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March 3, 2014

Ms. Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
P. O. Box 3265  
Harrisburg, Pennsylvania 17105-3265

RECEIVED

FEB 28 2014

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**Re: Implementation Plan Progress Report  
Docket No. D-2011-2269361**

Dear Secretary Chiavetta:

Enclosed is Duquesne Light Company's Implementation Plan Progress Report as directed in the Commission's Secretarial Letter dated March 14, 2013 related to the Bureau of Audit's Focused Management and Operations Audit of Duquesne Light Company.

Please contact me at 412.393.3662 or [vedwards@duqlight.com](mailto:vedwards@duqlight.com) if you have any questions or require additional information.

Sincerely,

Vernon J. Edwards  
Manager, Regulatory Affairs

Enclosures

c: Mr. D. P. Hosler, Director - Bureau of Audits  
Mr. George A. Dorow, Jr., Supervisor - Bureau of Audits



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**Implementation Plan  
Progress Report**

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**Prepared in Response to the  
PaPUC February 2013 Focused Management and Operations Audit of  
Duquesne Light Company**

**Issued March 3, 2014**

**Docket No. D-2011-2269361**

## EXECUTIVE SUMMARY

Duquesne Light Company accepted each of the ten recommendations set forth in the Focused Management and Operations Audit Report issued by the PA Public Utility Commission, and on February 19, 2013, submitted an Implementation Plan to address each of them. Contained herein is the first of three annual progress reports as required by the Commission's March 14, 2013 Secretarial Letter. As of December 31, 2013, Duquesne Light Company has fully implemented or satisfied seven of the audit's recommendations, and progress continues on the activities related to the remaining three recommendations.

A status of Duquesne Light's 2013 implementation steps for each of the Commission's recommendations are shown in detail below.

**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.

### Implementation Step 1:

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

**2013 Status: Completed**

### Implementation Step 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.

**2013 Status: Completed**

**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.

### Implementation Step 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.

**2013 Status: Ongoing**

**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.

**Implementation Step 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.

**2013 Status: Completed**

**Implementation Step 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.

**2013 Status: Ongoing**

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

**Implementation Step 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.

**2013 Status: Ongoing**

**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.

**Implementation Step 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.

**2013 Status: Completed**

Implementation Step 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.

**2013 Status: Completed**

**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.

Implementation Step 1:

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

**2013 Status: Completed & Ongoing**

**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.

Implementation Step 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.

**2013 Status: Completed**

Implementation Step 2:

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

**2013 Status: Completed & Ongoing**

**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.

Implementation Step 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

**2013 Status: Completed**

**Implementation Step 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).

**2013 Status: Completed**

**Implementation Step 3:**

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

**2013 Status: Completed & Ongoing**

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

**Implementation Step 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.

**2013 Status: Ongoing**

Implementation Step 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.

**2013 Status: Ongoing**

**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.

Implementation Step 1:

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

**2013 Status: Completed & Ongoing**

Implementation Step 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.

**2013 Status: Completed**

# IMPLEMENTATION PLAN

## Duquesne Light Company Response to Focused Management and Operations Audit

<b>Recommendation III-1:</b>	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.
<b>Audit Report Reference:</b>	Chapter III, Page 16
<b>Company Response:</b>	Accepted.
<b>Responsible Individual(s):</b>	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: 3<sup>rd</sup> Quarter 2013

### 2013 Implementation Status Update: Completed

DLC currently has policies and procedures in place that require the Company to perform a request for proposal process for external audit services. The Company historically completes this process once every 3 years. The next request for proposal for external audit services is scheduled for 2014 with the expiration of audit services ending with the audit of the financial statements for the year ended December 31, 2013.

The Company submitted a survey through Edison Electric Institute (EEI) Accounting Standards Committee. EEI is the association that represents all U.S. investor-owned electric companies. Its members provide electricity for 220 million Americans, operate in all 50 states and the District of Columbia, and directly employ more than 500,000 workers. EEI has 70 international electric companies as Affiliate Members, and 250 industry suppliers and related organizations as Associate Members. Organized in 1933, EEI provides public policy leadership, strategic business intelligence, and essential conferences and forums.

