion:** 4Q2017

**2017 updated status:** On-track for completion as planned

**2017 update on progress achieved and current plans:**

Date	Action
3Q2017	PPL EU continues to evaluate options for a mutual assistance agreement with LG&E to govern mutual assistance between the two companies
4Q2017	PPL EU will negotiate a mutual assistance agreement with LG&E

**2017 updated expected date of completion:** 4Q2017

**Responsible manager:** D. Bonenberger

**2018 update on progress achieved and current plans:**

Date	Action
4Q2017	PPL EU and LG&E negotiated a mutual assistance agreement to govern mutual assistance between the two companies
2Q2018	PPL EU and LG&E filed the mutual assistance agreement with their respective public utility commissions
3Q2018	The filing of the mutual assistance agreement with LG&E was approved by the Pennsylvania Public Utility Commission on October 17, 2018. The mutual assistance agreement was signed by officers from Louisville Gas & Electric, Kentucky Utilities and PPL EU later that same day.

**2018 updated implementation status:** Complete

**Responsible manager:** S. Raymond

## Chapter IV-E — Recommendation 1

*Add a specific section on affiliate relationship and transaction policies to the Standards of Integrity and include them in the annual employee training and acknowledgement.*

**Response:** Accept in part

PPL EU agrees to include a specific section on affiliate relationships in PPL's Standards of Integrity and in related training. However, because the Standards of Integrity are applicable enterprise-wide, the subject will be covered at a higher level of detail.

**Original implementation plan:**

The Senior Counsel and Corporate Compliance Director shall, in consultation with the Global Chief Compliance Officer, review PPL's Standards of Integrity and revise them to include a specific section on affiliate relationships, and will include appropriate references to that section in the related training.

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
3Q2017	Updated Standards of Integrity posted on the internet portal
3Q2017	Updated training rolled out, with explicit reference to Affiliate Relationships section in the Standards of Integrity, and the related expectations for employees

**2017 updated expected date of completion:** Complete

**Responsible manager:** A. Khanwalkar

**Chapter IV-F — Recommendation 1**

*Revise the PPL Corporation Cost Allocation Manual to correct its deficiencies and have it cover LKE as well.*

**Response:** Accept in part

PPL agrees to revise the Corporate Cost Allocation Manual, to include the following:

- A description of all assets, services, and products provided to and from the regulated entity and each of its affiliates
- Clarification how PPL applies the asymmetric pricing concept

Regarding the Final Report’s recommendation to “decrease the charges that can be allocated by the three factor general allocation formula and increase the charges based upon direct time charges”, PPL agrees that direct charging of costs is preferable and PPL does direct charge costs wherever possible and will continue to explore opportunities to increase direct assignment of costs. Where allocation is required, PPL utilizes the PUC approved three factor allocation methodology, which is based on O&M, headcount, and capitalization.

**Original implementation plan:**

PPL will revise the PPL Corporate Services Cost Allocation Manual as described above.

**Expected Date of Completion:** 2Q2018

**2017 updated implementation status:** On-track for completion as planned

**2017 update on progress achieved and current plans:**

Date	Action
2Q-3Q2017	A Corporate Center Evaluation project was initiated and completed, with the support of an external consultant, reviewing 6 Service Lines within PPL SC and the services provided to PPL EU. The review resulted in some agreed adjustments to organizational structure, activities within PPL SC and PPL EU, and governance.
3Q-4Q2017	Implementation of Corporate Center Evaluation changes (organizational, activities, governance). Expected completion by the end of the year, with some changes taking effect January 1, 2018.
4Q2017-1Q2018	Evaluation of the current Corporate Cost Allocation Manual for warranted changes, in light of the Corporate Center Evaluation, as well as areas where assets, services, and products provided to and from the regulated entity and each of its affiliates require more description, and where clarification of how PPL applies the asymmetric pricing concept should be applied.
1Q-2Q2018	Changes made to the Corporate Cost Allocation Manual

**2017 updated expected date of completion:** 2Q2018

**Responsible manager:** J. Bergstein

**2018 updated implementation status:** Complete

**2018 update on progress achieved and current plans:**

Date	Action
4Q2017-3Q2018	Evaluated, revised, drafted and reviewed the current Corporate Cost Allocation Manual (CAM) to (1) reflect the Corporate Center Evaluation, (2) add details to areas where assets, services, and products provided to and from the regulated entity and affiliates required more description and (2) clarify, where appropriate, how PPL applies the asymmetric pricing concept.
3Q2018	Released the revised Corporate Cost Allocation Manual

**2018 updated expected date of completion:** 3Q2018 Complete

**Responsible manager:** J. Bergstein



## Chapter IV-F — Recommendation 2

*Have only one PPL Corporation Cost Allocation Manual and follow it for all transactions priced at fully allocated cost, including PPL EU and its affiliates.*

### **Response:** Accept in part

PPL accepts that costs between affiliates must be allocated in a consistent manner and follow the value to which they generate. The National Association Regulatory Utility Commissioners guidelines note that each state or Federal regulatory commission may have unique circumstances that govern affiliate transactions, cost allocations, and/or service or product pricing standards. PPL's Cost Allocation Manual requires services to be billed at cost unless FERC regulations indicate otherwise, as they do for non-power goods and services. PPL's methodology complies with all applicable regulatory requirements regarding affiliate pricing and cost allocation based on its business structure and the type of affiliate transaction (electric energy sales or non-power good and services).

PPL's affiliate cost allocation methodology provides for services at a reasonable cost to its affiliates as evidenced by respective jurisdictional approvals. PPL will continue to price affiliate transactions in accordance with its Cost Allocation Manuals and the regulations and practices of applicable jurisdictional authorities.

### **Original implementation plan:**

PPL will clarify the Cost Allocation Manual per recommendation 1 from Chapter IV-F.

**Original expected date of completion:** 2Q2018

**2017 updated implementation status:** On-track for completion as planned

### **2017 update on progress achieved and current plans:**

<b>Date</b>	<b>Action</b>
2Q-3Q2017	A Corporate Center Evaluation project was initiated and completed, with the support of an external consultant, reviewing 6 Service Lines within PPL SC and the services provided to PPL EU. The review resulted in some agreed adjustments to organizational structure, activities within PPL SC and PPL EU, and governance.
3Q-4Q2017	Implementation of Corporate Center Evaluation changes (organizational, activities, governance). Expected completion by the end of the year, with some changes taking effect January 1, 2018.
4Q2017-1Q2018	Evaluation of the current Corporate Cost Allocation Manual for warranted changes, in light of the Corporate Center Evaluation and any other identified areas requiring clarification.
1Q-2Q2018	Changes made to the Corporate Cost Allocation Manual

**2017 updated expected date of completion:** 2Q2018

**Responsible manager:** M. Beers, J. Bergstein

**2018 updated implementation status:** Complete

**2018 update on progress achieved and current plans:**

<b>Date</b>	<b>Action</b>
4Q2017-3Q2018	Evaluated, revised, drafted and reviewed the current Corporate Cost Allocation Manual (CAM) to (1) reflect the Corporate Center Evaluation, (2) add details to areas where assets, services, and products provided to and from the regulated entity and affiliates required more description and (2) clarify, where appropriate, how PPL applies the asymmetric pricing concept.
3Q2018	Released the revised Corporate Cost Allocation Manual

**2018 updated expected date of completion:** 3Q2018 Complete

**Responsible manager:** J. Bergstein

### **Chapter IV-F — Recommendation 3**

*PPL EU should engage an independent review of the current PPL Corporation tax sharing agreement from the fairness to PPL EU ratepayers perspective, negotiate revisions to the tax sharing agreement as necessary, have arms-length signatures on the revised agreement by PPL SC and PPL EU, and have an independent verification of the taxes charged or credited to PPL EU at least every three years.*

**Response: Reject**

PPL EU accrues and pays taxes in compliance with Federal and state tax laws. The tax liabilities determined in accordance with Federal and state tax laws are accounted for in accordance with GAAP. The GAAP financial statements are audited by an independent auditor and submitted to the SEC on a quarterly and annual basis through PPL's 10Q and 10K filings. Intercompany cash settlement of taxes is settled based on the filed tax returns and the aforementioned books of account. It is not possible to charge PPL EU, or any other PPL subsidiary, for taxes other than taxes properly and rightfully reflected on that subsidiary's GAAP compliant financial statements.

Considering the applicable tax laws, independent audits, and GAAP requirements to which PPL EU is subject, PPL EU does not agree that an independent review of the current tax sharing agreement, or independent verification of all taxes charged or credited to PPL EU is warranted. The Final Report did not identify any existing, likely, or potential problems with the tax-based transactions between PPL and PPL EU that could be unfair to PPL EU ratepayers or are otherwise adverse to PPL EU. PPL EU's treatment of taxes is consistent with PPL EU's longstanding methodology that has been reviewed and accepted by the PUC in prior rate proceedings. Without apparent benefits, additional independent verification would add significant unnecessary costs.

**Responsible manager: A. Torok**

## **Chapter IV-F — Recommendation 4**

*Require positive employee time reporting for all affiliate transaction related cost accounting.*

**Response:** Accept in part

PPL EU agrees that it is important to have accurate affiliate transaction cost accounting. Positive employee time reporting requires employees to track all chargeable hours every day. Affiliates use positive time reporting when they have labor-based activities that are easily tracked given a project or task, while other departments use allocation percentages. PPL EU conducts an annual review of the appropriateness of the allocations associated with employee time reporting and makes adjustments as required.

PPL EU believes that requiring positive employee time reporting for all affiliate transaction related cost accounting will provide no additional economic value or degree of control. Instead, this will likely create an additional process burden and cost for the company. The use of fixed allocations to report time is a lower cost process and a practice common to many utilities in Pennsylvania and the U.S.

**Original implementation plan:**

PPL EU will continue to evaluate areas for improved time reporting and implement changes where appropriate.

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** M. Beers, S. Breininger

## **Chapter IV-F — Recommendation 5**

*Maintain records for regulatory review of the justification and rejustification for all market based prices.*

**Response:** Accept in part

PPL will continue to maintain records for regulatory review of the justification for all market based prices. These records include procurement information and bids for services that have been competitively bid, benchmarking studies, cost allocation manuals and reports, etc. These records will be maintained in accordance with PPL's document retention policies.

PPL does not agree with the Audit recommendation that "Contract terms with affiliates for market price contracts should not exceed three years". While PPL's practice is to re-bid contracts on a regular basis, there may be circumstances that may warrant contracts in excess of three years.

**Original implementation plan:**

PPL will continue to maintain records for regulatory review of the justification or all market based prices per PPL's document retention policy.

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** M. Beers, J. Bergstein

## **Chapter IV-G — Recommendation 1**

*Participate in benchmarking studies for each cost based affiliate service at least once every three years.*

### **Response:** Accept in part

PPL EU agrees that comparing internal costs with market data as part of an overall process to manage affiliate costs is appropriate. PPL EU participates, and will continue to participate, in benchmarking studies on a regular basis. However, benchmarking studies are not the only consideration when evaluating affiliate costs. The variables that can affect the comparability of market data include, but are not limited to, the type of services provided by the utility, the corporate structure of the utility, its service area and customer mix, and the regulatory environment within which it operates.

Any comparison of affiliate costs to market rates must recognize that services received from an affiliate may and do provide benefits that cannot be readily quantified. Examples of these benefits include developing and maintaining in-house competencies that serve to mitigate the risk of market-based volatility, as well as the benefit of consistent business practices. A reasonable assessment must take into account these non-quantifiable benefits of obtaining services from affiliate organizations. Accordingly, it is time consuming and costly to conduct a thorough comparison of affiliate costs to market rates. PPL EU believes that conducting a benchmarking study for each cost-based affiliate service at least once every three years, as recommended in the management audit, increases cost without an appropriate increase in value.

### **Original implementation plan:**

PPL EU will participate in benchmarking studies to ensure its costs are comparable to market. The frequency of the benchmarking studies will be determined and established by a management evaluation (note that the benchmarking will occur at least once every five years).

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** M. Beers, J. Bergstein

## **Chapter IV-H — Recommendation 1**

*Reevaluate prior ring fencing measures and consider enhancing PPL EU ring fencing.*

**Response:** Accept in part

PPL EU agrees that certain companies may be exposed to the risks of their affiliates and parent companies. PPL EU also agrees that ring fencing is a measure that may allow a company to insulate itself from those risks. The Audit Report specifically recognizes that the Talen Energy spinoff "greatly reduced the exposure of PPL EU to affiliate and other problems." PPL EU no longer faces any risk from competitive generation affiliates. All of its current material affiliates are regulated utilities.

PPL EU will continue to assess risks to it and, if appropriate, implement measures to address them. As part of this periodic assessment, PPL EU will evaluate its prior ring-fencing measures, comparing the cost of implementation to the benefit of mitigation.

**Original implementation plan:**

PPL EU will continue to monitor the risks to it and evaluate appropriate measures to address any such risks, including consideration of ring-fencing.

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** J. Bergstein, E. Duane

**Chapter IV-I — Recommendation 1**

*Voluntarily apply all of the recommended affiliate relationships and transactions good practices in this chapter to the indirect affiliate relationships.*

**Response:** Accept in part

As discussed in the implementation plans for prior recommendations in Chapter IV, PPL EU accepts the need to ensure that affiliate relationships continue to be clear, compliant with regulations, and monitored appropriately. PPL EU believes that this responsibility is addressed as part of current processes for both direct and indirect affiliate relationships and charging.

PPL EU will strive to apply recommended affiliate relationship and transaction good practices to both direct and indirect affiliate relationships, as appropriate, but will weigh the cost effectiveness of potential process and control changes (i.e., for indirect affiliates where the charges to PPL EU are relatively small) against likely benefits.

**Original implementation plan:**

PPL EU will apply appropriate accepted and implemented recommendations and good practices, where cost beneficial, for direct affiliate relationships to the indirect affiliate relationships, PPL EU will prepare a brief summary document outlining any changes implemented for indirect affiliate relationships.

**Original expected date of completion:** 4Q2017

**2017 updated status:** Revised schedule (adjusted plan as noted)

**2017 update on progress achieved and current plans:**

Date	Action
2Q2017	Decision made not to have IT organizations and reporting structures merged across PA and LKE, due to high costs and negligible incremental benefits relative to the benefits achievable through other integration and coordination practices. More detail provided in the update for XI-1.
1Q-2Q2018	Determine and apply appropriate changes to the indirect affiliate relationships, and outline in a brief summary document.

Changes made to the planned IT organization structure have potential implications for the indirect affiliate relationship of PPL EU with the LG&E and KU Services Company due to the treatment of certain IT assets. As a result, more time will be required to confirm the intended treatment of the assets and evaluate the impact to determine any changes to the relationship that may be required.

**2017 updated expected date of completion:** 2Q2018



**Responsible manager:** M. Beers

**2018 updated status:** Complete

**2018 update on progress achieved and current plans:**

Date	Action
4Q2017-3Q2018	<p data-bbox="440 527 1437 684">Evaluated, revised, drafted and reviewed the current Corporate Cost Allocation Manual (CAM) to (1) reflect the Corporate Center Evaluation, (2) add details to areas where assets, services, and products provided to and from the regulated entity and affiliates required more description and (2) clarify, where appropriate, how PPL applies the asymmetric pricing concept.</p> <p data-bbox="440 726 1437 787">The Cost Allocation Manual describes how costs will be allocated and charged for indirect costs.</p>

PPL EU will apply appropriate accepted and implemented recommendations and good practices, where cost beneficial, for direct affiliate relationships to the indirect affiliate relationships.

