

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-E-1:

“Supply a copy of any budget utilized as a basis for any test year claim, and explain the utility’s budgeting process.”

RESPONSE:

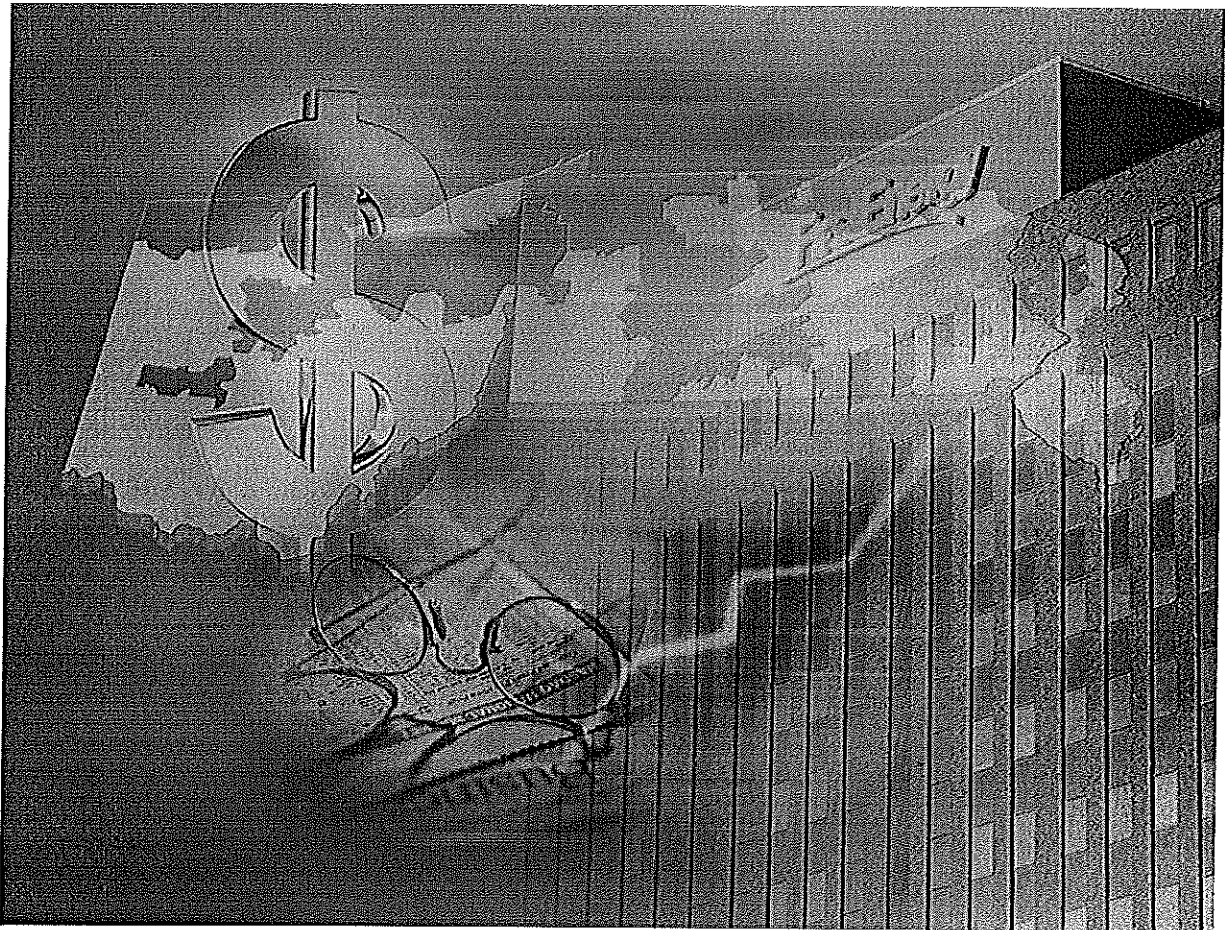
The FirstEnergy budget guidelines details the items required for the preparation of the construction and operating budgets. See attached Penn Power RAD-45, Attachment A for a review of the guidelines.

Beginning in 2014, FirstEnergy implemented a new budget and long-term planning application, UI Planner. See attached Penn Power Exhibit, RAD-45 Attachment B for an explanation of FirstEnergy’s budget process.