The relevant questions included in the survey were as follows:

- a. Do any companies have a formal external audit firm rotation policy?

- b. If so, please describe.
- c. How long has your current external audit firm been engaged at your company?

The Company received responses from 7 peer utilities. The results of the survey showed that all 7 utilities responding had no formal external audit firm rotation policies existing. In addition, the range of years for which external audit firms have been engaged ranges from 1 year to “greater than 80 years”.

- 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

**2013 Implementation Status Update: Completed**

The Company obtained from its external audit firm (Deloitte & Touche LLP) its policies to periodically assure rotation of its audit manager and audit teams. Their policy for rotation is as follows:

Audit Engagement Partner, Other Audit Partners – seven years, although exception may be granted to extend to ten years (two year time-out period after term is served)

Engagement Quality Control Reviewers – not subject to rotation

Senior Manager, Manager, Accountant In-Charge, Field Senior – seven years in each position, although exception may be granted to extend to ten years

The Company presented the policy to the DLC Audit Committee at its November 2013 meeting. An internal policy to present this information annually to DLC Management and the DLC audit committee has been established.

# IMPLEMENTATION PLAN

## Duquesne Light Company Response to Focused Management and Operations Audit

**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):** Todd Faulk  
Vice President, 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

### 2013 Implementation Status Update: Ongoing

The Span of Control analysis was moved to fourth quarter 2014 to provide for a closer look into the organizational structure and span of control as well as to provide for additional staffing levels. This scheduling will permit management to ensure that the structure and span of control meet organizational needs and provide time for actions that may be recommended as a result of completing the analysis, if any.

# IMPLEMENTATION PLAN

## Duquesne Light Company Response to Focused Management and Operations Audit

- 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.

### 2013 Implementation Status Update: Completed

A written explanation for each dividend payout that exceeded 85% was provided within 30 days after the audit report was released to the public. The report was filed with the Commission on April 10, 2013.

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.

**2013 Implementation Status Update: Ongoing**

The Company is required to file notice with the Commission when the dividend payments are in excess of 85%. In 2013, the Company's dividends were below the 85% threshold; therefore, a report to the Commission was not needed.

## **IMPLEMENTATION PLAN**

### **Duquesne Light Company Response to Focused Management and Operations Audit**

<b>Recommendation VI-1:</b>	Conduct periodic audits of the entire cost allocation process.
<b>Audit Report Reference:</b>	Chapter VI, Page 36
<b>Company Response:</b>	Accepted.
<b>Responsible Individual(s):</b>	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

#### **2013 Implementation Status Update: Ongoing**

The internal audit of the cost allocation process is currently included in the three (3) year Internal Audit Plan (IAP) covering 2014, 2015 and 2016, which is scheduled to be presented to the Audit Committee at their meeting on March 5, 2014. It is projected that the first audit will occur in 2015, but may be accelerated or deferred within the current IAP if warranted by changes in business conditions or upon direction from the Company's Audit Committee and/or Senior Management.

## IMPLEMENTATION PLAN

### Duquesne Light Company Response to Focused Management and Operations Audit

<b>Recommendation VI-2:</b>	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.
<b>Audit Report Reference:</b>	Chapter VI, Page 36
<b>Company Response:</b>	Accepted.
<b>Responsible Individual(s):</b>	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

#### 2013 Implementation Status Update: Completed

The Company developed a comprehensive cost allocation manual to ensure uniformity in the handling of affiliate transactions. The cost allocation manual utilized the National Association of Regulatory Utility Commissioners (NARUC) Guidelines for Cost Allocations and Affiliate Transactions as a basis. The Company's cost allocation manual is posted on its internal intranet site for all employees.

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

### **2013 Implementation Status Update: Completed**

The Company developed a plan for communication of the cost allocation manual. The Company performed training of its personnel within the organization who were identified as having the authority to allocate costs throughout the organization. Formal trainings were held in September 2013 (facilitated by the Manager of Accounting and Financial Reporting) and the Company's cost allocation policies and procedures became effective on October 1, 2013.