**2018 updated expected date of completion:** Complete 3Q2018

**Chapter IV-J — Recommendation 1**

*Conduct regular internal audits of affiliate relationships and transactions.*

**Response:** Accept in part

PPL PA-based internal audit agrees with the need to perform internal audits of affiliate relationships and transactions and agrees to perform a review every two years. However, PPL PA-based internal audit does not agree with the recommendation that each internal audit performed in this area needs to cover: governance, tracking of transactions, service level agreement and PUC approval, compliance with the Affiliate Code of Conduct, benchmarking or other proof of affiliate relationship value, ring fencing, and indirect affiliate involvement. PPL PA-based internal auditing also does not agree that every audit needs to cover relationships with all entities as identified in the Final Report. Instead, the PPL PA-based internal audit team will utilize a risk-based approach in determining the scope and objectives of internal audits performed in this area. This approach aligns with established audit process procedures for performing internal audits to help ensure that PPL PA-based internal audit continues to be focused on areas of key risk in order to optimize the use of internal audit resources.

**Original Implementation plan:**

Every two years PPL PA-based internal audit will plan to conduct a review focused on auditing affiliate relationships and transactions. The scope and objectives of each audit will be determined based on the results of a preliminary risk assessment. As noted in the Audit, PPL PA-based internal audit currently has an internal audit on the 2016 Audit Plan to perform a review of the PPL EUS cost allocation project which will address risks related to affiliate relationships and transactions.

**Original expected date of completion:** Ongoing

**2017 updated implementation status:** Ongoing

**2017 update on progress achieved and current plans:**

<b>Date</b>	<b>Action</b>
4Q2016	Decision made to postpone planned review of affiliate relationships and transactions, due to imminent Corporate Center Evaluation project.
2Q-3Q2017	A Corporate Center Evaluation project was initiated and completed, with the support of an external consultant, to review 6 Service Lines (functions) within PPL SC and the services provided to PPL EU. The review resulted in some refinements to organizational structure, activities within PPL SC and PPL EU, and governance.
3Q-4Q2017	Implementation of the Corporate Center Evaluation changes (organizational reporting, activities, governance) progressing, with expected completion by the end of the year (or January 1, 2018).
1Q-4Q2018	Internal audit will conduct a review of affiliate relationships and transactions, with

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scope and objectives determined based on the results of a preliminary risk assessment.

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Audit of affiliate relationships and transactions originally planned for 2016 was postponed due to plans made for larger and more comprehensive Corporate Center Evaluation project in early 2017. The next audit of affiliate relationships and transactions is now planned for 2018, following implementation of the Corporate Center Evaluation changes.

**2017 updated status:** Ongoing

**Responsible manager:** R. Yeager

**2018 updated implementation status:** Complete and ongoing

**2018 update on progress achieved and current plans:**

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Date	Action
4Q2018	Internal audit started an audit, including a review of PPL EU's affiliate relationships and transactions, in October and plans to have the audit completed by year-end.

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**2018 updated status:** Complete and ongoing

**Responsible manager:** R. Yeager

## Chapter V-C — Recommendation 1

*Establish a budget variance threshold policy.*

**Response:** Accept

**Original implementation plan:**

PPL EUS will establish a policy outlining appropriate variance thresholds indicating when a variance requires further investigation and/or approvals.

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** On-track for completion as planned (not started)

**2017 updated expected date of completion:** 4Q2017

**Responsible manager:** M. Beers, S. Breininger

**2018 updated implementation status:** Complete

**2018 update on progress achieved and current plans:**

Date	Action
4Q2017	Established business practice for the level of variances that requires an explanation to PPL EU leadership and to PPL Corporation leadership
1Q2018 - ongoing	Continuing to implement business practice and report explanations for variances that exceed the threshold levels

PPL EU Financial Planning and Analysis (FP&A) produces a monthly results report that is distributed to the PPL EU leadership team. PPL EU FP&A gather and report actual vs. budget variance explanations for P&L line items whose variances are  $\geq$  \$0.5M for 1 month or  $\geq$  \$1M on a year-to-date basis (or less than these thresholds but have larger offsetting drivers embedded in the overall results). These variance thresholds provide PPL EU with appropriate controls and insight into key business drivers.

**2018 updated expected date of completion:** 4Q2017 Complete

**Responsible manager:** M. Beers, S. Breininger

## **Chapter V-C — Recommendation 2**

*Develop a policy and process to review unclassified assets and complete the unitization process to place new assets in proper accounts in a timely manner.*

**Response:** Accept in part

PPL EU accepts that assets should be reviewed and unitized in an expeditious manner. It does not agree that projects remaining to be unitized are open inappropriately. Businesses that engage in the construction of large, complex projects leave their projects open for extended periods of time, or conversely continually reopen and close the projects, in order to account for all costs, audit the entries, contract retentions, and disputes. It is not unusual to have a large project open for greater than 12 to 18 months.

**Original implementation plan:**

PPL EU will continue to unitize and close projects as soon as it is feasible.

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** J. Schwartz

## **Chapter VI-A — Recommendation 1**

*Include a representative from the IT Department in TEAM and TAM meetings as needed.*

**Response:** Accept

**Original implementation plan:**

IT has been invited to Transmission Execution and Accountability Meeting and Transmission Asset Management meetings.

**Original expected date of completion:** Complete 1Q2016

**2017 updated implementation status:** No change – Complete

**Responsible manager:** P. Waldrab

## Chapter VI-A — Recommendation 2

*Adopt a two or three year review cycle for all Transmission Engineering Instructions and Transmission Construction Standards.*

**Response:** Accept

### Original implementation plan:

Full comprehensive review and update of Transmission Engineering Instructions and Transmission Construction Standards will be completed by year end 2017. A 2-3 year review cycle will be put in place.

**Original expected date of completion:** 4Q2017

**2017 updated status:** Complete and ongoing

### 2017 update on progress achieved and current plans:

Date	Action
4Q2016	Issued Installation of Compression Fittings transmission specification; A major overhaul of transmission overhead standards (TEIs and TCSs) was completed 2Q2016 resulting in approximately 130 new comprehensive set of construction standards for overhead transmission line construction. A full comprehensive review of the remaining transmission standards population was subsequently conducted.
2Q2017	Revised Overhead Transmission Design Criteria TEI; Grounding and Counterpoise - Sectionalizing Devices TCS; and issued All Dielectric Self Supporting (ADSS) Fiber Optic cable specification.
3Q2017	Issued 138kV Load Break Air Break Switches and Bird Perch Preventers standards
1Q2018	Scheduled issuance of all underground transmission cable specifications
2Q2018	Scheduled revision and issuance of the remaining underground transmission standards (TEIs & TCSs). On Track for 2Q2018

PPL EU evaluated the review cycle to be adopted for the Transmission Engineering Instructions (TEIs) and Transmission Construction Standards (TCS) based on considerations of internal processes in place, their expected utilization as well as insights from industry peers. A major overhaul of transmission overhead standards (TEIs and TCSs) was completed 2Q2016 resulting in approximately 130 new comprehensive set of construction standards for overhead transmission line construction. A full comprehensive review of the remaining transmission standards population was subsequently conducted. Based on the results of the subject review; the magnitude of the completed overhaul; the level of current utilization of these T-standards which would provide ample opportunities to identify and incorporate potential enhancements and insights informally gathered from industry peers, PPL EU adopted a 5 year review cycle rather than a 2-3 year review cycle as originally stated in the implementation plan. This adopted review cycle is deemed adequate in lights of existing internal processes and has been

established as a requirement in internal procedure. For configuration management and control, PPL drawing management system "Fusion" is being used to track the revision status of the TEs and TCSs with internal department specific performance metrics all tracking the adherence to this procedural requirement.

**2017 updated expected date of completion:** Complete and ongoing

**Responsible manager:** D. Gladey



### **Chapter VI-A — Recommendation 3**

*Transfer the remaining Transmission Expansion functions to T&S Project Management or T&S Asset Management.*

**Response:** Accept

**Original implementation plan:**

Transmission Expansion department has been dissolved.

**Original expected date of completion:** Complete 1Q2016

**2017 updated implementation status:** No change – Complete

**Responsible manager:** S. Raymond

## **Chapter VI-B — Recommendation 1**

*Adopt the reduction in the CEMI10 goal to CEMI9.*

**Response:** Accept

### **Original implementation plan:**

In November 2015, PPL EU analyzed the impact of changing the CEMI10 goal to a CEMI9 target. Following this analysis the distribution operations team decided to adopt the target change and communicated this to the broader organization.

In January 2016, PPL EU updated the associated reporting metrics and updated the Customers Experiencing Multiple Interruptions Task Force communications. This recommendation is now fully implemented.

**Original expected date of completion:** Complete 1Q2016

**2017 updated implementation status:** No change – Complete

**Responsible manager:** C. Lauver

## Chapter VI-B — Recommendation 2

*Complete the addition of distribution asset condition to the asset management system.*

**Response:** Accept

### Original implementation plan:

In August 2015, the implementation of digital inspections for Low Tension Network (LTN) assets was completed. Following this, in August 2016, the implementation of digital inspections for Voltage Regulators, and the complete creation of digital inspections for Air Breaks were also completed.

The final two stages to complete this recommendation are:

- The implementation of digital inspections for Air Break Inspections (Expected date of completion 1Q2017)
- The creation and implementation of digital inspections for all Overhead Line Visual Inspections (Expected date of completion 4Q2017)

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** On-track for completion with changes to the implementation plan

### 2017 update on progress achieved and current plans:

Date	Action
1Q2017	Implementation of digital inspections for Air Break Inspections
1Q2017	Decision to deprioritize digital inspections for Overhead Line Visual Inspections and replace with the development of several other IT applications, including expanding functionality of 'PPL Restore' application and development of a new mobile application tool
4Q2017	Expected completion of other IT application development projects

PPL EU determined in 1Q2017 that digital inspections for Overhead Line Visual Inspections is not necessary to support greater use of condition-based maintenance, and that current maintenance practices for overhead lines provide sufficient benefits relative to the costs to use the asset management application for these assets. Instead, PPL EU determined that greater benefit and improvements to maintenance practices would be provided by several other IT application development projects to aid in asset data acquisition. Specifically, these include expanding functionality of the 'PPL Restore' application and development of a new mobile application tool, which enables employees and field personnel to report abnormal field conditions to our reliability teams for remediation. The original implementation plan has been amended to include these projects instead of the original overhead line inspection activity.

These additional development projects are slated to be completed within the original implementation plan year-end timeline.

**2017 updated expected date of completion:** 4Q2017

**Responsible manager:** C. Lauver

**2018 updated implementation status:** Complete

**2018 update on progress achieved and current plans:**

Date	Action
4Q2017	Completion of other IT application development projects

The additional development projects – expanding functionality of the 'PPL Restore' application and development of a new mobile application tool – have been completed.

**2018 updated implementation status:** 4Q2017 - Complete

**Responsible manager:** C. Lauver

### Chapter VI-B — Recommendation 3

*Complete the planned linkage of substation maintenance cycles in the asset management application.*

**Response:** Accept

**Original implementation plan:**

In January 2016, implementation of automating all maintenance work orders via CASCADE into Asset Suite was completed.

The final two stages to complete this recommendation are:

- Performing a robust effectiveness review of all substation and Low Tension Network (LTN) maintenance cycles, and modifying cycles as appropriate (Expected date of completion 3Q2017)
- Implementing condition based maintenance monitoring for CASCADE to perform equipment maintenance based on known operational characteristics (fault conditions, etc.) (Expected date of completion 4Q2017)

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** On-track for completion as planned

**2017 update on progress achieved and current plans:**

Date	Action
3Q2017	Implementing condition based maintenance monitoring for CASCADE to perform equipment maintenance based on known operational characteristics
4Q2017	Performing a robust effectiveness review of all substation and Low Tension Network (LTN) maintenance cycles, and modifying cycles as appropriate

**2017 updated expected date of completion:** 4Q2017

**Responsible manager:** C. Lauver, J. Sinclair

**2018 update on progress achieved and current plans:**

Date	Action
4Q2017	Completed effectiveness review of all substation and Low Tension Network (LTN) maintenance cycles, and modified both LTN Maintenance and Substation Inspection cycles as appropriate.

**2018 updated implementation status: 4Q2017 - Complete**

**Responsible manager: C. Lauver, J. Sinclair**

**Chapter VI-B — Recommendation 4**

*Consider expanding the troubleshooter function to include coverage during the normal work day.*

**Response:** Accept

**Original implementation plan:**

PPL EU will consider expanding the troubleshooter function to include coverage during the normal work day.

As a first step, in January 2017, PPL EU will perform utility benchmarking to determine best-in-class daytime trouble response models. Following this, PPL EU will conduct an analysis, using this best-in-class model, to determine the internal cost and benefit of expanding the troubleshooter function to daytime hours (estimated completion date 2Q2017).

If warranted, depending on the results from the cost benefit analysis, an implementation plan and appropriate next steps will be detailed (estimated completion date 3Q2017).

**Original expected date of completion:** 3Q2017

**2017 updated status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
1Q2017	Benchmarking completed through assorted industry associations and forums, with inconclusive results (variety of practices observed, depending on specific circumstances).
2Q2017	Analysis of PPL EU outages and field operations determined that positioning troubleshooters as first responders during the normal working day would increase overall average time to restoration. As a result, no changes will be made to the troubleshooter function.

Analysis determined that with troubleshooters as first responders instead of 2-man line crews, time to first response would decrease somewhat. However time required for resolution would increase on a significant proportion of outages that could not be solved by a troubleshooter and would then require a crew to also be dispatched, more slowly than if dispatched directly originally. The overall impact would then be negative.

**2017 updated expected date of completion:** Complete

**Responsible manager:** D. Quier

**Chapter VII-A — Recommendation 1**

*Establish a designated individual to fulfill a specific role and responsibilities to interface with PEMA in a state-wide event.*

**Response:** Accept

**Original Implementation plan:**

PPL EU agrees with the recommendation that during a state-wide event an individual, with a clear role and responsibilities, should interface with Pennsylvania Emergency Management Association (PEMA). However, given state wide events are unpredictable, PPL EU feels it is unnecessarily risky to only have one designated individual responsible for interfacing with PEMA, instead it has identified a group of persons within the Incident Command System who can fulfill the role if required.

To this end, PPL EU has defined and documented the role and responsibilities for coordinating with PEMA during a state-wide emergency event (in accordance with the National Incident Management System). Additionally, internal processes are in place to ensure coordination with PPL EU Emergency Response Organization. PPL EU has updated the Corporate Emergency Management Plan to include the responsibilities for the Incident Command System role of Liaison Officer and criteria for its activation.

Finally, all the relevant persons within the Incident Command System will be notified and trained on the documented role and responsibilities by the end of 2016.

**Original expected date of completion:** 4Q2016

**Updated status:** Complete

**Update on progress achieved and current plans:**

Date	Action
3Q2016	PPL Corporate Security updated the Corporate Emergency Management Plan in September 2016 (approved 9/9/2016), to reflect a Liaison Officer as part of the Incident Command System to ensure representation in the State EOC or command center. The Liaison Officer is coordinated with PPL EU and is selected from the Corporate Security Staff.
4Q2016	All current corporate security staff members completed an ICS Liaison Officer training program consistent with the National Incident Management System by December 31, 2016.

**2017 updated expected date of completion:** Complete

**Responsible manager:** E. Wurster



## Chapter VII-A — Recommendation 2

*Complete the efforts to coordinate critical system priorities among PPL SC, IT, and PPL EU and integrate the results into the respective emergency response plans.*

**Response:** Accept

**Original implementation plan:**

PPL EU agrees that it needs to complete the coordination of critical system priorities among PPL SC, IT, and PPL EU and integrate the results into the respective emergency response plans. PPL is finalizing a common criticality matrix with all PPL business continuity plan owners, including IT and PPL EU.

As part of ongoing business continuity coordination planning and associated processes (including annual 2016 business continuity plan reviews), Corporate Security/Emergency Management Office will work with IT Security & Compliance, Emergency Preparedness, and business continuity plan owners of critical applications, to identify and implement opportunities for plan consolidation and documentation reduction (driven by the Business Impact Analyses). Furthermore, PPL EU will update all business continuity plans in the Fusion Framework Risk Management System to address identified gaps and risks.

