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February 19, 2013

Mr. Dennis P. Hosler, Audit Manager
Pennsylvania Public Utility Commission
Commonwealth of Pennsylvania
400 North Street, Keystone Building
Harrisburg, PA 17120

Re: Focused Management and Operations Audit of Duquesne Light Company
(Docket #D-2011-2269361)

Dear Mr. Hosler:

Please find attached Duquesne Light Company's Implementation Plan in response to Mr. Dorow's letter of February 14, 2013, regarding the recent Focused Management and Operations Audit of Duquesne Light Company.

Duquesne Light Company has accepted each of the ten recommendations made by Audit Staff in its final Focused Management and Operations Audit Report. Duquesne Light's Implementation Plan details the action(s) Duquesne Light will take to implement each of the recommendations, the Duquesne Light individual and department responsible for ensuring that the action plans related to each of the recommendations are fully implemented, and the expected date of completion. Duquesne Light Company understands this Implementation Plan will be submitted concurrently with the Focused Management and Operations Audit Report to the Commission for its consideration.

If you have any questions regarding Duquesne Light Company's Implementation Plan, or if I may be of further assistance, please contact me directly at (412) 393-3662 or by email at vedwards@duqlight.com.

Respectfully,



Manager, Regulatory Affairs

Attachment



Implementation Plan

Prepared in Response to the February 2013
Focused Management and Operations Audit Report of
Duquesne Light Company
Issued by the Pennsylvania Public Utility Commission
Docket Number D-2011-2269361

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

February 2013

Recommendation III-1: Rotate the external audit firm on a periodic basis, or at a minimum, ensure the external audit firm has established a policy to periodically assure rotation of its audit manager and audits teams.

Audit Report Reference: Chapter III, Page 16

Company Response: Accepted.

Responsible Individual(s): Matt Ankrum
Controller
Finance

Description of Implementation Steps/Anticipated Date of Completion:

1. Compile information on external audit firm rotation practices for peer companies and benchmark the results against DLC's practices.

Anticipated Date of Completion: 3rd Quarter 2013

2. Obtain from DLC's current external audit firm its policies to periodically assure rotation of its audit manager and audit teams. Review this policy with the DLC Audit Committee and establish an internal policy to assure this information is presented to DLC management and the DLC Audit Committee on an annual basis.

Anticipated Date of Completion: 4th Quarter 2013

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

February 2013

Recommendation IV-1: Examine the overall management structure of Duquesne Light periodically and adjust reporting relationships, where appropriate, to eliminate unjustified low or high spans of control.

Audit Report Reference: Chapter IV, Page 21

Company Response: Accepted.

Responsible Individual(s): Maureen Meehan
Director, Human Resources

Description of Implementation Steps/Anticipated Date of Completion:

1. Perform an analysis of the overall management structure of Duquesne Light to review overall spans of control. Identify spans of control outside the range of 1:4 to 1:10. Human Resources will follow up with any departments having such spans to determine whether there is sound rationale for such spans to exist, and document the rationale.

Anticipated Date of Completion: 4th Quarter 2013

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

February 2013

Recommendation V-1: Submit a detailed, written explanation for each dividend payout exceeding 85% of net income to the Commission within 30 days after public release of this audit report, and ensure that advance notice and explanations are submitted to the Commission prior to making future dividend payments in excess of 85% of net income.

Audit Report Reference: Chapter V, Page 28

Company Response: Accepted.

Responsible Individual(s): James Milligan,
Manager, Treasury Operations
Finance

Description of Implementation Steps/Anticipated Date of Completion:

1. A written explanation for each dividend payout that exceeded 85% of net income will be provided to the Commission within 30 days after the public release of the audit report.

Anticipated Date of Completion: 30 days after the public release of the audit report.

2. Advance notice and explanation of future annual dividend payments will be provided to the Commission prior to making future annual dividend payments in excess of 85% of annual net income.

Anticipated Date of Completion: Ongoing.

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

February 2013

Recommendation VI-1: Conduct periodic audits of the entire cost allocation process.

Audit Report Reference: Chapter VI, Page 36

Company Response: Accepted.

Responsible Individual(s): Christian Wilson
Manager, Internal Audit

Description of Implementation Steps/Anticipated Date of Completion:

1. The Company will perform an internal audit of the cost allocation process at least once within each three (3) year internal audit plan (IAP). This audit will be included as part of the next IAP (covering 2013 – 2015) scheduled for approval by the Company's Audit Committee in February 2013.

Anticipated Date of Completion: The exact timing and scope of the audit will be determined upon completion of Duquesne Light Company's Cost Allocation Manual (CAM) per Recommendation #VI-2

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

February 2013

Recommendation VI-2: Develop a comprehensive cost allocation manual to provide step by step guidance in processing cost allocations and help ensure uniformity in the handling of affiliate transactions.

Audit Report Reference: Chapter VI, Page 36

Company Response: Accepted.

Responsible Individual(s): Matt Ankrum
Controller
Finance

Description of Implementation Steps/Anticipated Date of Completion:

1. Utilizing the National Association of Regulatory Utility Commissioners (NARUC) Guidelines for Cost Allocations and Affiliate Transactions as a basis, develop a comprehensive cost allocation manual to ensure uniformity in the handling of affiliate transactions.