See Penn Power Exhibit RAD-18 for a copy of the budget utilized for the test year.

# **FirstEnergy**

## **2014 Budget Guidelines**



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## CHAPTER 1: INTRODUCTION

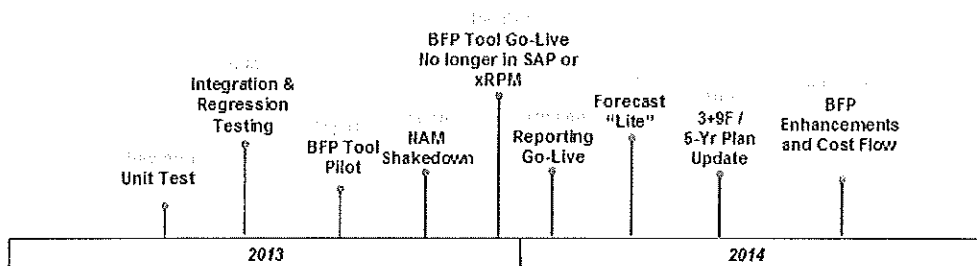
The integrated business planning process is critical to the success of FirstEnergy. A key component of this process is the annual budget which provides a method to quantify and report the current year's expectations and helps drive the enterprise toward achieving both short-term and long-term financial and operational objectives. The budget also helps facilitate the efficient usage of the Company's financial resources and allows us to measure actual performance against projections.

The guidelines in this booklet are intended to assist persons responsible for direct input of data into the SAP system as they prepare the 2014 annual budget. The 2014 budget should be based on your business unit's business plans and should align with Executive Council's expectations.

Business Unit Income Statements will be produced using the Profit Center Accounting module in SAP. Budget details will be developed and input using the various SAP cost collectors (i.e. cost centers, internal orders and WBSs). Through system mapping within SAP, these cost collectors are assigned to Profit Centers. Once data input is completed and the SAP system is closed, Business Unit Income Statements will be available for review. The Profit Center Hierarchy (PC0001B) serves as the source for the structure of Business Unit Income Statements). Earnings Driver reports which measure the impact and contribution of key items to the financial performance of each Business Unit will also be produced. Any questions concerning these statements should be directed to Mike Kreighbaum (825-2556) or Carrie Wokaty (825-6005).

**Please Note: For the 2014 Forecast and the 2014 Annual Budget we will follow the same process as last year in SAP. However, as part of the Financial Transformation project, we will be implementing the new Cost Accountability Model and begin doing our forecasting and budget inputs into a new financial tool, UIPlanner. Separate documentation and training for the tool will be provided through the FIT team. Below is a high level summary of the upcoming implementation timeline.**

### Path to Implementation



Resource Activities	Date	Time Commitment
Training	August 20 – 22	~ 24 hours
BFP Pilot	Sept 2 – Oct 28	~ 10/week
Acct Model Shakedown	Sept 9 – Oct 28	~ 16/week
Train the Organization	November	~ 24 hours
Update End-User Queries	November - December	Varies
Assist with rollout	Dec - Jan	Varies

Note: 2014 budget documentation can be found in U:\Public\Budget Info\2014 Budget

## Overview For Budget Input

<b><i>Planning Must Be Done For The Following:</i></b>
➤ Gross Payroll (Dollars)
➤ Staffing Level (Headcount) – Coordinate with IBP-Business Services and Workforce Planning
➤ Other – Than – Labor (OTL)
➤ Activity Input Planning (Hours to Cost Centers, WBSs and Internal Orders)
<b><i>Versions</i></b>
<b>Annual Budget:</b>
➤ 2014 Budget detail planning will be <b>input</b> in Version 20
➤ 2014 Final Closed detail budget will be in Version 12 unless otherwise noted

## Calendar of Events

### The 2014 Forecast Schedule

<u>Activity</u>	<u>Completion Date</u>
➤ SAP 2014 V20 Opens	7/29/2013
➤ Complete Headcount & Gross Payroll	8/30/2013
➤ All Revenues & Expenses updated to calculate deferrals	9/6/2013
➤ Lock SAP V20 @ 5 p.m.	9/13/2013
➤ IBP/Gen Accounting process 2014 Budget V13	9/16 – 9/20/2013
➤ Business Units to begin validation of results	9/20/2013

Dates for the final budget will be announced after the forecast is completed.