**Original expected date of completion:** 1Q2017

**Updated status:** Complete

**Update on progress achieved and current plans:**

Date	Action
4Q2016	Coordination of critical system priorities among PPL SC, IT, and PPL EU completed and results integrated into the respective emergency response and business continuity plans. Additionally, business continuity plans were updated; a cyber incident playbook, physical attack playbook, Black Sky Event playbook, and Cyber System Levers Playbook were developed. The manuals and plans will continue to be revised as necessary.
3Q-4Q2016	The plans and playbooks were used in a grid exercise held by PJM on September 9, 2016 and business continuity plans in the annual exercise on December 7, 2016.

**2017 updated expected date of completion:** Complete

**Responsible manager:** E. Wurster

**Chapter VII-B — Recommendation 1**

*Provide initial training and periodic refresher training on the NIMS structure to the key Emergency Response Plan roles.*

**Response:** Accept

**Original Implementation plan:**

PPL agrees with the need to provide initial training and periodic refresher training on the National Incident Management Structure (NIMS) structure to the key Emergency Response Plan roles, and Emergency Preparedness will perform the following:

1. Identify which emergency response roles will be included in the training
2. Determine if the training will be provided internally or externally
3. Ensure that the training is scheduled and conducted
4. Develop an ongoing process for refresher training and for initial training of newly appointed personnel.

**Original expected date of completion:** 1Q2018

**2017 updated status:** On-track for completion as planned

**2017 update on progress achieved and current plans:**

Date	Action
2Q2017	Training target audience identified to include leadership roles within the Emergency Response Organization and first responder positions and their supervision. Curriculum finalized.
1Q2018	Computer-based-training module to be created and administered to the target audience (and annually thereafter).

**2017 updated expected date of completion:** 1Q2018

**Responsible manager:** V. Cucé

**2018 update on progress achieved and current plans:**

Date	Action
1Q2018	Training was completed for key roles within the Emergency Response Organization in a live session. Refresher training will be conducted on an every-other-year basis via a computer-based training module to be developed by 4Q2018.

**2018 updated implementation status:** Complete and ongoing

**Responsible manager:** V. Cucé

## Chapter VII-B — Recommendation 2

*Modify the number of event levels used in the Emergency Response Plan.*

### **Response:** Accept In Part

PPL EU agrees with the Final Report finding that the number of event levels used in the Emergency Response Plan should not be reduced to two. However, PPL does not believe the current number of event levels (four) needs to be modified to match the three levels described in the Final Report; four levels are currently working efficiently and effectively.

PPL EU will conduct a thorough review of the number of event levels by year-end 2017 and, if warranted, will modify the number of event levels. As part of this review, PPL EU will take the opportunity to update the current level descriptions if required.

### **Original implementation plan:**

Emergency Preparedness will review the current event levels and will modify the number and description of these levels if needed. Emergency Preparedness will also evaluate expanding the application of the levels from purely weather-related to all-hazards plans.

**Original expected date of completion:** 4Q2017

**2017 updated status:** On-track for completion as planned

**2017 update on progress achieved and current plans:**

<b>Date</b>	<b>Action</b>
3Q2017	Analysis complete. PPL EU will continue to operate with 4 incident response levels. However, the level descriptions will change to reflect our incident response expansion beyond weather events and to align with the corporate incident response levels. The levels and their associated criteria and organizational structure are documented in the Incident Command Structure procedure.
4Q2017	Update the Emergency Response Plan with this change.

**2017 updated expected date of completion:** 4Q2017

**Responsible manager:** V. Cucé

**2018 update on progress achieved and current plans:**

<b>Date</b>	<b>Action</b>
4Q2017	PPL EU has reviewed the current process and has concluded to not change the number of event levels in the Emergency Response Plan. In addition, we have

updated the document by providing additional actions for Incident Commanders to complete

**2018 updated implementation status:** Complete

**Responsible manager:** V. Cucé

### **Chapter VII-B — Recommendation 3**

*Conduct formal after action reviews after all activations of the ECC.*

**Response:** Accept

**Original implementation plan:**

Since the Audit began, PPL has instituted a process that requires an after-action review for events that require the activation of the Emergency Command Center.

**Original expected date of completion:** Complete 3Q2016

**2017 updated implementation status:** No change – Complete

**Responsible manager:** V. Cuce

## Chapter VII-C — Recommendation 1

*Consolidate the business continuity plans for critical applications.*

**Response:** Accept

**Original implementation plan:**

As part of ongoing business continuity coordination planning and associated processes, including annual 2016 business continuity plan reviews, IT Security & Compliance will work with Corporate Security/Emergency Management Office, Emergency Preparedness, and business continuity plan owners of critical applications to identify opportunities for plan consolidation and documentation efficiencies, and implement accordingly aligned to business impact analyses.

**Original expected date of completion:** 1Q2017

**Updated implementation status:** Complete and ongoing

**Update on progress achieved and current plans:**

Date	Action
4Q2016	First collection of business continuity plans consolidated within Fusion repository
3Q2017	Remaining business continuity plans consolidated within Fusion repository

Business continuity plans will continue to be reviewed annually as part of regular processes, and any further opportunities for consolidation and documentation efficiencies will be identified and implemented.

**2017 updated expected date of completion:** Complete and ongoing

**Responsible manager:** K. Simendinger

## **Chapter VII-C — Recommendation 2**

*Complete the updates to PPL EU's cybersecurity documents based upon the lessons learned from the GridEx III exercise.*

**Response:** Accept

### **Original implementation plan:**

PPL EU's Cybersecurity Incident Response Team Handbook was updated (Rev 12, 3/31/2016). Revision history notes a number of items that were updated, several of which came out of GridEx III lessons learned (e.g., modified IT Event Manager to show relationship with Emergency Control Center, updated and added OE-417 source sites, removed OE-417 reporting requirements and added EU NERC-CIP-060). Other related Emergency Preparedness cybersecurity related documents, such as Cyber Event Playbook and System Levers, were also updated (May 1, 2016), based on GridEx III and other drill lessons learned. These documents will continue to be reviewed cyclically and enhanced based on business need and lessons learned.

**Original expected date of completion:** Complete 2Q2016

**2017 updated implementation status:** No change – Complete

**Responsible manager:** K. Simendinger



### **Chapter VII-C — Recommendation 3**

*Consider adding a courtesy notification to the PUC in the event of a significant cyber security event to the Corporate Emergency Management Plan.*

**Response:** Accept

**Original implementation plan:**

The updated Emergency Preparedness Cyber Event Playbook outlines System Support Director and Information Officer roles and responsibilities, including steps to notify the PUC in event of a significant cyber event. The Emergency Management Office's Executive Crisis Team playbook also outlines the need for notifications to regulatory bodies such as the PUC for significant cybersecurity events.

**Original expected date of completion:** Complete 2Q2016

**2017 updated implementation status:** No change – Complete

**Responsible manager:** K. Simendinger

## Chapter VII-D — Recommendation 1

*Perform a comprehensive review and update of the PPL EU Emergency Response Plan.*

**Response:** Accept

**Original implementation plan:**

PPL will perform a comprehensive review of the PPL EU Emergency Response Plan and update the roles, processes, and criteria as required.

This review will occur every year, beginning 4Q2017.

**Original expected date of completion:** 4Q2017 and ongoing

**2017 updated status:** On-track for completion as planned

**2017 update on progress achieved and current plans:**

Date	Action
4Q2017	Revised PPL EU Emergency Response Plan drafted, review of draft changes underway.
4Q2017	Updated PPL EU Emergency Response Plan completed following review, with sign-off.

**2017 updated expected date of completion:** 4Q2017 and ongoing

**Responsible manager:** V. Cucé

**2018 update on progress achieved and current plans:**

Date	Action
4Q2017	Issued Revision 1 of PPL EU's Emergency Response Plan following the annual review of the plan

**2018 updated implementation status:** Complete and ongoing

**Responsible manager:** V. Cucé

## Chapter VII-D — Recommendation 2

*Add documentation of plan reviews and revisions to the PPL emergency plans.*

**Response:** Accept

### **Original implementation plan:**

Emergency Preparedness (PPL EUS EP) will add review and revision blocks to the emergency response plan documents. PPL EUS EP will update these blocks annually (in line with the annual review of the emergency response plan documents).

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** On-track for completion as planned

### **2017 update on progress achieved and current plans:**

Date	Action
3Q2017	Document updates are 70% complete.
4Q2017	Document updates completed, with review and revision blocks added to all emergency response plan documents.

**2017 updated expected date of completion:** 4Q2017

**Responsible manager:** V. Cucé

### **2018 update on progress achieved and current plans:**

Date	Action
4Q2017	Review and revision blocks have been added to emergency response documents in the Emergency Response Plan SharePoint library.

**2018 2018 updated implementation status:** Complete

**Responsible manager:** V. Cucé

### Chapter VII-D — Recommendation 3

*Develop a summary document defining the action plans and procedures maintained to support compliance with 52 Pa. Code § 101.3 (a).*

**Response:** Accept

**Original implementation plan:**

Emergency Preparedness, in conjunction with PPL's Information Assurance Group and Corporate Protective Services, will develop and maintain a document defining the action plans and procedures as described in 52 Pa. Code § 101.3 (a).

**Original expected date of completion:** 4Q2017

**2017 updated status:** Complete and ongoing

**2017 update on progress achieved and current plans:**

Date	Action
2Q2017	Emergency Preparedness, in conjunction with PPL's Information Assurance Group and Corporate Protective Services, develop and maintains a document defining the action plans and procedures as described in 52 Pa. Code § 101.3 (a). The Director-Protective Services is responsible for coordinating updates to the document.

**2017 updated expected date of completion:** Complete and ongoing

**Responsible manager:** V. Cucé

## Chapter VIII-A — Recommendation 1

*Analyze the causes of all motor vehicle accidents and develop or modify the defensive driving program to focus on avoidance of all types of vehicle accidents.*

**Response:** Accept

### Original implementation plan:

PPL EU agrees with the need to reduce the number of motor vehicle accidents. To address this, in 2Q/3Q2016 PPL EU began piloting two defensive driving programs in the Respond to Customer department. These programs were put in place based on this department's high number of motor vehicle accidents over the past several years. The programs are:

- Peer-to-peer Ride-along Driving Program
- Driver Skill Enhancement Course

PPL EU will review the results of these pilots in 3Q2017. If successful, these programs will be rolled-out as warranted across the company.

Additionally, PPL EU will continue to analyze the cause of all motor vehicle accidents and develop or modify driving programs in an effort to drive down all types of vehicle accidents.

**Original expected date of completion:** 3Q2017

**2017 updated status:** Complete and ongoing

**2017 update on progress achieved and current plans:**

Date	Action
1Q2017	5 PPL employees from the Respond to Customer (RTC) department traveled to Smith Driving School for train the trainer instruction. The RTC group also began to train all 50 bargaining unit and 7 management employees. The RTC group also began a peer-to-peer ride-along program to check driving school training penetration and gather data for targeted additional training.
3Q2017	RTC department has reviewed motor vehicle accidents, and has seen a substantial improvement in vehicular events through the first three quarters of 2017. As a result, PPL EU will continue with the current programs and efforts.
3Q2017	Based on program outcomes, RTC Trainers also begun to train PPL EU vegetation management employees, expanding programs across PPL EU starting with a second department.

**2017 updated expected date of completion:** Complete and ongoing

**Responsible manager:** B. Matweecha

## **Chapter VIII-A — Recommendation 2**

*Convert the Permits spreadsheet to a database.*

**Response:** Accept

### **Original implementation plan:**

PPL EU Environmental agrees that the stand-alone spreadsheet to manage distribution environmental permits should be converted to a database.

As such, the EU Environmental Compliance group developed a secure, web-based permit tracking system in 2015 with full implementation achieved in 1Q2016. This system is managed by EU Environmental Compliance and tracks all active and planned distribution environmental permits from the time the need is first identified through to when the permits achieve regulatory closure. The system has full audit tracking functions and has also been set up to provide automated emails to the lead responsible individuals alerting them to critical schedule dates (i.e. permits submitted, permits approved by regulator, permits expiring & requiring renewal, etc.). The permit tracker tool is maintained by the PPL EU environmental professionals/individual permitting contractors.

**Original expected date of completion:** Complete 1Q2016

**2017 updated implementation status:** No change – Complete

**Responsible manager:** M. Hasel, C. Kester

## **Chapter VIII-B — Recommendation 1**

*Participate in a Supply Chain benchmarking study at least every other year.*

**Response:** Accept

**Original implementation plan:**

At least every other year, PPL EUS Supply Chain will complete benchmarking through participation in the Utility Purchasing Management Group (UPMG) study, or equivalent. PPL EUS Supply Chain has completed its inputs to the 2016 UPMG study just prior to the writing of this response. Each September, the participants of the UPMG Benchmark Study hold a workshop to rationalize the data and issue the final study in October.

**Original expected date of completion:** Complete 4Q2016 and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** D. Amico

**Chapter VIII-B — Recommendation 2**

*Improve the consistency in materials controls implementation and tracking of materials activity.*

**Response:** Accept in part

PPL EU agrees with the need to improve the consistency in materials controls implementation and tracking of materials activity.

PPL EUS Supply Chain revised its cycle counting metric to include items of all value, not only to get a more comprehensive measurement of its inventory accuracy, but also as an aid in determining what materials should be inventoried. PPL EUS Supply Chain is not only reviewing its cycle counting process to determine where process improvements need to be made, but also to determine if a more effective model can be developed for low unit priced items. Low unit priced items, especially those that are also small in size, may cost more to cycle count than they are worth in value. Developing an alternative supply chain may be a better business decision than improving the cycle counting process for these items.

**Original Implementation plan:**

PPL EUS Supply Chain has already begun to implement process changes to improve cycle counting accuracy. PPL EUS Supply Chain Logistics Services will review these process changes in 4Q2016.

Additionally, by 4Q2017, PPL EUS Supply Chain will review the process for low unit priced items and potentially develop an alternative supply chain for these items.

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** Revised schedule (adjusted plan as noted)

**2017 update on progress achieved and current plans:**

Date	Action
4Q2016	Increased attention to variances under revised metric, and adjustments to behavior and treatment of individual items at specific locations resulted in cycle counting accuracy exceeding the target of 96% in 2016
2Q2017	Decision made to adopt alternate supply chain in a stepped approach / timeline, with direct ship model, for safety related items and pole & line hardware (low unit priced items)
3Q2017	Safety related items awarded to vendor under direct ship model
4Q2017	Pole & line hardware awarded to vendor under direct ship model
1Q2018	Direct ship model for safety related items fully implemented
2Q2018	Direct ship model for pole & line hardware fully implemented



A review of the process for low unit priced items determined that an alternative supply chain with direct shipping for safety related items and pole & line hardware would result in lower total cost of ownership (TCO). The breadth and depth of the changes, along with this being a first time evolution resulted in an extension of the expected completion date to 2Q2018.

**2017 updated expected date of completion:** 2Q2018

**Responsible manager:** E. Mease, J. Fedor

**2018 updated implementation status:** Revised schedule (adjusted plan as noted)

**2018 update on progress achieved and current plans:**

Date	Action
2-3 Q2018	Implementation of the direct ship model ("alternative supply chain") is underway and is fully implemented in some locations. Plans are to implement in the remaining locations during 4Q2018 and 1Q2019.
4Q2018 – 1Q2019	Direct ship model for safety-related items and for pole & line hardware fully implemented

The use of an alternative supply chain, based on direct shipping for safety related items and pole and line hardware, is anticipated to result in lower total cost of ownership (TCO). The breadth and depth of the changes, along with change management issues associated with this being a first-time implementation at PPL, has resulted in an extension of the expected completion date to 1Q2019.