Anticipated Date of Completion: 3rd Quarter 2013

2. Develop a plan for communication of the cost allocation manual to all personnel within the organization. Identify personnel across the organization that should receive formal training on the contents of the cost allocation manual and conduct such training.

Anticipated Date of Completion: 3rd Quarter 2013

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

February 2013

Recommendation VII-1: Conduct a staffing study to analyze the costs and benefits of reducing overtime through various practices such as adjusting levels of shift work, relocating personnel between districts, hiring additional craftworkers, and/or using more outside contractor hours.

Audit Report Reference: Chapter VII, Page 50

Company Response: Accepted.

Responsible Individual(s): Alex Burns
Manager
Operations Planning and Budgeting

Description of Implementation Steps/Anticipated Date of Completion:

1. Perform analysis of historical and planned work to develop model for Overhead, Underground, and Substation personnel to insure appropriate staffing levels exist.

Anticipated Date of Completion: 3rd Quarter, 2013

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

February 2013

Recommendation VII-2:	Expand the databases used to track and monitor third-party damages and claims to include all pertinent information regarding types of damages, names or parties, invoiced amounts, settled amounts, and settlement reasons in order to better identify the causes of and control third party damages.
Audit Report Reference:	Chapter VII, Page 50
Company Response:	Accepted.
Responsible Individual(s):	Krycia Kubiak Assistant General Counsel Office of General Counsel

Description of Implementation Steps/Anticipated Date of Completion:

1. Expand the database to track the following information and make that information searchable: 1) amount collected against the invoiced amount; 2) settlement reasons; 3) name or party; 4) type of damage.

Anticipated date of completion: 1st Quarter 2013.

2. Conduct quarterly review of database in order to identify contractors or individuals who cause damage on multiple occasions.

Anticipated date of completion: 2nd quarter 2013 and ongoing.

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

February 2013

Recommendation VII-3: Strive to achieve average or better Occupational Safety and Health Administration recordable incident rates by monitoring and continually modifying safety programs to address the most current safety issues at the Company.

Audit Report Reference: Chapter VII, Page 50

Company Response: Accepted.

Responsible Individual(s): Maureen Meehan
Director
Human Resources

Description of Implementation Steps/Anticipated Date of Completion:

1. Conduct a Safety Leadership course for all Supervisors and Union leaders. The purpose of this workshop is to equip our leaders with the important insights, strategies, and tools necessary to achieve and sustain a culture of safety; including:
 - Focusing on identified risks and issues that organizational personnel have identified
 - Establishing specific individual accountabilities and activities that integrate safety management principles and processes into the daily operation of the business
 - Establishing a positive safety culture built upon “catching employees doing things right”
 - Determination of what is important to an organization and how this maps to the current safety performance
 - Presentation and discussion of insights into effective safety management, including:
 - What works in safety and what doesn’t
 - Root Causes of Incidents
 - The incident reaction cycle

Anticipated Date of Completion: 2nd Quarter, 2013.

2. Duquesne Light will train over 600 field employees in Human Performance. Training has been developed to provide workers with a structured and systematic approach to performing all tasks. This training also looks at organizational processes to identify causes of organizational and individual performance gaps. The program will provide new solutions to improve and sustain human performance. Training employs methods such as STAR (Stop Think Act Review)

The STAR technique boosts attention at important points in an activity before a specific act is executed. The performer pauses to focus his or her attention, taking a moment to reflect on the intended action, the component, and its expected outcome. The performer thinks about whether the proposed action is the right action for the situation.

Anticipated Date of Completion: 2nd Quarter, 2013.

3. Annually review Duquesne Light Company's OSHA recordable incident rate, and modify safety programs to address current safety issues.

Anticipated completion date: 4th Quarter 2013 and Ongoing

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

February 2013

Recommendation VIII-1: Enhance current measures to reduce residential customer arrearages.

Audit Report Reference: Chapter VIII, Page 62

Company Response: Accepted.

Responsible Individual(s): Lynda Pekarsky
Director
Customer Revenue Management

Description of Implementation Steps/Anticipated Date of Completion:

1. Segment customers based on an internal credit behavioral score as well as specific customer classes. These segmentations will be completed in conjunction with the deployment of Duquesne Light's new Customer Information System.

Anticipated Date of Completion: 4th Quarter, 2013

2. Evaluate and implement new outbound call campaigns. These evaluations and implementations will be completed in conjunction with the deployment of Duquesne Light's new Customer Information System.

Anticipated Date of Completion: 4th Quarter 2013

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

February 2013

Recommendation VIII-2: Examine potential policy, procedures and staffing level changes that may be necessary to efficiently respond to the increasing levels of customer complaints and Payment Arrangement Requests.

Audit Report Reference: Chapter VIII, Page 62

Company Response: Accepted.

Responsible Individual(s): Marie Tamilia
Supervisor, Regulatory Consumer Relations
Office of General Counsel

Description of Implementation Steps/Anticipated Date of Completion:

1. Review staffing levels in the Regulatory Consumer Relations group and make recommendations with respect to whether changes are needed.

Anticipated Date of Completion: 2nd Quarter 2013

2. Review process that has been used to respond to informal complaints and PARS in 2012 and determine the time frames needed to complete each step and what process improvements or procedures can be implemented to increase efficiency.

Anticipated Date of Completion: 4th Quarter 2013