# IMPLEMENTATION PLAN

## Duquesne Light Company Response to Focused Management and Operations Audit

**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 ensure appropriate staffing levels exist.

Anticipated Date of Completion: 3rd Quarter, 2013

### 2013 Implementation Status Update: Completed & Ongoing

In August 2013, a model was developed using historical data from 2010-2011. The model used workload as an input to forecast the interactions between overtime, staffing, and contractors. The model has limitations, but it can be a useful tool when used in conjunction with other planning approaches.

In 2014, the Company plans to continue evaluating spending on overtime with the goal of identifying opportunities to reduce overtime spending.

## IMPLEMENTATION PLAN

### Duquesne Light Company Response to Focused Management and Operations Audit

**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):** Krysia 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.

#### 2013 Implementation Status Update: Completed

The enhancements to the third-party damages and claims database was fully implemented with the Tracking of Claims Recovery Invoices per PUC Audit workbook during the first quarter of 2013. Enhancements to the database included tracking additional information regarding the amount collected against the invoiced amounts, settlement reasons, name or party and type of damages.

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.

### **2013 Implementation Status Update: Completed & Ongoing**

Reviews of the third-party damage and claims database to identify contractors or individuals who cause damages on multiple occasions were implemented with a quarterly report starting April 2013, and will continue to be reviewed on a quarterly basis. Quarterly reviews are conducted with the Assistant General Counsel and action is taken on repeat offenders, including litigation. A memo recording actions and status are maintained for each review.

## IMPLEMENTATION PLAN

### Duquesne Light Company Response to Focused Management and Operations Audit

**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):** Michael Peluso  
Manager  
Employee Safety & Workforce Development

#### 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.

#### 2013 Implementation Status Update: Completed

During the first quarter of 2013, Duquesne Light partnered with Caterpillar Safety Service to provide Supervisor and Union Leadership safety training. The Supervisor Training Accident Reduction Technique (S.T.A.R.T.) Workshops were designed to help supervisors and Union leadership foster an environment where safety is an integrated process equal to quality,

production and delivery. The one day course was held on the following days: January 8, 9, 23, 24 and February 5, 6, 7, 19, 20, & 21. All first line supervisors and Union leadership attended. The course emphasizes the importance of safety accountability, multi-causation of incidents, recognition and motivation, and explained how supervisors and Union leadership can shape a safety culture that prevents incidents.

The S.T.A.R.T. Workshop was designed to deliver the following outcomes:

- Understand the ethical/moral and financial reasons for caring about safety; why safety should be a top value
- Describe the elements that make up a company's safety culture and how the current culture could be improved
- Describe the supervisor's role and practical actions that should be taken to encourage a positive safety culture
- Communicate clearly what is expected of employees related to safety
- Effectively prepare employees to work safely
- Identify and capitalize on teachable moments by providing effective safety coaching to employees
- Notice and reinforce safe actions, or if necessary address safety concerns, on a daily basis
- Believe no individual possesses all the answers; only by working together can everyone truly achieve the safest workplace possible
- Explain the four steps to create a system of safety accountability
- Understand impact of setting a personal example in safety for employees
- Facilitate meaningful, engaging safety conversations on a daily basis
- Actively involve employees in improving the safety of the workplace.

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.

### **2013 Implementation Status Update: Completed**

During Duquesne Light's 2013 annual OSHA compliance training, all field employees that were employed by Duquesne Light attended the S.T.A.R. human performance training class. The training was conducted from January thru April 2013. The S.T.A.R tool helps a performing individual to focus attention on the appropriate component or activity, think about the intended action, understand the expected outcome *before* acting, and verify the results after the action.

When used rigorously, self-checking boosts attention and thinking just before a physical action is performed. The performer pauses to take a moment to reflect on the intended action, the component, and its expected outcome, think about whether the proposed action is the right action for the situation, and resolve any questions or concerns before proceeding. When prepared, the performer takes the action, followed by a review of the results of the action to decide if the right result was obtained.