**2018 updated expected date of completion:** 1Q2019

**Responsible manager:** E. Mease, J. Fedor

**Chapter VIII-B — Recommendation 3**

*Conduct a comprehensive review of emergency stock and spares at least every two years.*

**Response:** Accept in part

PPL EU agrees with the recommendation to conduct a comprehensive review of emergency stock and spares. Within PPL EUS Supply Chain’s goals for 4Q2017 is a plan to review all safety stock levels.

However, PPL EUS Supply Chain plans to conduct subsequent reviews on a 3-year cycle as the types of material held in emergency stock, and the electric utility infrastructure in general, change at a relatively slow rate. Therefore, a 2 year review cycle would introduce additional costs that would not provide any meaningful incremental benefit.

**Original Implementation plan:**

Complete the review of all PPL EU safety stocks by 4Q2017 and repeat the review cycle every three years.

**Original expected date of completion:** 4Q2017 and ongoing

**2017 updated implementation status:** Revised schedule (adjusted plan as noted)

**2017 update on progress achieved and current plans:**

Date	Action
2Q2017	Distribution emergency stock review initiated
3Q-4Q2017	Transmission Asset Management project to develop an E-Stock strategy, with implications for emergency stock items (definitions of emergency stock and quantities needed)
4Q2017	Completion of Distribution emergency stock review
1Q-2Q2018	Review of Transmission emergency stock items

Review of Transmission emergency stocks delayed pending outcomes of Asset Management project to develop an E-Stock strategy. Review of Distribution emergency stocks delayed due to changes in data analysis approach used in review (initiated 1Q2017) and due to focus of Supply Chain team on other priority projects with greater cost-benefits, including alternate supply chain development for low unit priced items. Both reviews are expected to be completed in the first half of 2018.

**2017 updated expected date of completion:** 2Q2018

**Responsible manager:** J. Fedor

**2018 updated implementation status:** Complete and ongoing

**2018 update on progress achieved and current plans:**

Date	Action
3Q2018	Completed review of Transmission and Distribution emergency stock items and spares

**2018 updated expected date of completion:** 3Q2018 Complete and ongoing

**Responsible manager:** J. Fedor

## Chapter VIII-B — Recommendation 4

*Decrease the threshold for review of zero use items from three years to no more than two years.*

**Response:** Accept in part

PPL EU agrees that there are opportunities for increased efficiency in the inventory review process, including zero use items. Having identified these opportunities and potential improvements to PPL EU's catalog ID (CID) creation process, PPL EUS Supply Chain re-engineered both business processes to implement tighter controls, lowering the quantity of zero use items.

PPL EU improved the CID creation process by enforcing a more disciplined approach in the use of CIDs and by establishing more accurate inventory parameters for new CIDs. Furthermore, a process requirement was added to ensure PPL EUS Supply Chain vets the engineering review of zero use items. By inserting PPL EUS Supply Chain's vetting of the engineering decision into the CID creation process, PPL EU intends to ensure that unused /excess material held in inventory is not only based on a sound technical decision, but also on a sound financial decision. (i.e., PPL EUS Supply Chain requires a financial justification for continuing to hold unused materials in inventory).

The revisions to the business processes for CID creation and excess/obsolete inventory review were implemented in 3Q2016.

PPL EUS Supply Chain believes the process changes described above will reduce the overall quantity of zero use items. Consequently, moving from a 3 year to a 2 year review cycle of zero use items introduces additional costs with no additional benefit. Early indications are that the re-engineered processes are achieving their desired goals. PPL EUS Supply Chain will conduct a review of the reengineered processes by 4Q2017.

**Original Implementation plan:**

PPL EUS Supply Chain will review the process changes to CID creation and the engineering review of zero use items by 4Q2017. PPL EUS Supply Chain will adjust these processes as needed.

**Original expected date of completion:** 4Q2017

**2017 updated status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
1Q-2Q2017	Supply chain made further process improvements that affect the review of zero-use items by developing and implementing an inventory classification methodology that

increases ownership and accountability by linking inventory segments to specific user groups who are also responsible for reviewing inventory levels. Supply Chain analysts then improved reporting tools to increase productivity in the review of catalog numbers by engineers and supply chain category managers. These improvements conclude the process changes that Supply Chain has identified as beneficial in order to improve the review of zero-use items (and other inventory) according to the original implementation plan.

**2017 updated expected date of completion:** Complete

**Responsible manager:** J. Fedor

## **Chapter VIII-C — Recommendation 1**

*Monitor the aging of the vehicle fleet and resulting maintenance and availability implications.*

**Response:** Accept

### **Original implementation plan:**

PPL EU agrees with the need to monitor the age of its vehicle fleet and resulting maintenance, availability and purchasing implications. PPL EU Transportation now performs this task using the following three mechanisms:

1. Annual independent benchmark evaluation conducted by Utilimarc of fleet age and implications on maintenance and availability
2. Annual internal evaluation of potential replacement vehicles during budget formulation, with vehicle age and the independent evaluation being the key factors for replacement
3. Monthly review of vehicle availability

**Original expected date of completion:** Complete 3Q2016 and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** J. Adkisson

**Chapter IX-A — Recommendation 1**

*Incorporate unit costs and service quality metrics into the Customer Services Monthly Performance Indicators Report to improve performance management.*

**Response:** Accept

**Original implementation plan:**

Over the course of the past 2 ½ years PPL EU Customer Service's focus on unit cost measures has grown and is becoming a significant driver in strategic financial and performance planning. PPL EU Customer Service has gone from 15 to 50 key unit cost measures across an increasing number of business lines, with plans to expand to over 60 by the end of 2016. PPL EU Customer Service will also test and consider incorporating more industry and internal benchmarking in the future to measure progress.

Beginning with June performance results, monthly financial review meetings will incorporate unit cost performance results.

Further enhancements to monthly reports are planned for 4Q2016. Additional measures will be introduced in the Customer Contact Center for email interactions as well as new metrics to include the small business sector. Additional measures will also be introduced for the Major Accounts and Regulatory groups.

**Original expected date of completion:** 4Q2016

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
4Q2016	Customer Service Unit Cost presentation is updated and provided monthly. The Unit Cost includes cost per call down to the call type and metering operations down to the service technicians work type.

**2017 updated expected date of completion:** Complete

**Responsible manager:** C. Graham

## **Chapter IX-A — Recommendation 2**

*Identify root causes for each DART incident and act to correct the underlying problems.*

**Response:** Accept

**Original implementation plan:**

All Customer Service Days Away Restricted Time (DART) incidents are now and will continue to be investigated, a root cause analysis conducted, and actions implemented to address and correct identified root causes.

**Original expected date of completion:** Complete 2Q2016 and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** S. Ketterer



## Chapter IX-B — Recommendation 1

*Create targets for the First Call Resolution and the Alert Message metrics.*

**Response:** Accept

### **Original implementation plan:**

Over the course of the past year, PPL EU Customer Service has focused on First Call Resolution (FCR) and has implemented it as a significant driver in performance planning. PPL EU Customer Service has improved line of sight by more clearly defining the measurement and segmentation of the FCR performance metric across Interactive Voice Recognition (IVR), Agents and Call Type. Customer Service is in the process of examining the cyclical pattern of calls and the trends around follow-up calls and FCR. From this analysis, PPL EU Customer Service plans to define specific targets as well as initiatives to drive performance.

Currently, PPL EU does not have additional metrics around alerts messaging, but has started to examine customer contact channel preferences. PPL EU is working to initiate a scope of work with an analytical team to help understand customer channel preferences and customer changes between channels. In addition, PPL EU has begun to develop a preference center to allow customers the opportunity to provide us their preferred method of communication via phone, email and text. As customer contact preference and alert messaging performance indicators are evaluated, PPL EU Customer Service will have better insight to select the new metrics to use and their appropriate targets.

**Original expected date of completion:** 1Q2017

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
1Q2017	First Call Resolution target have been established and are being reported monthly within the Monthly Key Performance Indicators report

**2017 updated expected date of completion:** Complete

**Responsible manager:** C. Graham

## **Chapter IX-B — Recommendation 2**

*Establish work management and performance metrics and targets for the Major Accounts group.*

**Response:** Accept

**Original Implementation plan:**

Major Accounts has been re-assigned to Business Services. The group now consists of Key Account Managers and Business Account Specialists. Business Services implemented Salesforce as the Customer Relations Manager in August to track customer meetings, calls, relationships, and customer information. Key Performance Indicators around each of those areas for work management and performance are now in place and part of the actions that will be tracked by the manager.

**Original expected date of completion:** Complete 3Q2016

**2017 updated implementation status:** No change – Complete

**Responsible manager:** J. Davis

### Chapter IX-B — Recommendation 3

*Develop and implement appropriate metrics and targets across all existing and new customer contact channels.*

**Response:** Accept

**Original implementation plan:**

Currently, PPL EU does not have metrics associated with new customer contact channels, but has started to examine customer contact channel preferences so that they are being contacted in the best way to support their needs. As customer contact preference and alert messaging performance indicators are gathered, PPL EU intends to examine the best ways to implement associated metrics and their appropriate targets.

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** On-track for completion as planned

**2017 update on progress achieved and current plans:**

Date	Action
4Q2017	Customer Service Analytics is performing analysis on channel preference and channel switching among customer base, as well as exploring alternative communication channels
4Q2017	Implement metrics and appropriate targets based on the analysis of channel preference

**2017 updated expected date of completion:** 4Q2017

**Responsible manager:** C. Graham

**2018 update on progress achieved and current plans:**

Date	Action
4Q2017	Customer Service Analytics performed analysis on channel preference and channel switching among the customer base, as well as exploring alternative communication channels. Based on the analysis, metrics and targets were updated.

**2018 updated implementation status:** Complete

**Responsible manager:** C. Graham

## Chapter IX-B — Recommendation 4

*Reduce barriers to automated bill payments because of credit card fees.*

**Response:** Accept

### **Original implementation plan:**

PPL EU is negotiating a contract with a new vendor which will reduce convenience fees to customers after project implementation. In 2017, PPL EU will investigate cost/benefit options to allow no-fee card payment for customers on automated bill payment.

**Original expected date of completion:** 4Q2016

**2017 updated implementation status:** Complete

### **2017 update on progress achieved and current plans:**

<b>Date</b>	<b>Action</b>
1Q2017	PPL EU contracted with vendor for its credit and debit card payment services, and has reduced the customer convenience fee by more than half
3Q2017	PPL EU observed a nearly 50% increase in the number of customer payments made using the new vendor since becoming available in April. As a result, PPL EU determined that allowing no-fee card payment on automated bill payment is not currently warranted, and that current fees achieve an appropriate cost/benefit balance.

PPL EU will continue to monitor customer adoption rates in the future to determine if it will become feasible for PPL to absorb the cost of the convenience fee.

**2017 updated expected date of completion:** Complete

**Responsible manager:** M. Lawall-Schmidt

## Chapter IX-B — Recommendation 5

*Develop additional metrics and targets for assessing the effectiveness and efficiency, including unit cost performance, of the Energy Efficiency function.*

**Response:** Accept

**Original implementation plan:**

PPL EU will track the effectiveness and efficiency of the Energy Efficiency function in accordance with the PUC reporting template. Metrics and targets will be included in the PPL EU Customer Service Monthly Performance Indicators Report for that time period to show the actual vs. budgeted amounts in the PUC approved plan.

**Original expected date of completion:** 4Q2016

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
4Q2016	Additional energy efficiency metrics developed and are updated monthly. PPL EU decided to keep these metrics outside of the Customer Service Monthly Performance Report but they are reviewed by Customer Service management.

**2017 updated expected date of completion:** Complete

**Responsible manager:** J. Davis

## **Chapter IX-C — Recommendation 1**

*Correct contracting deficiencies and establish a contract management function within Customer Services.*

**Response:** Accept in part

PPL EU agrees with the intent to improve contracting practices and increase contract oversight. PPL EU now has a number of processes in place to ensure that contracts are sourced through a competitive bidding process, are compliant with all necessary requirements, and have proper oversight from the Vendor Management Specialist within Customer Services.

PPL EU believes that the need for contract management is met more efficiently and cost effectively if coordinated with PPL EUS Supply Chain, and does not intend to establish a new function and group with Customer Services, independent of Supply Chain, beyond what is currently in place and covered by the Vendor Management Specialist.

**Original implementation plan:**

PPL EU is working to implement a series of changes to enhance the current contract management procedure. These include the introduction of a performance requirement category to all new or renewed contracts, a standardized contract execution process, and the introduction of Contract Management Training to the Supply Chain function that PPL EU Customer Service is scheduled to attend in 3Q/4Q2016. PPL EU intends to continue to assess the contract management procedure and make adjustments as warranted.

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** C. Graham

## **Chapter IX-D—Recommendation 1**

*Develop unit cost metrics that compare dollars spent per job for both Universal Service WRAP and Act 129 WRAP programs.*

**Response:** Accept in part

PPL EU agrees with the intent that Winter Relief Assistance Program (WRAP) programs should include unit cost metrics. PPL EU developed cost metrics for universal service WRAP as part of the implementation of its Low Income Energy Assistance Programs (LEAP) System in 2015.

Although PPL EU used a common delivery method from 2010-2015 for both Universal Service WRAP and Act 129 WRAP, each program had separate goals and regulatory requirements. Universal Service WRAP also had a higher percentage of electric heat jobs which contributed to higher unit costs.

However, since the programs are different and do not offer uniform direct-install measures, PPL EU does not believe that cost comparisons between the two programs will be particularly meaningful after 2Q2016.

**Original implementation plan:**

Starting in June 2016, PPL EU's Universal Service WRAP and Act 129 Phase 3 WRAP will be delivered separately and will continue to have different goals and requirements. PPL EU will continue to track the unit costs for both programs. However, since the programs are different and do not offer uniform direct-install measures, PPL EU does not believe that cost comparisons between the two programs will be particularly meaningful after 2Q2016.

**Original expected date of completion:** Complete 2Q2016 and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** M. Stumpf

## Chapter IX-D — Recommendation 2

*Develop metrics that track and report comparable KWh saved per administrative dollars spent and per job completed for the Universal Service WRAP and Act 129 WRAP programs.*

**Response:** Accept

### **Original implementation plan:**

PPL EU uses a third-party evaluator, the Cadmus Group, to track the kWhs per dollar spent for both Universal Service Winter Relief Assistance Program (WRAP) and Act 129 WRAP. PPL EU currently reports the savings per dollar spent (acquisition cost) for its Act 129 program in its Annual Report to the PUC. Effective 2017, PPL EU will report the acquisition cost for Universal Service WRAP as part of its annual LIURP Report.

**Original expected date of completion:** 2Q2017

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

<b>Date</b>	<b>Action</b>
4Q2016	Savings (kWh/yr), the actual cost, the cost per annual kWh saved, and the average savings per job for Act 129 WRAP tracked on a monthly basis and formally reported to the PUC in PPL's Act 129 Annual Report
2Q2017	PPL EU submitted the acquisition cost per program, per job type and per contractor to BCS as part of its 2015 Annual Narrative LIURP Report

**2017 updated expected date of completion:** Complete

**Responsible manager:** M. Stumpf



### Chapter IX-D — Recommendation 3

*Revise the Justified Complaints Rate target of “no more than 5%” to 0% and allocate additional resources to analyze and resolve internal controllable errors.*

**Response:** Accept in part

PPL EU will intensify its training efforts to improve its staff’s ability to recognize and handle customer disputes in accordance with PUC regulations. However, because technical issues can occur, and are often unforeseeable, PPL EU must have some level of tolerance to justified complaints.

**Original implementation plan:**

PPL EU will adjust its Justified Complaints Rate target for 2018 to: Improve compliance performance and customer satisfaction by incurring less than 3% justified complaints.