### The 2014 Budget Schedule

<u>Activity: Business Units enter 2014 Detail Budgets</u>	<u>Completion Date</u>
➤ Gross Payroll Input Complete	TBD
➤ Headcount Input Complete	TBD
➤ HR Benefits Complete	TBD
➤ Revenues/Expenses Impacting Deferrals & Amortizations (Including Inter-Company Transactions)	TBD
➤ Transmission Revenues & Expenses	TBD
➤ Inter-company Transactions Input Complete	TBD
➤ Lockdown of SAP system	TBD

### THESE DATES ARE SUBJECT TO CHANGE

Throughout the budget cycle you should expect to receive communications as needed to ensure the schedule is met. The purpose of these communications will be to help individuals manage budgeting activities, ensure mid-process completion goals are met, and address any issues that arise during the budget entry period.

## CHAPTER 2: LABOR

### Straight Time Payroll

Straight time payroll for the 2014 Budget will be developed and input by the Business Units. The budget is based on projected staffing levels and estimated employee salaries based on a regular weekly schedule of 40 hours per week per full-time employee

Adjustments should be made for changes in payroll due to attrition, retirements, promotions, demotions, and all salary adjustments including general wage rate increases. **Annual wage rate increases need to be applied by the Business Units, based on the appropriate rate change and timing.** The assumed wage rate for non-bargaining employees is 3.0%. The non-bargaining WRI should be assumed to be effective September 1, 2014. For bargaining unit employees, the bargaining unit WRI is based on the terms of each union contract.

The monthly spread of straight time labor should be based on the number of pay weeks in each month according to the Payroll Calendar. Distribution key(s) for the monthly distribution of payroll are noted below for bi-weekly payroll and in the Reference Material Section for the weekly payroll. Keep in mind, the distribution keys are only used to spread the monthly data and **do not** increase the yearly or monthly totals for the wage rate increases. The budget preparer needs to calculate the annual payroll and inflate it for any expected WRI, then use the appropriate distribution key to spread the payroll. **Payroll must be spread by month, not summed and input into one month.**

### The appropriate general ledger accounts/cost elements for Straight Time Labor:

#### Straight Time Payroll

520010	Payroll - Straight Time - Bargaining
520050	Payroll - Straight Time - Non-Bargaining
520051	Payroll - Straight Time - Temporary Help
520062	Payroll - Straight Time Coop Students
520063	Payroll - Straight Time-Part Time-Non-Barg
520064	Payroll - Straight Time-Part Time-Bargaining

**NOTE: If a Business Unit(s) has a question about developing its straight time payroll estimates or the input of the dollars into SAP (including the appropriate spreads and wage rate increases), please contact Corporate Budgets and Forecasts before the Gross Payroll entry deadline. (See Key Contacts page 27)**

### Payroll Calendar Information:

#### 2014 Bi-Weekly payroll

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Weeks	4	4	6	4	4	4	4	6	4	4	4	4	52
Hours	160	160	240	160	160	160	160	240	160	160	160	160	2080

Distribution Keys **P14S** and **P14B** both use this spread pattern. The **P13B** Distribution Key assumes a 3% March wage increase, while **P14S** assumes a 3% wage increase in September.

**2014 Weekly payroll**

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Weeks	4	4	5	4	5	4	4	5	4	4	5	4	52
Hours	160	160	200	160	200	160	160	200	160	160	200	160	2080

For weekly payroll, refer to the list of Distribution Keys in the Reference Material Section (Chapter 7) for the distribution key that spreads payroll based on the effective month of the WRI. If additional distribution keys are needed, contact Corporate Budgets and Forecasts.

**Overtime Payroll**

Costs associated in a given pay week for work exceeding 40 hours. The addition of overtime dollars to the budget should be planned and approved accordingly. Planning for all overtime will be completed by the business units using the appropriate cost elements:

- 520110 Payroll - Overtime Bargaining
- 520150 Payroll - Overtime Non Bargaining
- 520151 Payroll - Overtime Temporary Help
- 520162 Payroll - Overtime Co-Op Student
- 520163 Payroll - Overtime Part Time Non Barg
- 520164 Payroll - Overtime Part Time Bargaining

**Payroll Overheads**

**Payroll Overheads** – Employee Benefits, Incentive Comp and Payroll Taxes will be applied as an overhead during the closing process. The rates will be determined by General Accounting and input into the SAP costing sheets after final payroll is determined and all gross benefit costs (medical, dental, prescription drug etc.) are input into the HR benefit cost centers.