**1. Stop – Pause**

- Pause before performing critical activities.
- *Eliminate distractions and focus on the activity*

**2. Think – Understand what is to be done before performing actions.**

- Verify that conditions match those discussed during the pre-job briefing.
- Verify the action is appropriate, given the equipment status.
- Identify expected outputs/results of the action.
- Compare conditions to the controlling document.
- Consider a contingency if an unexpected result occurs.

**3. Act – Perform the correct action on the correct component.**

- Follow relevant guidance (procedure, policy, and other guidance).
- Without losing eye contact, read and touch the component label.
- Compare the component label with the guiding document.
- Perform planned actions for the specific activity.

**4. Review – Verify anticipated result is obtained.**

- Verify that outputs or results match the expected outputs/results.
- Perform the contingency, if the expected result does not occur.
- Notify supervisor, as needed

**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

**2013 Implementation Status Update: Completed & Ongoing**

KPI's have been established to track both leading and lagging safety performance indicators. The metrics are then communicated to the safety leadership team which consist of both union and management personnel who meet monthly to evaluate the status and progress of the safety initiatives currently running on the property. Modifications to safety programs to address current safety issues will be made as necessary.

Safety KPI's:

1. OR& LTA Rate
2. Near Miss Reports
3. Safe & Unsafe Observations/ Inspections
4. Motor Vehicle Accident Rate

Safety Initiatives:

1. Safe Driver Program
2. Overall Injury Prevention Program
3. Near Miss Program
4. Leadership Training
5. Human Performance

# IMPLEMENTATION PLAN

## Duquesne Light Company Response to Focused Management and Operations Audit

<b>Recommendation VIII-1:</b>	Enhance current measures to reduce residential customer arrearages.
<b>Audit Report Reference:</b>	Chapter VIII, Page 62
<b>Company Response:</b>	Accepted.
<b>Responsible Individual(s):</b>	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: 4<sup>th</sup> Quarter, 2013

### 2013 Implementation Status Update: Ongoing

Design of customer segmentation based on an internal credit behavioral score has been completed. However, implementation of this recommendation will not be completed until the deployment of Duquesne Light's new Customer Information System (CIS) which is scheduled for July of 2014.

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: 4<sup>th</sup> Quarter 2013

### 2013 Implementation Status Update: Ongoing

Several new outbound campaigns have been designed. However, implementation of this recommendation will not be completed until the deployment of Duquesne Light's new Customer Information System (CIS) and Interactive Voice Response (IVR) which is scheduled for July of 2014.

# IMPLEMENTATION PLAN

## Duquesne Light Company Response to Focused Management and Operations Audit

<b>Recommendation VIII-2:</b>	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.
<b>Audit Report Reference:</b>	Chapter VIII, Page 62
<b>Company Response:</b>	Accepted.
<b>Responsible Individual(s):</b>	Maric 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: 2<sup>nd</sup> Quarter 2013

### 2013 Implementation Status Update: Completed & Ongoing

After internal review and analysis, it was decided to add one contractor position to the group which was filled in the first quarter of 2014. The reason for the hiring of a contractor was to determine if an additional position would be helpful in responding to increased levels of customer complaints. The contractor will be retained for least six months whereupon a further analysis will be done to determine if the contractor position is necessary and helpful in responding to customer complaints. In addition, a further analysis will be done to determine if a second contractor position is needed after the information is analyzed on the initial contractor position. It is anticipated that the contractor will assist the group in all the functions currently performed and help to increase response times and performance of required functions.

*In addition to assessing staffing levels, certain processes and procedures were also reviewed to determine whether the Company could be more efficient. For example, to assist the group in responding more efficiently to complaints, the reference sheet for quoting 'frequently used' regulations was reviewed and updated in 2013. Company investigators can refer to this reference sheet when quoting a regulation instead of reviewing their regulation book. This process saved investigation time. Also in 2013, 'automated responses' were implemented by*

the Company which allows investigator to use standardized and uniform responses in informal reports. Again, both of these changes saved the investigator valuable time by providing a reference guide and standardized responses.