**Original expected date of completion:** 3Q2018

**2017 updated implementation status:** On-track for completion as planned (not started)

**2017 updated expected date of completion:** 3Q2018

**Responsible manager:** M. Stumpf

**2018 update on progress achieved and current plans:**

Date	Action
3Q2018	Revised the target for Justified Complaints Rate to: Improve compliance performance and customer satisfaction by incurring less than 3% justified complaints

**2018 updated implementation status:** Complete

**Responsible manager:** M. Stumpf

## Chapter IX-F — Recommendation 1

*Merge the Metering Operations and Revenue Protection functions to improve performance and reduce O&M costs.*

**Response:** Accept in part

Recent changes have been made to move clerical personnel from Regional Metering Supervisors to a Billing Supervisor, in order to align the type of work done by this function, as well as lighten supervisory load for the Regional Metering Team. As new meters are deployed, PPL EU expects to consolidate the functions of Regional Metering, Revenue Protection and Large Power.

PPL EU intends to streamline work management and supervision. However, while both teams' employees require metering knowledge and regional field work, the knowledge is greatly different for service technicians and field meter technicians and therefore those functions cannot be consolidated.

**Original Implementation plan:**

PPL EU intends to merge and streamline work management and supervision. More robust reporting is under development for all functional areas on these teams.

**Original expected date of completion:** 2Q2017

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
2Q2017	Moved clerical personnel from Regional Metering to Billing Supervision in one location
2Q2017	Consolidated the function of Regional Metering, Revenue Protection and Large Power under one Manager

**2017 updated expected date of completion:** Complete

**Responsible manager:** M. Lawall-Schmidt

## Chapter IX-F — Recommendation 2

*Modify billing metrics to focus attention on error rates instead of billing achievement rates.*

**Response:** Accept

**Original implementation plan:**

While PPL EU does not currently outsource billing, but rather outsources bill printing, we will continue to monitor the vendor performance in order to ensure that bill print has no influence on the billing error rate. PPL EU has consolidated clerical staff under one department to improve timeliness and accuracy of back office billing work. PPL EU agrees that it will add metrics related to "error rates," in addition to the metrics of "bills issued timely and accurately".

**Original expected date of completion:** 3Q2017

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
3Q2017	PPL EU monitors error rates on a daily basis, and has added "error rates," and "bills issued timely and accurately" metrics to daily WFM reports as well as IT billing reports.

**2017 updated expected date of completion:** Complete

**Responsible manager:** D. Keiser

**Chapter IX-F — Recommendation 3**

*Analyze the bill printing practices for opportunities to improve efficiencies and reduce costs.*

**Response:** Accept

**Original implementation plan:**

PPL EU will review the bill print contract options for public bid, in order to improve efficiency and cost.

**Original expected date of completion:** 1Q2017

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
1Q2017	Contract discussions took place by the Director-Customer Services Operations to re-negotiate pricing with the Vendor. In addition, the bill is being re-designed to reduce more bills from 2 pages to 1 page to reduce costs.

**2017 updated expected date of completion:** Complete

**Responsible manager:** D. Keiser

## Chapter IX-F — Recommendation 4

*Amend, update, or renegotiate the contracts with the two credit contractors to include service level agreements and performance metrics.*

**Response:** Accept in part

PPL EU will continue to seek bids from companies who provide credit services, specifically in the area of risk scoring and identity verification, focusing on error rates and unit cost. A service level based on the data returned may not be appropriate for either type of contracted work because the agencies have little control over customer data in consumer files. PPL EU will continue to study the feasibility of using Service Level Agreements (SLAs) for agency credit monitoring.

**Original implementation plan:**

PPL EU will seek competitive bids from vendors to be considered for work in the near future with SLAs included.

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** Complete and ongoing

**2017 update on progress achieved and current plans:**

Date	Action
4Q2017	PPL EU determined that added performance metrics and product evaluation are appropriate for credit services vendors, though SLAs as part of the contract itself may not be necessary, and has selected a vendor with whom this approach will be validated – a new vendor for the provision of credit services in the area of risk scoring and identity verification. Once current contract negotiations are complete, product design will include metrics on customer identification rates, in order to determine success of the new vendor's product, and whether or not additional identification platforms need to be added. These lessons will be used to determine if further changes to the contracting process would be useful with other vendors.

**2017 updated expected date of completion:** Complete and ongoing

**Responsible manager:** M. Lawall-Schmidt

## Chapter IX-F — Recommendation 5

*Take actions to reduce the growth in net write-offs.*

**Response:** Accept

### **Original implementation plan:**

PPL EU has started initiatives to lower active overdue receivables, which include shorter repayment plans, live-agent outbound calling campaigns, and auto-payment for final-billed customers. PPL EU is also bidding new contracts for third-party collection vendors, to increase the offset to write off that comes from better final-bill collection processes. PPL EU will also focus on collection efforts for low-balance customers, in order to keep new balances from growing, and improve winter collection practices.

**Original expected date of completion:** 1Q2017

**2017 updated implementation status:** Complete and ongoing

**2017 update on progress achieved and current plans:**

Date	Action
1Q2017	PPL EU has implemented shorter repayment plans, live-agent outbound calling campaigns, and implemented four new third party collection agencies. We continue to seek new ways in which to keep our customers at low overdue balances.

For calendar year 2017, PPL expects to have write offs approximately 25% less than originally forecast, due to lower customer overdue balances.

**2017 updated expected date of completion:** Complete and ongoing

**Responsible manager:** M. Lawall-Schmidt

**Chapter X-B — Recommendation 1**

*Accelerate the evaluation of the system changes and other implementation requirements that are needed to have phone agents enroll customers in OnTrack.*

**Response:** Accept

**Original implementation plan:**

PPL EU agrees with the recommendation to implement enrollment system changes. PPL EU has initiated an evaluation of a new enrollment and screening process for OnTrack that encompasses both online and phone enrollment.

**Original expected date of completion:** 2Q2017

**2017 updated implementation status:** Revised schedule (adjusted plan as noted)

**2017 update on progress achieved and current plans:**

Date	Action
1Q2017	PPL EU implemented an online platform that creates a better customer experience by allowing customers to apply online. This new platform is under further development to allow for phone enrollments.
2Q2017	Customers began using the online platform to apply for the OnTrack program in June 2017. With the customers self-serving in this capacity, it has enabled the agencies administering the program to screen and enroll customers more efficiently.
2Q2018	Complete changes allowing customer enrollment through phone system

PPL EU determined that online platform, including enrollment options, was a priority for customers and would have a larger overall impact on customer experience, so focused on its development and roll-out in 2017. Changes to the phone system are also underway, but will now take until early 2018 to complete due to their lower priority compared to the online customer experience.

**2017 updated expected date of completion:** 2Q2018

**Responsible manager:** M. Stumpf

**2018 update on progress achieved and current plans:**

Date	Action
2Q2018	Changes were piloted in 2Q2018 and completed in 3Q2018 to allow customer enrollment through the phone system

**2018 updated implementation status: Complete**

**Responsible manager: M. Stumpf**



## Chapter X-B — Recommendation 2

*Continue to explore methods to streamline and reduce fraud risk from the OnTrack household income validation process and then expedite implementation of the improvements.*

**Response:** Accept

### **Original implementation plan:**

PPL EU will be researching and evaluating methods to reduce fraud risk. The primary project associated with this initiative will be the OnTrack Online System (see comments within Chapter X, Sec. B1). The Online System project will provide new opportunities for PPL EU to design controls and trigger “flags” when information submitted by potential enrollees differs greatly compared to previously supplied financial information or commercially purchased data. The estimated timeline for implementing any new reports or lists is 4Q2017.

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** Complete

**2107 update on progress achieved and current plans:**

Date	Action
2Q2017	PPL EU designed its OnTrack Online System with a summary page for the agencies that enroll customers into the program. This summary page populates when a customer applies. The page lists any active or non-active accounts in the enrollee's social security number. This enables the agency to check previously submitted income and identify any significant differences.

**2017 updated expected date of completion:** Complete

**Responsible manager:** M. Stumpf

### Chapter X-B — Recommendation 3

*Implement improvements that will enable PPL EU and its OnTrack agencies to simplify the electricity usage criterion for the eligibility and re-certification processes.*

**Response:** Accept

**Original implementation plan:**

PPL EU will evaluate the language and information that exists throughout customer-facing material. There may be an opportunity to clarify this information for the customer. The estimated timeline for implementing any changes to this material is 4Q2016.

In addition, PPL EU is evaluating a new project that will create an online view for OnTrack customers as well as a custom Progress Report. These enhancements could be designed to include educational usage information, energy saving tips, and the status of Winter Relief Assistance Program (WRAP) actions (where the customer stands in the WRAP pipeline, etc.). The estimated implementation timeline for the new online view and Progress Report is 4Q2017.

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** On-track for completion as planned

**2017 update on progress achieved and current plans:**

Date	Action
4Q2016	PPL EU conducted a complete language review of all customer facing letters with its Customer Experience Team. The result of this review included making adjustments to customer facing letters and brochures to clarify usage criterion for enrollment and recertification.
4Q2017	PPL EU is working on redesigning its customer facing OnTrack bill to incorporate a graphical view of credits used and remaining, along with status indicators tailored to the customer's situation in a progress report format.

**2017 updated expected date of completion:** 4Q2017

**Responsible manager:** M. Stumpf

**2018 updated implementation status:** Revised schedule, with a new completion date of 2Q2018 - On-track for completion per the adjusted plan below

**2018 update on progress achieved and current plans:**

Date	Action
2Q2019	PPL EU is in the process of implementing the changes on the customer-facing OnTrack bill. Project completion is scheduled for 2Q2019

**2018 updated expected date of completion:** 2Q2019

**Responsible manager:** M. Stumpf

**Chapter X-B — Recommendation 4**

*Implement a Low-Income Energy Assistance Programs (LEAP)-type system to streamline the OnTrack referral and enrollment processes.*

**Response:** Accept

**Original implementation plan:**

See the implementation comments above related to Chapter X, Sec. B1. PPL EU agrees with the suggestion to pursue a new system that will streamline existing processes and create transparency across all audiences. PPL EU has initiated an evaluation of a new enrollment and screening process for OnTrack that encompasses both online and phone enrollment. The estimated implementation timeline for this project is mid-2017.

**Original expected date of completion:** 2Q2017

**2017 updated implementation status:** Revised schedule (adjusted plan as noted)

**2017 update on progress achieved and current plans:**

Date	Action
1Q2017	PPL EU created a new OnTrack Online System that enables total transparency for customers, the agencies administering the program, and the Company. The system allows users to see enrollment status, and the remaining steps in the process and time to complete. This new platform is under further development to allow for phone enrollments.
2Q2017	Customers and agencies started using the online service in June 2017. Features such as giving the customer the option to apply online, and the automatic sending of post enrollment information, have enabled the agencies to work more efficiently.
2Q2018	Complete changes allowing customer enrollment through phone system

PPL EU determined that the online platform, including referral and enrollment processes, was a priority for customers and would have a larger overall impact on customer experience, so focused on its development and roll-out in 2017. Changes to the phone system are also underway, but will now take until early 2018 to complete due to their lower priority compared to the online customer experience.

**2017 updated expected date of completion:** 2Q2018

**Responsible manager:** M. Stumpf

**2018 update on progress achieved and current plans:**

Date	Action
2Q2018	Changes were piloted in 2Q2018 and completed in 3Q2018 to allow customer enrollment through the phone system.

**2018 updated implementation status:** Complete

**Responsible manager:** M. Stumpf

**Chapter X-C — Recommendation 1**

*Re-evaluate the staff resources that are dedicated to and support the OnTrack program.*

**Response:** Accept

**Original implementation plan:**

There are two staffing pools that will be reviewed in order to support this recommendation. The first pool is the Community Based Organization staffing levels. The number of caseworkers within this pool will be reviewed to determine if the staffing levels are sufficient to support a reasonable expectation of application turnaround time and customer inquiries. The estimated completion timeline for a post-implementation staffing review is 2Q2018.

The second staffing pool is Analytical support. The Customer Services department recently formed a new Analytics workgroup (in late 2015 / beginning of 2016). This workgroup will be providing more support to the Program Managers in 2016 and beyond.

**Original expected date of completion:** 2Q2018

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
4Q2017	PPL EU re-evaluated the Community Based Organization (CBO) staffing levels. The Company created two new metrics to identify untouched applications and measure turnaround time. Analysis of these metrics shows that the administering agencies are not overstaffed. Ongoing analysis will take place as we determine if staffing recommendations should be made to CBOs.
4Q2017	The Analytics workgroup staffing model was evaluated as part of the regular annual Customer Service workforce review, and PPL EU determined that it continues to meet the needs and assignments requested by the program management team, with appropriate staffing.

**2017 updated expected date of completion:** Complete

**Responsible manager:** M. Stumpf

## Chapter X-D — Recommendation 1

*Set OnTrack enrollment targets for the agencies that are based on a more rigorous and analytical estimation process of the universe of eligible customers.*

**Response:** Accept

**Original implementation plan:**

PPL EU has recently implemented a new Key Performance Indicator (KPI) that supports this recommendation. The new KPI, implemented in the beginning of 2016, focuses on referrals, active in the program, and the help rate.

PPL EU is also in the process of improving the methods associated with estimating the potential pool of eligible customers. This project will be an ongoing focus in 2016.

The PPL EU will work with the newly formed Analytics workgroup and attempt to develop a more robust forecasting model for enrollments. The estimated timeline for implementing the results of this project is 4Q2017.

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
4Q2017	PPL EU developed a new enrollment target projection model that results in a tighter tracking of targeted enrollments versus actual enrollments. During the regression analysis of historical data, PPL EU noticed a significant uptick in enrollments starting in April 2013. This enabled the Company to increase the accuracy of their predictions and identify a positive residual number of customers to enroll.

**2017 updated expected date of completion:** Complete

**Responsible manager:** M. Stumpf

## **Chapter X-D — Recommendation 2**

*Reduce the number of existing OnTrack agencies to improve cost effectiveness and performance management of the enrollment and recertification process.*

**Response:** Accept

**Original implementation plan:**

During 2015, PPL EU utilized ten (10) Community Based Organizations (CBOs). In the beginning of 2016, PPL EU went from ten CBOs to eight (8).

**Original expected date of completion:** Complete 1Q2016

**2017 updated implementation status:** No change – Complete

**Responsible manager:** M. Stumpf



**Chapter X-D — Recommendation 3**

*Establish standard work processes and practices, ensure adequate supervisory performance, and require standardized training standards.*

**Response:** Accept

**Original implementation plan:**

PPL EU conducted an OnTrack Forum meeting in August 2016. This Forum provided training on specific topics, a review of best practices, and collaboration for future enhancements. PPL EU will initiate a new project to evaluate existing training material. PPL EU will engage the Training group with the objective of improving the content and delivery of the existing OnTrack training material. The current estimated timeline for completing this project is 4Q2016.

**Original expected date of completion:** 4Q2016

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
3Q2016	The management team held an OnTrack Forum in August 2016 with representatives from all Community Based Organizations (CBOs) who implement the OnTrack program. This Forum included foundation training, process training on collections and billing, and how to handle specific/special scenarios.
4Q2016	Throughout 2016, PPL conducted training with all Hansen Technologies Ltd. (formerly PPL Solutions) supervisors on specific OnTrack topics. All information regarding OnTrack on PPL EU's intranet site was updated and revised. All internal OnTrack training modules were reviewed and revised by the Training group.

**2017 updated expected date of completion:** Complete

**Responsible manager:** M. Stumpf

## Chapter X-E — Recommendation 1

*Improve OnTrack outsourcing processes and decisions.*

**Response:** Accept

### **Original implementation plan:**

The four options described in Chapter X, Sec. E1 above will be reviewed and vetted by PPL EU as part of the planned OnTrack Online System. PPL EU recently implemented contract controls with the Analytics workgroup, to monitor Community Based Organization contracts and trigger a notification process prior to their expiration.