**Employee Benefits** – Benefit costs will be developed by Human Resources/Corp Budgets & Forecasts and input into the Special Purpose Ledger (SPL) in HR benefit cost centers using the appropriate primary cost elements. Pension and OPEB costs are not included in the Employee Benefits overhead calculation but are applied to capital work as specific capital overheads.

The secondary cost element 850070 – Payroll Overhead Benefits – Straight Time will be used to apply the Benefit overhead on straight time payroll during the budget closing process.

**Payroll Taxes** - will be budgeted by Corporate Budgets and Forecasts and input into the SPL in Special Tax cost centers.

The secondary cost element 850080 – Payroll Overhead – Taxes will be used to apply the Payroll Tax overhead on straight time and overtime payroll during the closing process.

**Incentive Comp** - will be budgeted by Human Resources/Corp Budgets and Forecasts and input into the SPL in Special Incentive Comp cost centers.

The secondary cost element 850090 – Incentive Comp will be used to apply the Incentive Comp overhead on straight time and overtime payroll during the closing process.

**Payroll Related Items**

**Other payroll related general ledger accounts/cost elements:**

- 520019 Payroll Retention Bonuses – Budgeted by the Business Unit granting the bonus
- 520165 Payroll Accrual (Budgeted only by General Accounting)
- 520250 Payroll Bonuses - Represents annual bonuses and other bonuses awarded throughout the year for special circumstances and are the responsibility of the Business Units
- 520260 Payroll Additional Comp – MGRK (Budgeted by Business Units where appropriate)
- 520300 Payroll Restricted Stock (Budgeted only by HR/Corporate Budgets and Forecasts)
- 520400 Payroll Severance – (Budget only by HR/Corporate Budgets and Forecasts)
- 520500 Payroll Adjustments to Gross - Examples include retro pay, grievance settlements, remote reporting costs, and relocation expenses not covered by HR (See Relocation Policy found on the Services & Support section of the FirstPlace Portal).

SAP INPUT – TRANSACTIONS OVERVIEW for GROSS PAYROLL  
 Set Planner Profile => Transaction KP04  
     Profile = FE-CO01  
 Planning Input => Transaction KP06  
     Layout = CC Primary No Excel or CC Prime – Y4

**Note: Under no circumstance, should any of the payroll-related costs listed, including straight time, overtime, or bonuses be budgeted directly in the SPL via Transaction GP12N. Transaction KP06 should be used.**

**Staffing**

Staffing levels (Headcount) must be input by month, by individual Cost Center, using Statistical Key Figures (SKFs) – transaction KP46. Budget all full-time, part-time, and temporary FE employees on SAP Payroll. **New employees should be budgeted in the month in which they will start.** Do not include contractor/non-FE employees and do not assume all hires begin the month of January. The following SKFs should be used:

	<u>Bargaining</u>	<u>Non-Bargaining</u>
Full-Time	EMPFTB	EMPFTN
Part-Time	EMPPTB	EMPPTN
Temporary	EMPTPB	EMPTPN
Student Intern	EMPSIB	EMPSIN

SAP INPUT – TRANSACTIONS OVERVIEW for STATISTICAL KEY FIGURES  
 Set Planner Profile => Transaction KP04  
     Profile = FE-CO01  
 Planning Input => Transaction KP46  
     Layout = CCTR STAT Key Fig PL or SKF – Y4

**Budget Tip:** After input of staffing levels and payroll dollars is complete, check that the monthly payroll totals are consistent with the monthly headcount projections.

## Activity Input Planning (Hours)

Payroll costs can be moved from the employee or responsible cost centers to a target or receiving cost collector (Cost Center, Order or WBS element) by planning productive hours by activity type. The activity price associated with each cost center/activity type combination is calculated and input by Corporate Budgets and Forecasts. These activity prices are then used to produce the standard labor activity allocations.