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: 4<sup>th</sup> Quarter 2013

### **2013 Implementation Status Update: Completed**

The Company's old process for responding to complaints began with informal and payment agreement complaints that were filed with the Bureau of Consumer Services (BCS) being received by the Company electronically via Complaint Tracker software. Complaints were received on a daily basis but were batched on the night that they were received and then provided on the next business day. Each morning the complaints were assigned for handling and were required to be completed consistent with PUC regulations. In addition, all informal complaints were typed on a case-by-case basis while payment agreements complaints, though still typed, have specific fields where investigators enter data in addition to an area that is freeform text.

In order to increase efficiency this process was reviewed. First, it was determined that the way in which the Company receives complaints on the next business day caused an immediate loss of one day of response time. Moreover, complaints filed on Fridays lost three days of response time since they were not received until the following Monday. Since complaints filed with the BCS are actually sent to the Company each hour, the previous process was changed to receive complaints on a daily basis, instead of waiting for the complaints to batch overnight. Complaints are now received by the group at 10:30 a.m., 12:30 p.m., and 2:30 p.m. each day. Complaints sent to the Company by the BCS after 2:30 p.m. are batched overnight and received the next morning. This change in process has allowed for the group to receive the complaints on a more timely basis and has increased efficiencies in response times.

Another process improvement involved complaints where the service is off and there was no dispute with the complaint. These types of complaints are now required to be completed and sent the same day they are received. This change dramatically reduced our response time as most payment agreement complaints (minus the complaints received after 2:30 p.m.) are sent the same day. Additionally, informal complaints are also required to be reviewed daily and responded to as soon as possible, provided, the investigator does not require further information from the process owners.

Finally in 2013, our reference sheet for quoting 'frequently used' regulations was reviewed and updated. Company investigators can refer to this reference sheet when quoting a regulation instead of reviewing their regulation book. This process saved investigation time. In addition, 'automated responses' were implemented which allow the Company investigator to use standardized and uniform responses in informal reports. Again, this saves the investigator

valuable time from having to review all the regulations and from having to draft and manually type Company responses.

In conclusion, the changes described above have increased efficiencies of the group and lowered response times by the Company to informal and payment agreement complaints.

UPS CampusShip: View/Print Label

1. **Ensure there are no other shipping or tracking labels attached to your package.** Select the Print button on the print dialog box that appears. Note: If your browser does not support this function select Print from the File menu to print the label.

2. **Fold the printed sheet containing the label at the line so that the entire shipping label is visible.** Place the label on a single side of the package and cover it completely with clear plastic shipping tape. Do not cover any seams or closures on the package with the label. Place the label in a UPS Shipping Pouch. If you do not have a pouch, affix the folded label using clear plastic shipping tape over the entire label.

3. **GETTING YOUR SHIPMENT TO UPS**

UPS locations include the UPS Store®, UPS drop boxes, UPS customer centers, authorized retail outlets and UPS drivers.

Schedule a same day or future day Pickup to have a UPS driver pickup all your CampusShip packages.

Hand the package to any UPS driver in your area.

Take your package to any location of The UPS Store®, UPS Drop Box, UPS Customer Center, UPS Alliances (Office Depot® or Staples®) or Authorized Shipping Outlet near you. Items sent via UPS Return Services(SM) (including via Ground) are also accepted at Drop Boxes. To find the location nearest you, please visit the Resources area of CampusShip and select UPS Locations.

Customers with a Daily Pickup

Your driver will pickup your shipment(s) as usual.

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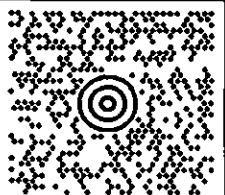
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Cost Center: 492  
Reference # 2: 2013 Diversity Report  
*#3: 2013 Mgt. Audit Program Report*