**Original expected date of completion:** 2Q2017

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
4Q2016	The network of agencies was reduced from 10 to 8.
2Q2017	PPL EU reviewed and vetted the options of: outsourcing to a contractor, bringing all operations in-house, overhauling our contractual relationships with our existing agencies, and reducing the number of agencies currently supporting the program. After vetting all options, PPL EU decided to overhaul contractual relationships with our existing agencies by moving towards a unit cost model. The other options were determined to not be warranted or sufficiently advantageous to pursue further.

**2017 updated expected date of completion:** Complete

**Responsible manager:** M. Stumpf

**Chapter X-E — Recommendation 2**

*Develop a more coordinated, structured, and consistent strategy for ongoing and future OnTrack contracting practices and contract and performance management.*

**Response:** Accept

**Original implementation plan:**

PPL EU will initiate a new project to complete a comprehensive review of the existing contractor relationships, collaborating with PPL EUS Supply Chain. The team will review current practices, contract enforcement options, best practices, and performance measures that are directly linked to each contract.

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
4Q2016	PPL EU collaborated with PPL EUS Supply Chain to ensure that all OnTrack contracts are aligned with best practices and on the same schedule, with the same start and end dates.
2Q-4Q2017	PPL EU reviewed and vetted the options mentioned in the implementation plan and update for X-E-1, and decided to continue to use existing contractors, after renegotiating contractual relationships to include further performance metrics.

**2017 updated expected date of completion:** Complete

**Responsible manager:** M. Stumpf

### Chapter X-E — Recommendation 3

*Perform standardized monthly auditing by Regulatory Programs of the OnTrack agencies' monthly reports.*

**Response:** Accept in part

PPL EU agrees with the importance of conducting internal audits and accepts that there may be opportunities to improve current audit procedures. PPL EU will undertake a new initiative to review current procedures and implement any changes deemed necessary in 1Q2017.

PPL is not confident that standardized monthly auditing will necessarily be the optimal process, yielding the most benefit at reasonable cost. Pending the outcome of the internal review, changes will be implemented that may include monthly auditing.

**Original implementation plan:**

PPL EU will undertake a review of the current internal auditing procedures. PPL EU will complete the review and implement any identified changes to the current procedures by 1Q2017.

**Original expected date of completion:** 1Q2017

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
1Q2017	PPL EU Regulatory Programs team reviewed internal practices for internal auditing procedures. The team created a series of nine (9) analytic reports that will be analyzed by the Regulatory Programs Team monthly for quality control purposes.

**2017 updated expected date of completion:** Complete

**Responsible manager:** M. Stumpf

## Chapter X-F — Recommendation 1

*Establish metrics that will measure the success in meeting the four key and overarching objectives of the OnTrack program.*

**Response:** Accept

### Original implementation plan:

PPL EU agrees with the need to establish metrics to measure success of the four key objectives of the OnTrack program. Currently, PPL EU is conducting an analysis of the unit cost model project, which will be linked to the OnTrack Online System project to determine the best metrics to measure this success. Once the review is complete, PPL EU will implement regular use of the most appropriate metrics when evaluating the success of the program.

**Original expected date of completion:** 2Q2017

**2017 updated implementation status:** Complete and ongoing

### 2017 update on progress achieved and current plans:

Date	Action
4Q2016	PPL EU defined six unit cost types for the OnTrack program, and completed an analysis comparing unit cost to hourly cost measures. PPL EU determined that unit costs may be further incorporated into contracts and other OnTrack program processes, but do not warrant inclusion in overall program metrics at this point.
2Q2017	PPL EU made use of additional census and purchased customer data to improve the calculation and accuracy of the metric identifying the appropriate number of available customers within its service territory. These outcomes were incorporated into the overall OnTrack program KPIs initially constructed in 1Q2016, increasing the ability of PPL EU measure success of the four key objectives of the OnTrack program.
Ongoing	PPL EU will continue to look for opportunities to improve the OnTrack program metrics, including the currently underway development of the OnTrack Online System.

**2017 updated expected date of completion:** Complete and ongoing

**Responsible manager:** M. Stumpf

**Chapter X-F — Recommendation 2**

*Accelerate analysis of actual historical unit costs with the OnTrack agencies and consider changing the contract pricing structure to a unit price per task completed.*

**Response:** Accept

**Original implementation plan:**

PPL EU will launch a new project in conjunction with the Analytics workgroup in order to design reports that gather the information noted within this recommendation. The current estimated timeline for implementing some or all of these new reports is 1Q2017.

PPL EU will conduct a review and consider changing the contract pricing structure to a unit price per task completed structure. This evaluation will be completed by 1Q2017.

**Original expected date of completion:** 1Q2017

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
4Q2016	In 2016, PPL EU had meetings with the Regulatory Programs Team and the Community Based Organizations (CBOs) who implement the OnTrack program to identify unit cost types. Six (6) unit cost types were defined. The CBOs submitted proposals on each of these six (6) unit cost types: Enrollments, Recertification, Ineligible Applications, Graduations, Account Maintenance, and Change in Household Status. PPL EU then completed an analysis model to compare unit cost versus hourly cost.
2Q2017	PPL EU decided to overhaul contractual relationships with our existing agencies by moving towards a unit cost model, completing the implementation plan for this item to consider and decide on changes. Subsequent contract renegotiations will be completed in 2018.

**2017 updated expected date of completion:** Complete

**Responsible manager:** M. Stumpf

**Chapter X-F — Recommendation 3**

*Develop new performance indicators and other metrics that will improve month-to-month management of the OnTrack program and identify changes to the design and eligibility requirements that will improve PPL EU's ability to meet OnTrack objectives.*

**Response:** Accept

**Original implementation plan:**

PPL EU will review the current indicators and develop new indicators that improve reporting under the broad categories of month-to-month reporting, cost to serve, quality of referrals, and detailed contractor performance. The estimated timeline for this project is 1Q2017.

**Original expected date of completion:** 1Q2017

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
1Q2017	PPL EU's Analytics Team created a series of output files providing month-to-month information including the costs of the program, the number of referrals, the number of actual enrollments, and the performance of each contractor.
3Q2017	PPL EU's new Universal Service and Energy Conservation Plan filed in June 2016 for the 2017-2019 time period includes changes to eligibility guidelines and provides the Regulatory Programs (RP) team more flexibility to pursue customers not in debt but within the limited income category.

**2017 updated expected date of completion:** Complete

**Responsible manager:** M. Stumpf

## Chapter X-F — Recommendation 4

*Establish periodic operational and compliance audits by the PPL SC internal auditors.*

**Response:** Accept in part

PPL EU agrees with the importance of conducting internal audits and accepts that there may be opportunities to improve current audit procedures. PPL EU agrees to consult the internal audit workgroup to evaluate the specific audit needs, timelines and frequencies, and responsibilities for PPL SC. Pending the outcome of the internal review, PPL SC will implement necessary changes to the current operational and compliance audit procedures.

**Original implementation plan:**

PPL EU will consult the PPL PA-based internal audit workgroup and develop specific auditing needs, timelines/frequencies, and responsibilities. The estimated timeline for completing the detailed plan that outlines these items is 1Q2017.

**Original expected date of completion:** 1Q2017

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
1Q2017	PPL EU worked with Internal Audit and identified both new and existing audit functions to be performed. This included additional Internal Audit reports to identify potential opportunities for improvement.

**2017 updated expected date of completion:** Complete

**Responsible manager:** M. Stumpf



## Chapter XI — Recommendation 1

*Continue the current IT integrated path of improvement.*

**Response:** Accept

### Original implementation plan:

Since the Audit began, IT has continued to focus on improvement while consolidating the PA and KY IT groups. The growing teamwork between the groups is providing value to the company as a whole as the teams evaluate organization, processes, and tools in order to develop common practices across the IT groups, merging the best of PA and KY into the new consolidated organization. Notable areas where joint efforts are proving beneficial to the business include mobile application development, analytics data model development, and IT Monitoring. This work will continue as IT matures the consolidated IT organization and implements the new IT Service Management platform.

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** Complete and ongoing

### 2017 update on progress achieved and current plans:

Date	Action
4Q2016-2Q2017	A variety of benefits from IT integrated path were explored and pursued to determine and quantify their actual impact and value, specifically including several vendor renegotiations, adoption of server virtualization practices used by LKE, and initiation of a quarterly IT leadership council for ongoing planning and sharing of best practices
2Q2017	Decision made not to have organizations and reporting structures merged across PA and LKE, due to high costs and negligible incremental benefits relative to the benefits achievable through other integration and coordination practices (including vendor renegotiations and server virtualization)

The integrated IT path of improvement has been achieved in 2017, though the plan was changed to no longer include consolidating the organizations across PA and LKE. The integration efforts in Q1 and Q2 identified that the significant anticipated benefits could be achieved through teamwork and shared processes and tools, without moving to a consolidated organization. PPL EU has achieved the desired cost savings, primarily through the renegotiation of a majority of IT vendor contracts, jointly with LKE, as well as the adoption of some best practices from LKE such as server virtualization, which will be complete by the end of 2017. Further opportunities will be identified and explored through the continued quarterly meetings of an IT leadership council set up for that purpose.

Consolidation of the organizations was determined to not offer significant additional benefits, while incurring greater costs, mainly because the IT architecture of the two utilities remains

significantly different. Even within one organization, groups would need to remain separate to serve substantially different systems and platforms for each of PPL EU and LKE. A cost benefit review determined that there is not a sufficient business case in the coming few years for IT systems to be changed and harmonized in a way that would make a consolidated organization productive or advantageous. As future IT architecture decisions occur and systems are evaluated for updates or replacement, this business case will be revisited for any changes that would warrant reconsideration.

**2017 updated expected date of completion:** Complete and ongoing

**Responsible manager:** M. Green

## Chapter XI — Recommendation 2

*Conduct regular ITIL Process Maturity Assessments to identify areas requiring more attention.*

**Response:** Accept in part.

PPL EU agrees with the recommendation that Information Technology Infrastructure Library (ITIL) processes should be subject to periodic review. Individuals within IT who have ITIL process ownership responsibilities evaluate process effectiveness on an ongoing basis. The evaluations result in the implementation of recommended improvements to internal processes.

Because processes are evaluated on an ongoing basis, IT has no plans to conduct formal ITIL Process Maturity Assessments. The current ongoing reviews, conducted on a case by case basis at the judgment of ITIL process owners, deliver the desired benefits. Formal, regular reviews may result in too many or too few reviews, at a high cost of time invested for fewer benefits.

**Original implementation plan:**

ITIL process owners currently conduct ongoing and at-need reviews to evaluate the effectiveness and maturity of the process. PPL EU will continue to conduct this type of evaluation on an ongoing and as warranted basis.

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** M. Green

### Chapter XI — Recommendation 3

*Continue development and implementation of underutilized modules in ServiceNow.*

**Response:** Accept in part

PPL EU agrees that IT should continue to leverage the capabilities within the IT Service Management platform to facilitate ongoing improvement in IT work processes. Given the assessment outlined in Chapter XI – Recommendation 4, IT will leverage modules within the Cherwell solution, instead of ServiceNow, to gain improvements in work processes.

**Original implementation plan:**

2Q/4Q2016 – Implement Cherwell for Incident, Problem, Knowledge, and Event

4Q2017 – Implement Cherwell for Service Asset and Configuration Management, Change, Release and Request processes

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** On-track for completion as planned

**2017 update on progress achieved and current plans:**

Date	Action
4Q2016	Implemented Cherwell for Incident, Problem, Knowledge, and Event
4Q2017	Complete implementation of Cherwell for Service Asset and Configuration Management, Change, Release and Request processes

**2017 updated expected date of completion:** 4Q2017

**Responsible manager:** M. Green

**2018 update on progress achieved and current plans:**

Date	Action
4Q2017	Completed implementation of Cherwell for Service Asset and Configuration Management, Change, Release and Request processes; ServiceNow is no longer being used

**2018 updated implementation status:** Complete

**Responsible manager:** M. Green

## **Chapter XI — Recommendation 4**

*Evaluate the implications of moving away from ServiceNow*

**Response:** Accept

**Original implementation plan:**

IT completed an assessment to select a single platform for IT Service Management in support of the consolidated PA and KY IT organization. Ten vendors were identified. Through a Request For Proposal (RFP) process, the vendors were narrowed down to two, ServiceNow and Cherwell. Both Cherwell and ServiceNow demonstrated the capabilities needed to support the requirements of the IT organization as well as from business lines. Cherwell was ultimately selected for financial and compliance reasons. Cherwell's licensing model resulted in a reduction to ongoing maintenance expenses. Cherwell has a stronger on premise solution. For security and compliance reasons, PPL EU's preference is to host the solution onsite.

**Original expected date of completion:** Completed 2Q2016

**2017 updated implementation status:** No change - Complete

**Responsible manager:** M. Green

## **Chapter XI — Recommendation 5**

*Continue building the Service Oriented Architecture platform.*

**Response:** Accept

**Original implementation plan:**

As part of the 2017-2021 business planning process, IT re-evaluated its application development strategy. The updated strategy renews commitment to a service-oriented architecture. This approach continues to be an effective strategy that enables re-use of business logic across various applications as well as expedites application development.

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** M. Green

**Chapter XI — Recommendation 6**

*Evaluate the long-term effectiveness of IT projects, including trending hardware and software write-offs in the financial system.*

**Response:** Accept

**Original implementation plan:**

PPL EU agrees that the long-term evaluation of IT projects from a financial perspective is appropriate. Specifically, an annual assessment of write-offs will be added to IT's existing project planning, budgeting and monitoring processes in order to understand the efficacy of IT capital investments.

**Original expected date of completion:** 2Q2017

**2017 updated implementation status:** Revised schedule (adjusted plan as noted)

**2017 update on progress achieved and current plans:**

Date	Action
3Q2017	Improved monthly IT reporting with a number of new performance indicators, including two focused on project effectiveness and financial write-offs
4Q2017	Annual review process will be updated and first will take place by year-end, including trending analysis of monthly performance indicators, as well as causes and resulting planned actions

**2017 updated expected date of completion:** 4Q2017

**Responsible manager:** M. Green

**2018 update on progress achieved and current plans:**

Date	Action
4Q2017	Updated annual review process and conducted review of IT projects, including an assessment of IT project write-offs and the approval process for creating new IT projects. As a result of the review, several new performance indicators were created and some governance changes were made, e.g., increased focus on monthly reviews of project write-offs and deeper annual evaluation in advance of budget preparation.

**2018 updated implementation status:** Complete and ongoing

**Responsible manager:** M. Green

## **Chapter XI — Recommendation 7**

*Implement five-year period trending in performance metric evaluations.*

**Response:** Accept in part

PPL agrees that trending is an important part of performance metric evaluation. Since the Audit began and based on input from PPL EU, IT has refined the list of metrics that are tracked and reported. These metrics are now reviewed as part of the PPL EU performance indicator process. Trending has been incorporated. Trending is discussed within the year, and occasionally for the past year. Since this new approach has recently been implemented, IT will continue this new process including the up to two year trending evaluation. Annually, IT evaluates the performance metrics and process to identify and implement improvements for the upcoming reporting year. The need for five year trending will be reviewed and discussed as part of this improvement process. The annual evaluation will include input from PPL EU on any needed improvements to the metrics and process.

**Original implementation plan:**

PPL EU has refined its metrics and is reviewing and trending the metrics as discussed above.