**Unproductive Time** – Planning for unproductive time (i.e. sick time, safety meetings, union business, etc.) is not required. These costs remain in the responsible cost center and the unproductive hours and associated costs are incorporated in the calculation of the activity prices.

<p><b>SAP INPUT – TRANSACTIONS OVERVIEW for ACTIVITY INPUT PLANNING (HOURS)</b></p> <ul style="list-style-type: none"><li>Set Planner Profile =&gt; Transaction KP04<ul style="list-style-type: none"><li>Profile for Hrs charged to Cost Centers = FE-CO01</li><li>Profile for Hrs charged to Int. Order = FE-CO01</li><li>Profile for Hrs charged to WBS Elem = TD-PS01 or GEN-FRMF or GEN-FRMN</li></ul></li><li>Planning Input =&gt;<ul style="list-style-type: none"><li>Cost Centers =&gt; Transaction KP06<ul style="list-style-type: none"><li>Layout = CC Act Inp No Excel or CC – Act – Y4</li></ul></li><li>Int. Orders =&gt; Transaction KPF6<ul style="list-style-type: none"><li>Layout = OR Act Inp No Excel or OR – Act- Y4</li></ul></li><li>WBS Elem =&gt; Transaction CJR2<ul style="list-style-type: none"><li>Layout = Act Input or WBS – Act – Y4</li></ul></li></ul></li></ul>
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## CHAPTER 3: OTHER THAN LABOR (OTL)

All input into the SAP system for non-labor items is entered in Special Purpose Ledger Z9 using transaction GP12N – Change Plan Data - Special Purpose Ledger.

All transactions for non-labor items must contain:

- Responsible Cost Center
- Cost Element
- Target Cost Collector – Cost Center, Order, Network or WBS element
- Target Cost Collector Type – (KS, OR, PR)
- Cost Type (Capital, O&M, Other)

**Responsible Cost Center for Other-Than-Labor is defined as the Cost Center with budget responsibility for the expenditure.**

**All OTL input into the Special Ledger must be entered as company SC00.**

Cost Types are defined as follows:

**Type 1 Capital** - Capital is planned to WBS Elements. WBS Elements are defined as Cost Type 1 if they settle to:

- 107XXX Construction Work In Progress
- 108XXX Retirement Work In Progress
- Capitalized Nuclear Fuel Accounts
- CWIP and RWIP for Non-Utility assets

**Type 2 O&M (Income Statement Accounts)**

Type 2 is any cost that settles to a Cost Center and becomes part of the Income Statement (predominately O&M but includes revenues, interest income, depreciation etc.)

**Type 3 Other**

Type 3 charges are any costs that settle to Balance Sheet accounts and are not considered Capital.

<p><b>SAP INPUT – TRANSACTIONS OVERVIEW FOR OTL</b> Set Planner Profile =&gt; Transaction GLPLSET Profile = ZZSPL902 Planning Input =&gt; Transaction GP12N Layout = ZZSPL90 or ZZSPL90 – Y4</p>
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### Guidelines for General Business Items:

#### Office Supplies – Cost Element 540100

Stationary type items purchased through Staples or similar vendor, e.g., annual planners and calendars, etc. The budget should be at the department/plant level rather than the cost center level to maintain consistency and control within the business unit.

**Telecommunications Equipment and Service – Cost Element 590000**

Costs associated with Company approved/provided cellular telephone equipment and associated monthly cellular charges are to be budgeted by cellular user's business unit.

- Basic cellular voice/text service - \$50 monthly per telephone.
- Smartphone (iPhone) - \$100 monthly per telephone.
- Cellular broadband data service (laptop and MiFi's/HotSpot) - \$55 monthly per device.

Business Units should refer to the Computer Peripherals Price List (page 11) to budget for costs associated with purchase of the cellular equipment.

**Copies/Multi-functional devices (MFD), Printers, Faxes**

Copier/MFD and printer equipment along with maintenance and supplies for general office use are budgeted by IT. Plotter purchase/lease, specialty copiers or printers, fax machines, and associated service/supply costs are to be budgeted by the responsible Business Unit. For special projects, short-term needs, and plant outages the cost for copy, fax, and print devices are to be budgeted by the responsible Business Unit. Contact IT to determine if existing devices may be redeployed for short term needs.

Budget printer equipment to G/L 580020, supplies to 560200, and maintenance to 550300.

Budget copier equipment to G/L 570052, supplies and maintenance to 560200.

Budget fax equipment and supplies to G/L 560200, maintenance to 550300.

**Employee Expenses – Cost Element 540000**

Miscellaneous expenses as a result of conducting company business not captured in other cost elements and reimbursed through an employee expense report.

**Employee Meals – Cost Element 540010**

Expensed meals as a result of company business.

**Emergency Employee Expense / No Meals – Cost Element 540015**

Miscellaneous expenses that were incurred unexpectedly (call-outs, storms, and outages).

**Travel Expenses – Cost Element 540101**

Expenses incurred while traveling on company business that are not reimbursed through employee expense reports. Each business unit should budget for use of the corporate jet by their employees at the rate of \$220 per "one way trip". Example: For one person flying from Akron to Morristown, \$220 is charged to the employee's responsible cost center. Persons budgeting for Executive travel will be provided more detailed information separately from these guidelines.

**Per Diem – Cost Element 540102**

Fixed rate for change in work location, outages, etc. Often used in lieu of meals and possibly other related employee expenses.

**Travel Expenses – Corp Jet – Cost Element 540106**

Costs associated with use of corporate jet. This cost element is used exclusively by the Flight Operations Group.

**Employee Expense – Training – Cost Element 540020**

External seminar fees and associated external training expenses.

**Training Student Expenses – Cost Element 540103**

Student training fees for internal courses coordinated by Human Resources.

**Postage – Cost Element 650100**

All non-customer mailings/billings, including large packages (UPS, FedEx, Overnight Express, etc) should be budgeted by each Business Unit. Postage for customer related mailings and billings should be budgeted by the Customer Service bill production cost centers.

## Other Items:

**Application Software Maintenance** – Business application software maintenance will be budgeted by IT Business Unit Support. Portfolio Managers will be contacting your department to coordinate budget information and ensure that all maintenance fees are captured.

**Banked Vacation** – The payout of banked vacation **should not be budgeted** by the individual cost centers. It is budgeted by Human Resources/Corp Budgets/Forecasts.

**Claims (Payable and Receivable)** – The ED Operating Companies should budget for (payable) claims and lawsuits related to distribution facilities (including personal injury, property damage, and vegetation management claims), fleet vehicle accidents, and environmental injuries (such as asbestos) for historical ownership of generating plants, as well as the legal fees and other administrative costs to defend against such claims and lawsuits. The ED Operating Companies should also budget for damages caused to their respective distribution facilities by outside parties; applying offsets by taking into consideration historical recovery amounts achieved through (receivable) claims activities. Generating Plants should budget for anticipated (payable) claims and lawsuits related to their facilities, as well as the legal fees and other administrative costs to defend against such claims and lawsuits.

**Company Facilities** – Real Estate and Facilities will budget for the maintenance and service contracts for Corporate, FENOC and Fossil. Energy Delivery will budget for all Utility Company facilities. The WBS structure will be utilized for both budgeting and tracking of O&M spend. Budgets will be established using a WBS and WBS Element / Service Categories:

- Landscaping
  - Janitorial
  - Building Maintenance
  - Waste Removal
  - Paving repairs
  - Elevators
  - HVAC
  - Roof repairs
  - Electrical
  - Mechanical Equipment
  - Fire Protection
  - Construction
  - Fences
  - Plumbing
  - Painting
  - Pest Control
  - Utilities
  - Snow Removal
- 
- Costs will be segregated by line of business (Corporate, FENOC, Fossil, and ED Operating Company)
  - Monthly reporting of actuals will include the WBS, the Service Category and Building Cost Center
  - This will allow for a direct comparison of Budget to actual spend enabling a monthly view of actuals versus budget.

Real Estate will budget for all building and land leases.

**Corporate membership dues and fees, contributions and donations** – It is the Company's policy to enter into and maintain Corporate memberships in organizations deemed necessary to maintain

professional expertise in various aspects of the Company's operations and to establish and maintain relationships with selected organizations with whom we share common interests.  
Corporate memberships will be budgeted and processed through the Contributions Department. The company should not pay dues for an employee's individual membership unless the membership is held at the Company's specific request. When this is the case, the dues and any fees or assessments associated with membership should be budgeted in the employee's administrative cost center. Contributions will also be budgeted through the Contributions Department, working with Operating Company management and the Corporate Affairs staff.