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** M. Green



## Chapter XI — Recommendation 8

*Scrutinize the three service company approach for IT.*

**Response:** Accept

**Original implementation plan:**

Corporate leadership has reviewed the alignment of the CIO as well as the three service company approach (PPL SC, PPL EUS, and LKE Services) for IT. The discussions resulted in recent changes to the IT organization. The CIO will now report to the CFO. The move simplifies the reporting structure for IT. Other changes preserve the benefits of a centralized structure while enabling some functions to remain geographically focused to better serve the businesses which they support. Infrastructure and Security and Compliance will have centralized leadership with responsibilities in both PA and KY. Business Services and Application Development will be geographically focused with responsibilities within either PA or KY.

**Original expected date of completion:** Completed 3Q2016

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
2Q2017	Decision made not to have organizations and reporting structures merged across PA and LKE, due to high costs and negligible incremental benefits relative to the benefits achievable through other integration and coordination practices.

As noted in item X1-1 above, consolidation across PPL EU and LKE of the IT organizations was determined to not offer significant additional benefits, while incurring greater costs, mainly because the IT architecture of the two utilities remains significantly different. As a result, the CIO position discussed above was modified, and each utility now has an operating-company specific CIO, reporting locally. This allows the PPL EU CIO to better serve the business which he supports. Other completed actions noted above have not changed.

**Responsible manager:** M. Green

## **Chapter XII — Recommendation 1**

*Reassign the PPL EUS HR personnel to the appropriate PPL SC HR functional counterpart organization units.*

**Response:** Reject

PPL EU operates a decentralized business model within its three main business lines – PPL EU, LKE, and WPD Midlands with a centralized Corporate HR function driving various levels of governance, compliance, process, and systems. The balance of HR is decentralized into the business line, which produces the most value to the business while also allowing PPL EU to operate in a cost effective manner. This direct alignment to business lines produces greater effectiveness as there is a clear understanding of each business line's unique needs and it is able to clearly align HR services within each business. There is a clear delineation of work between PPL SC HR and PPL EU HR.

In the areas of diversity, talent, onboarding, performance management, employee and labor relations and compensation planning, governance is set at the corporate level and tools are deployed for use in PPL EU. There are clear processes that are followed and the relationship that exists is complementary, and not redundant.

**Responsible manager:** T. Lynch

## Chapter XII — Recommendation 2

*PPL SC HR should participate in an appropriate HR comprehensive benchmarking study.*

**Response:** Accept

**Original implementation plan:**

In 2016, PPL SC HR started to leverage Saratoga Benchmarks in monthly reporting. These benchmarks are used to validate where PPL EU is performing against peers. PPL SC HR will continue to assess this on an ongoing basis and will make changes as business needs indicate.

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** C. Gold

### Chapter XII — Recommendation 3

*Select and implement HR metrics for each functional area that will measure the effectiveness and efficiency of the function.*

**Response:** Accept

**Original implementation plan:**

A formal assessment of metrics will be completed. This review will identify a set of metrics the company believes are representative to effectively and efficiently manage the HR functions.

**Original expected date of completion:** 4Q2017 and ongoing

**2017 updated implementation status:** Revised schedule (adjusted plan as noted)

**2017 update on progress achieved and current plans:**

Date	Action
1Q-4Q2017	Identified relevant HR metrics and benchmarking through an assessment, and incorporated into regular reporting for the HR functions
2Q-3Q2017	A Corporate Center Evaluation project was initiated and completed, with the support of an external consultant, to review 6 Service Lines (functions) within PPL SC and the services provided to PPL EU, including the HR functions within PPL SC and PPL EU. The review resulted in some refinements to HR organizational structure, activities within PPL SC and PPL EU, and governance.
3Q-4Q2017	Implementation of the Corporate Center Evaluation changes (organizational reporting, activities, governance) progressing, with expected completion by the end of the year (or January 1, 2018).
4Q2017	Determine if any adjustments to HR metrics and benchmarking are warranted due to organizational changes in PPL SC and PPL EU, and put all updated metrics into regular use.

The Corporate Center Evaluation produced an updated and clarified understanding of the services provided by PPL SC to PPL EU in the core six Service Lines, directly and indirectly, and how those services are delivered alongside services to the other utilities within PPL. It also resulted in a number of changes (organizational, activities, governance) that are currently underway and are expected to continue until the end of the year. As a result of those changes and their timing, PPL determined that any changes to tracking and documentation should happen subsequently, and not interfere with the implementation. This necessitated a postponement of the final activity in this implementation plan by up to 6 months.

**2017 updated expected date of completion:** 2Q2018

**Responsible manager:** C. Gold, L. Greenwald

**2018 updated implementation status: Complete**

**2018 update on progress achieved and current plans:**

Date	Action
3Q-4Q2017	Implementation of the Corporate Center Evaluation changes (organizational reporting, activities, governance) was completed in 4Q2017.
1Q2018	Reviewed HR metrics and benchmarks, and concluded that existing metrics were sufficient and met the needs for regular reporting for the HR functions
3Q2018	Incorporated the HR metrics into a new dashboard that went live in 3Q2018

**2018 updated expected date of completion: 3Q2018 Complete**

**Responsible manager: L. O'Connor, L. Greenwald**

## **Chapter XII — Recommendation 4**

*Provide opportunities and encouragement for more employees within PPL SC HR to obtain relevant professional HR certifications.*

**Response:** Accept

### **Original implementation plan:**

PPL SC HR is an advocate of HR training and development and continues to provide opportunities for professional development and certification programs each year. This is further evidenced by an additional four employees sitting for certifications in 2016 (Society for Human Resource Management Senior Certified Professional, Society Human Resource Management Certified Professional, AMA Payroll Fundamental Certification Payroll, Certified Employee Benefit Specialist). In addition, the team is attending a number of management and professional training opportunities in 2016 and going forward. PPL SC HR plans to continue the focus on staff development and tying development opportunities to the position and to the individual development plans that are updated annually for the team.

**Original expected date of completion:** Ongoing

**2017 updated implementation status:** No change – Ongoing

**Responsible manager:** T. Lynch

## **Chapter XII — Recommendation 5**

*Measure all four levels of training effectiveness according to the Kirkpatrick model.*

**Response:** Reject

On an ongoing basis PPL SC HR measures the effectiveness of training programs and produce appropriate metrics that determine the viability of where to make investments. In cases where significant investments are made, PPL SC HR measures the program by tracking against employee peers, promotion rates, performance ratings, job movement and retention to assess and measure the success of these programs.

PPL SC HR does not believe that adoption of a single methodology for training effectiveness is appropriate and in many cases the cost to measure the training may outweigh the costs of the initial training investment. PPL SC HR will continue to measure and assess each program based on the business investment and desired outcomes and make appropriate changes as business needs evolve and change.

**Responsible manager:** T. Lynch

## Chapter XII — Recommendation 6

*Update the PPL SC and PPL EU succession plan.*

**Response:** Accept

**Original implementation plan:**

PPL SC and PPL EU are committed to the development and success of leaders and are committed to succession planning. The next Corporate Talent Forum is scheduled in November 2016 and will include an update of the succession plan. Succession planning reviews will continue to occur annually.

**Original expected date of completion:** 4Q2016

**Updated implementation status:** Complete and ongoing

**Update on progress achieved and current plans:**

Date	Action
4Q2016	PPL's Executive Talent Forum was held in November of 2016 and resulting updated PPL SC and PPL EU succession plans were shared with PPL's BOD in December of 2016

Successive updates to the PPL SC and PPL EU succession plan will occur annually at each future Executive Talent Forum.

**2017 updated expected date of completion:** Complete and ongoing

**Responsible manager:** T. Lynch



## Chapter XII — Recommendation 7

*Improve the HR system self-service portal.*

**Response:** Accept

### Original implementation plan:

PPL SC HR had identified a need to improve the employee user experience and had set aside resources to invest in the employee user experience in 2014 when the 2015-2019 business plan was developed. In 2015, a revised employee portal was delivered to streamline employees' access to HR information and systems. This portal went live in December of 2015. The PPL HR business plan for 2016 - 2017 includes providing additional enhancements to the HR Portal and to further the user experience by investing in mobile technologies.

**Original expected date of completion:** 4Q2017

**2017 updated implementation status:** On-track for completion as planned

**2017 update on progress achieved and current plans:**

Date	Action
2Q2017-4Q2017	A revised employee portal is under development and is scheduled to be delivered 4Q2017

**2017 updated expected date of completion:** 4Q2017

**Responsible manager:** C. Gold

**2018 update on progress achieved and current plans:**

Date	Action
4Q2017	A revised employee portal was developed and implemented in 4Q2017

**2018 updated implementation status:** Complete

**Responsible manager:** L. O'Connor

**Chapter XIII — Recommendation 1**

*Update the PPL Corporation's Executive Compensation Policy to include accurate definitions of 16(b) Officers and Tier I and Tier II executives.*

**Response:** Accept

**Original implementation plan:**

PPL will update the Executive Compensation Brochure in its 2017 publication and make changes as necessary. Updates will clearly and accurately define Tier I and Tier II executives with guidelines to fully explain the executive compensation process.

**Original expected date of completion:** 1Q2017

**2017 updated implementation status:** Revised Schedule (adjusted plan as noted)

**2017 update on progress achieved and current plans:**

Date	Action
3Q2017	We have not included the definition in the executive brochure due to ongoing reorganization and restructuring at PPL; PPL has deferred implementation pending completion of reorganization and restructuring.

**2017 updated expected date of completion:** 3Q2018

**Responsible manager:** M. Cherichella

**2018 updated implementation status:** Complete

**2018 update on progress achieved and current plans:**

Date	Action
2Q2018	PPL Human Resources documented the definition for the Tier I and Tier II executive role classifications. The Executive Role Classifications have been reviewed and used by PPL's Corporate Leadership Council (Chief Executive Office, Chief Financial Officer, General Counsel) who have applied the Executive Role Classifications as a guideline in reviewing and establishing the Tier I or II level of officers.

**2018 updated expected date of completion:** 2Q2018 Complete

**Responsible manager:** M. Cherichella

## Chapter XIII — Recommendation 2

*The BOD and CGNC should ensure all executives actively participate in the EMPACS process and timely complete the annual EMPACS individual performance review.*

**Response:** Accept

**Original implementation plan:**

All PPL executives below the Corporate Leadership Council who are subject to the Employee Management Performance and Compensation System (EMPACS) now actively participate in and will fully complete the EMPACS process.

**Original expected date of completion:** 4Q2016

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
4Q2016	All relevant PPL executives have completed and are now actively participating in the EMPACS process
3Q2017	EMPACS process replaced by Plan Talk Thrive process, all relevant PPL executives included in new process.

**2017 updated expected date of completion:** Complete

**Responsible manager:** M. Cherichella

## Chapter XIV-A — Recommendation 1

*Identify and correct the cause of inconsistencies and errors in the diversity expenditure report and track Disabled Owned business spend for reporting purposes.*

**Response:** Accept

**Original implementation plan:**

PPL EUS Supply Chain is performing a review of the diversity supplier coding system that it uses for tracking diversity supplier spend to ensure that PPL EU can report diversity supplier spend according to the PUC requirements. This review was completed July 31, 2016. It is PPL EU's current plan to provide the next scheduled diversity report to the PUC in the requested categories (1Q2017).

**Original expected date of completion:** 1Q2017

**2017 updated status:** Complete

**2017 update on progress achieved and current plans:**

Date	Action
4Q2017	Corrections made to diversity supplier coding system according to outcomes of the review. Reporting template expanded and updated to reflect clarified supplier coding. Diversity expenditure and tracking of disabled owned business spend corrected and ongoing.
1Q2017	PPL EU Report on Diversity, reflecting all updated and corrected diversity sourcing content, submitted to the PUC.

**2017 updated expected date of completion:** Complete

**Responsible manager:** D. Connelly

## Chapter XIV-A — Recommendation 2

*Analyze the effectiveness of each vendor diversity outreach effort, set appropriate diverse spend goals in each category, and implement initiatives to achieve the goals.*

**Response:** Accept in part

PPL EU agrees with the importance of improving vendor diversity outreach and spend and acknowledges that it has not met its diversity spend goal for Women Owned businesses from 2012 through 2015 and that diverse vendors as a percent of total vendors is low and that diversity vendor contracts have decreased since 2013. However, PPL EU does have specific spend goals for Minority Owned, Disability Owned, or MWDBE businesses. PPL EUS Supply Chain submits diversity spend reports to the PUC and the federal General Services Administration. For 2016, PPL EUS Supply Chain established a goal of increasing year of year diversity spending by 3%.

### **Original implementation plan:**

Over the course of the last year, PPL EUS Supply Chain has been implementing purchasing process changes to increase the focus on diversity spending and on increasing knowledge of the diversity supplier presence in the marketplace. Specifically, in 3Q2016 Supply Chain implemented the accelerated category review (ACR) process. PPL EUS Supply Chain is planning to implement a process to ensure that diversity supplier business inquiries are reviewed and vetted by the category manager (buyer) staff.

PPL EUS Supply Chain has increased its participation in diversity supplier events and has expanded its participation to events in which it did not previously participate. PPL EUS Supply Chain has also implemented initiatives to improve vendor outreach and interactions at these events.

Additionally, PPL EUS Supply Chain held an event on Oct 26th onsite for Diverse Suppliers to attend in which to learn about doing business with PPL EU. It highlighted presentations from the President of Electric Utilities and from the Director of Supply Chain conveying support for the program and allowed time to meet face to face with many of the category managers from PPL EUS Supply Chain.

PPL EUS Supply Chain will regularly review the effectiveness of each of the aforementioned initiatives and will revise them as needed.

**Original expected date of completion:** 4Q2016

**2017 updated status:** Complete and ongoing

**2017 update on progress achieved and current plans:**

<b>Date</b>	<b>Action</b>
4Q2016	Review completed following PPL EU diverse suppliers event, and decision made to repeat event in 2017. Year-end review also resulted in other program enhancements and additions for 2017, including diversity integration into the new electronic supplier registration webpage, updated and improved supplier diversity brochures and materials for distribution to potential suppliers, and increased promotion of diversity suppliers to current tier 1 vendors.
4Q2017	Current tracking suggests that 2017 diverse supplier spending growth over 2016 will exceed targets, supporting the continuation of the current programs.

**2017 updated expected date of completion:** Complete and ongoing

**Responsible manager:** D. Connelly

## **Chapter XIV-B — Recommendation 1**

*Further enhance recruiting efforts to target female applicants.*

**Response:** Accept

**Original implementation plan:**

PPL EU is committed to continuing to focus on female and minority hires and programs that build a diverse pipeline. Annually PPL EU sets and tracks goals on hiring opportunity and utilization.

There is evidenced success in 2016 and an expectation to see the same going forward as the programs put in place mature. The PPL EU intern population continues to grow in the percentage of diverse makeup annually and changes in the hiring process have been made in an effort to obtain a larger pool of diverse candidates.

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** C. Gold, L. Greenwald

## **Chapter XIV-B — Recommendation 2**

*Further enhance the hiring rates for females and minorities to maintain the parity of PPL EU employees and the labor market.*

**Response:** Accept

### **Original Implementation plan:**

PPL EU is committed to continuing to focus on female and minority hires and programs that build a diverse pipeline. Annually PPL EU sets and tracks goals on hiring opportunity and utilization.

There is evidenced success in 2016 and an expectation to see the same going forward as the programs put in place mature. The PPL EU intern population continues to grow in the percentage of diverse makeup annually and changes in the hiring process have been made in an effort to obtain a larger pool of diverse candidates.

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** C. Gold, L. Greenwald



### **Chapter XIV-B — Recommendation 3**

*Further enhance initiatives to improve the female promotion rate.*

**Response:** Accept

**Original implementation plan:**

PPL EU tracks promotion rates and statistics. There has been an improving trend in this area in 2015 and PPL EU will continue to focus on promotional opportunities to continue the positive trend.

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** L. Greenwald, L. O'Connor

**Chapter XIV-B — Recommendation 4**

*Determine the cause of the increase in involuntary and voluntary female terminations and implement initiatives to reduce these termination rates.*

**Response:** Accept in part

PPL is committed to continuing to focus on female and diverse workforce, and the programs that build and sustain it. PPL accepts the value in continuing to track its voluntary and involuntary turnover statistics, and investigate potential causes in situations where values are higher than expected or desired, as with the termination rates of women in 2015.

PPL is not confident that the rates in 2015 represent a change or trend of significance for the overall workforce, and so does not necessarily accept the need to implement new initiatives to address it. PPL notes that 2014 rates were below, rather than above, overall levels of representation of women in the workforce, so the 2015 values may not yet be statistically significant. Creating and implementing a new initiative that may not be warranted, on top of PPL’s current efforts in this area, could incur costs in time and investment in excess of likely benefits.

**Original implementation plan:**

PPL will continue to track its involuntary turnover statistics, reviewing the rise in rates for women in 2015, and seeing if they are likely to continue in 2016 or are already declining as a result of existing efforts. If warranted, PPL will take action where appropriate to ensure adverse trends in the statistics do not continue, whether through new initiatives or changes to existing ones. This determination will be made early in 2017.

**Original expected date of completion:** 2Q2017

**2017 updated implementation status:** Revised schedule (adjusted plan as noted)

**2017 update on progress achieved and current plans:**

Date	Action
1Q017	Review of 2016 turnover statistics. Decision made to target 2017 rates with Diversity and Inclusion programs, and to continue specific review of 2017 data.
1Q2017-3Q2017	Implemented or continued assorted Diversity and Inclusion initiatives which included goals of increasing female retention. One initiative was to develop toolkit materials to strengthen managers' abilities to promote retention through inclusion and engagement, including Onboarding Peer Sponsor guidelines and an information sheet for managers to help employees transition into new positions. Another initiative was the continued utilization of reference materials for managers to help them identify and mitigate Unconscious Bias in hiring, performance management and talent management.
3Q2017	Year to date 2017 turnover statistics reviewed. Decision made to conduct specific

	additional analysis of exit-interview data in 1Q2018.
1Q2018	Determine if 2017 statistics have changed from 2016 and now reflect similar female and male rates of voluntary and involuntary termination. Conduct additional analysis of exit interview data and other sources, with a focus on 2015 and 2016, to determine if additional insights into root causes can be reached.
2Q2018	Initiate any decided changes emerging from the exit interview data and prior reviews.

Review of 2016 turnover statistics determined that female voluntary and involuntary termination rates remained somewhat higher than male rates. Available statistics and first level analysis did not provide clear root causes, so decision made to address through Diversity and Inclusion programs in 2017, and also to conduct further tracking and analysis as warranted in 2017 to further pursue root causes. Year to date 2017 turnover statistics now suggest that D&I programs may be having a positive effect on female retention, though conclusions cannot yet be made. Decision made to conduct additional analysis of exit interview data and other sources to provide further insight into statistics in 2016 and 2017. As a result, completion date for implementation plan extended to 2018.

**2017 updated expected date of completion:** 2Q2018

**Responsible manager:** L. Greenwald

**2018 updated implementation status:** Complete

**2018 update on progress achieved and current plans:**

Date	Action
1Q2018	Confirmed that 2017 statistics did change from 2016 and now reflect similar female and male rates of voluntary and involuntary termination. Conducted additional analysis of exit interview data and other sources, with a focus on 2015 and 2016, and did not identify any additional insights into root causes. Determined that no additional changes to practices (beyond the assorted Diversity and Inclusion initiatives introduced in 2017) would be required.
3Q2018	Confirmed that 2018 Q1-Q3 turnover statistics are consistent with those from 2017, and show similar female and male rates of voluntary and involuntary termination.

Full year 2017 and year-to-date 2018 turnover statistics support the view that D&I programs have had a positive effect on female retention. Average turnover (terminations as a share of population) in 2016 was 9.3%, while female turnover was a somewhat higher 12.3%. In 2018 Q1-Q3, average turnover has been 10.0%, while female turnover has been a statistically equivalent 10.2% (with a similar equivalence in 2017). Additionally, the extended research and analysis of exit interview data and other sources did not provide significant further insight or indication for significant changes to these programs. As a result, this item has been completed.

**2017 updated expected date of completion:** Complete

**Responsible manager:** L. Greenwald

## **Chapter XIV-C — Recommendation 1**

*Expand the EEO/AAP tagline on job advertisements to include all requirements.*

**Response:** Accept

### **Original implementation plan:**

PPL included the EEO/AAP tagline "Our company is an equal opportunity, affirmative action employer dedicated to diversity and the strength it brings to the workplace. All qualified applicants will receive consideration for employment without regard to race, color, age, religion, sex, national origin, protected veteran status, sexual orientation, gender identify, genetic information, disability status, or any other protected characteristic." on all of its job advertisements (internal and external job postings, including on the "Careers" webpage).

**Original expected date of completion:** Complete 4Q2015

**2017 updated implementation status:** No change – Complete

**Responsible manager:** C. Gold

## **Chapter XIV-C — Recommendation 2**

*Consider identifying mental and physical demands of all jobs and communicating them through inclusion on job descriptions.*

**Response:** Reject

In compliance with the applicable regulations, relevant physical and mental demands are assessed as part of the applicant screening process when the mental and physical demands are clearly a determining factor in the ability to perform the position. For these types of jobs (such as system operators and lineman) PPL will review job demands on an ongoing basis. For jobs where there are no mental and physical demands listed, PPL consciously leaves these open to ensure that it is not screening out candidates with disabilities.

**Responsible manager:** L. O'Connor, L. Greenwald

## **Chapter XV-B — Recommendation 1**

*Enhance employee core competencies in transmission project design, contracts and interconnection agreements, protection and control engineering, and field construction.*

**Response:** Accept in part.

PPL EU acknowledges that it should continue to monitor and develop both internal employee competencies and staffing requirements on an ongoing basis.

PPL EU disagrees with the finding that internal employee expertise is lacking in transmission project design, contracts and interconnection agreement, protection and control engineering, and field construction. PPL Transmission and Substations (T&S) employees have the required competencies to execute their work at a high standard, and no significant gaps in employee competencies have been identified.

The use of external contractors is not due to PPL T&S employees lacking certain capabilities, but rather, is due to occasionally volatile resource requirements and the need to keep operating teams lean. This staffing approach is the most efficient and cost-effective use of resources.

**Original implementation plan:**

PPL EU will continue to evaluate and develop the capabilities of T&S employees, and will actively monitor resourcing needs and hiring requirements.

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** P. Waldrab

## Chapter XV-B — Recommendation 2

*Establish strategic alliances with no more than three engineering services companies for design work.*

**Response:** Accept

### Original implementation plan:

PPL EU is in the process of establishing strategic alliances with three engineering services firms for transmission design work. PPL EU must continue to honor all outstanding contracts it currently holds with engineering services companies.

PPL EU recently (August 2016) signed contracts with two core engineering services companies and over the next 6-12 months any new engineering work will go to either of those two firms. A third engineering firm is being identified and will be added to support the other two (if required). By the end of 2017, the vast majority of engineering services work will be completed by these three core contractors. Note that there might be rare instances where PPL EU will need to hire a boutique engineering services firm to assist with a unique issue outside of the capabilities of the three core contractors.

**Original expected date of completion:** 4Q2017

**2017 updated status:** Complete

### 2017 update on progress achieved and current plans:

Date	Action
1Q2017	In January 2017 PPL EU signed a contract with a third core engineering service company for transmission design work, completing this action.
1Q2017	A fourth engineering service company was also awarded a contract in January 2017 as a back-up in the event that one of the three alliance companies should fail to perform adequately.
3Q2016-4Q2017	PPL EU has phased out contracts with non-alliance engineering service companies as projects pre-dating this effort conclude.

**2017 updated expected date of completion:** Complete

**Responsible manager:** P. Waldrab

## Chapter XV-D — Recommendation 1

*Expand staffing and contractor personnel forecasting models for the call centers from a one-year to a five-year time horizon.*

**Response:** Accept

### **Original implementation plan:**

Since building a dedicated Workforce Management Team at the end of 2015, PPL EU has added a new role within the team, titled a Workforce Management Planner, who has begun to develop a 3 year staffing plan, and will later expand that long-term forecast plan to 5 years.

**Original expected date of completion:** 1Q2017

**2017 updated implementation status:** Complete

**2017 update on progress achieved and current plans:**

<b>Date</b>	<b>Action</b>
4Q2016	Incorporated 3 year staffing plan for both Contact Center and Field Operations as part of the 2017 budget process
4Q2017	As part of the 2018 budget process, incorporating 5 year staffing plan for both Contact Center and Field Operations

**2017 updated expected date of completion:** Complete

**Responsible manager:** C. Graham



## Chapter XV-D — Recommendation 2

*Develop resource forecasting models for each Customer Services group with significant employee and contractor resources.*

**Response:** Accept

### **Original implementation plan:**

Since building a dedicated Workforce Management Team at the end of 2015, PPL EU has added a new role within the team, titled a Workforce Management Planner, who has begun to develop a 3 year staffing plan, and will later expand that long-term forecast plan to 5 years.

**Original expected date of completion:** 1Q2017

**2017 updated implementation status:** Complete

### **2017 update on progress achieved and current plans:**

<b>Date</b>	<b>Action</b>
4Q2016	Incorporated 3 year staffing plan for both Contact Center and Field Operations as part of the 2017 budget process
4Q2017	As part of the 2018 budget process, incorporating 5 year staffing plan for both Contact Center and Field Operations

**2017 updated expected date of completion:** Complete

**Responsible manager:** C. Graham

### **Chapter XV-D — Recommendation 3**

*Link and correlate Customer Services' Job Codes and SRC codes to the existing organizational groups to facilitate staffing studies and requirements forecasting*

**Response:** Accept

**Original implementation plan:**

This was completed as part of the 2016 budgeting process.

**Original expected date of completion:** Completed 3Q2015

**2017 updated implementation status:** No change – Complete

**Responsible manager:** C. Graham

**Chapter XV-G — Recommendation 1**

*Implement a PPL Corporation level workforce planning process to precede the budgeting process for PPL EU, PPL SC, and PPL EUS*

**Response:** Accept in part

PPL accepts the need for workforce planning and agrees with the finding of the Final Report that the current budgeting system, requiring 5 year forecasted employee positions and contractor payments by department for both O&M and capital, is a good practice. PPL further agrees that some form of common workforce planning processes does facilitate effective communication about future employee and contractor needs. The current system, which includes participation of HR in the planning process to ensure consistent approaches, does already facilitate these communications, but PPL agrees to look for further opportunities to incorporate the standard process elements and considerations identified in the Final Report (maintaining core competencies and institutional knowledge, and anticipating changes in workload, technology, work processes, organization structure, and employee and contractor economics) into the current planning, where warranted and cost effective.

PPL does not accept that a workforce planning process, across all functional groups, and both separate from, and in advance of the annual budgeting process, would be productive or cost effective. The current workforce planning process as part of the annual budgeting process was developed by PPL to be more efficient than the previous, duplicative processes, and has proven effective over the past few years. More detailed workforce planning is done on a case by case basis through the year and where deemed necessary (for instance where there is reorganization, where planning has identified positional risks, changing roles, significant growth or turnover), in order to optimize the real benefits of such planning while minimizing the effort required. Complementing the annual budgeting process, PPL has found this to be a productive balance, and best practice for the corporation.

**Original implementation plan:**

PPL will further assess if changes to the current workforce planning process requires more consistency across the functional groups during the annual budgeting process will provide additional value, and introduce any changes deemed appropriate.

**Original expected date of completion:** 4Q2017

**2017 updated status** On-track for completion as planned

**2017 update on progress achieved and current plans:**

Date	Action
4Q2017	Assessment of workforce planning process at start of the 2018 budget process. Determination made that changes not warranted, and workforce planning process proceeded according to established practice.

**2017 updated expected date of completion:** 4Q2017

**Responsible manager:** C. Gold, L. Greenwald

**2018 update on progress achieved and current plans:**

Date	Action
3Q2017	Commenced workforce planning process
2Q2018	Completed five-year PPL EU strategic workforce plan. Expect to review and update the plan, in advance of the start of the annual budgeting process, on an annual basis.

**2018 updated implementation status:** Complete and ongoing

**Responsible manager:** L. O'Connor, L. Greenwald

## **Chapter XV-G — Recommendation 2**

*Conduct a staffing study or participate in a benchmarking study that evaluates staffing levels or labor cost at least every three years.*

**Response:** Accept

**Original implementation plan:**

PPL leverages and will continue to leverage external Saratoga benchmarking and produce monthly measures in the workforce planning process. PPL will continue to leverage various benchmark studies across PPL as required by functional area.

**Original expected date of completion:** Complete and ongoing

**Updated implementation status:** No change – Complete and ongoing

**Responsible manager:** T. Lynch

### **Chapter XV-G — Recommendation 3**

*Reevaluate the employee and contractor mix in each function on a directly comparable basis during each annual workforce planning process.*

**Response:** Accept in part

PPL EU accepts the need for workforce planning to consider contractor levels and agrees with the value of being able to make well informed and cost based decisions between employee and contractor staffing, and regarding workforce mix. PPL EU commits to continuing to evaluate this mix as part of workforce planning on a case by case basis and as deemed appropriate, for instance in the formation of new groups, during reorganization, or in advance of any significant changes to contractor use.

PPL EU does not agree that conducting a formal evaluation of contractor mix in each function annually and on a directly comparable basis would be cost effective. As discussed in the Final Report, the financial basis for contracting may be billable hours, crew hours, work units, or other measures. Non-financial considerations include productivity, work quality, institutional knowledge, strategic goals, and other factors. Developing a direct comparable basis that covers all these considerations in each function within PPL would require a large and significant investment in estimation and calculation work, incurring significant cost. Since the Final Report did not highlight any reason to believe that the PPL contractor mix is currently or consistently sub-optimal, and PPL is not aware of any reasons either, instituting this new process is not currently warranted.

**Original implementation plan:**

PPL EU assesses and will continue to assess the mix of internal staff and the use of contractors throughout PPL EU as deemed necessary and when warranted as the organization continues to target optimal workforce composition and cost structure.

**Original expected date of completion:** Complete and ongoing

**2017 updated implementation status:** No change – Complete and ongoing

**Responsible manager:** D. Bonenberger, C. Cardenas

## **Chapter XVI — Recommendation 1**

*Appoint PPL Corporation level executives responsible enterprise-wide for each utility and support service, including transmission, distribution, and customer services.*

**Response:** Reject

The organizational structure suggested is not consistent with PPL's current organizational philosophy. The company operates under a decentralized business structure where the leaders of subsidiaries are responsible and accountable for managing their core business activities. This structure allows PPL to operate effectively and benefit from corporate wide best practice sharing and operational excellence while tailoring specific initiatives and solutions to the specific jurisdictions in which PPL operates.

As a point of comparison, other utilities also operate under a decentralized organizational structure, i.e. MidAmerican Energy Company and Exelon Corporation (PECO, BG&E, etc.).

The benefits of this decentralized organization include the direct alignment of subsidiary business goals to local objectives, and decision-making by subsidiary executives that support local interests.

**Responsible manager:** T. Lynch

## **Chapter XVI — Recommendation 2**

*Charter a robust merger synergy initiative as constrained by the regulatory merger conditions and follow a well-established process to achieve merger synergies.*

**Response:** Accept in part

PPL acknowledges there is value in sharing best practices. PPL has been pursuing opportunities and commits to continue to evaluate and further implement these. PPL believes that sharing best practices across similar functional groups, vs. chartering a separate initiative, provides the most effective and efficient way to capture value across operating units.

**Original implementation plan:**

PPL has been pursuing best practices such as the IT initiative and commits to continue to evaluate and implement best practices.

**Original expected date of completion:** Ongoing

**2017 updated implementation status:** No change – Ongoing

**Responsible manager:** M. Caverly