**Desktop Computer Hardware and Software** – Standard PC workstations and laptops are budgeted in IT Client Support based on a fixed replacement cycle (5 years for desktops, 3 years for laptops). **Peripheral equipment is not budgeted in IT.** All peripheral equipment requires director approval, will be ordered by the business unit (not IT) using a specific web site, **and should be budgeted as a purchase in the requesting business unit cost center.** Listed below are some commonly requested peripherals with pricing where applicable.

**Computer Peripherals Price List:**

<u>Display Options</u>	<u>Description</u>	<u>Vendor / Model</u>	<u>Approximate Cost</u>
For Laptops	Monitors not provided for laptops		n/a
For Desktops	17 inch CRT provided for desktops upon failure of previous unit	See HP or SHI catalog on portal for options.	
<u>Cellular</u>	<u>Description</u>	<u>Vendor / Model</u>	<u>Approximate Cost</u>
Cellular voice/text	Basic cellular handset and standard accessories.	First Communications	\$30
iPhone	iPhone and standard accessories.	AT&T, Sprint, Verizon Wireless	\$150
Data – MiFi/Hot Spot	Data device.	AT&T, Sprint, Verizon Wireless	\$80 - \$130
<u>Laptop Options</u>	<u>Description</u>	<u>Vendor / Model</u>	<u>Approximate Cost</u>
Port Replicator for nc8440p/8540p/8460/8470	Part # A7E34AA#ABA	HP	\$130
<u>Plotters</u>	<u>Description</u>	<u>Vendor / Model</u>	<u>Approximate Cost</u>
Standard HP Plotter Purchase	Wide Format plotter/printer purchase and install	HP	\$6,800
Standard HP Plotter Service	Annual service for HP Plotter	Print Service Provider	\$1,654

**Educational Assistance** – Human Resources/Corp Budgets/Forecasts will budget for these expenses.

**Environmental Fees** – Permit and environmental reporting fees should be budgeted by each location. The Environmental Dept. will budget for all software maintenance fees associated with the ESC CEM data acquisition systems. The Environmental Department will also budget for all stack and CEM RATA testing including labor, materials and outside test contractors. Questions should be directed to **Brittany Cannato 879-6442.**

**EPRI** – Business Units should budget for EPRI expenses based on approved programs as well as approved participation in Tailored Collaboration Projects, Co Funding Projects, or Billable Service Agreements (Supplemental Agreements that are in addition to membership selections). Item numbers for EPRI subscriptions will be available from FE Technologies . Subscription payments should be budgeted monthly. Business Units who budget for EPRI should contact **Stephen B. Briggs 825-3870,** for further information.

**Fuel – Nuclear:** The nuclear fuel expense budget is developed and entered by the Nuclear Fuels group based on generation plans provided by each nuclear unit. Auxiliary boiler and diesel generator fuel is budgeted by each nuclear site and entered by the Nuclear Generation Business Services. Capital nuclear fuel purchases will be budgeted by the Nuclear Fuels group, to appropriate WBS elements.  
**Fossil:** Coal, Oil (light-off and peaking), natural gas, SO2 allowances, NOX allowances, and reagent

requirements will be modeled by the FES Planning & Analysis Group and budgeted by the Fuel Supply Dept., using the plant/unit specific FERC cost centers.

**Insurance** – Property and liability insurance will be budgeted by Risk Management.

**Internal Use of Electricity** – The costs of electricity for buildings and power plants owned by FE legal entities within the Competitive Services Unit and Corporate Support Unit, for both generation and non-generation components will be budgeted by **William Shonk (825-5472)** of General Accounting Services in coordination with Customer Service, Retail Tariff Analysis & Forecasting and Facilities Management.

**Inter-company Building Rent Revenue/Expense** – The inter-company revenue and expense for building rent invoiced between companies will be budgeted by **Richard Snyder (500-6807)** of General Accounting Services and will be based upon building related operation and maintenance costs budgeted by others.

**Materials and Equipment** – Material costs for direct purchases and stores issues are budgeted directly in the cost center, order or WBS element along with the responsible cost center. An M&S overhead will be applied to stores issues. The Controller's Group will enter the rates into the costing sheets and the system will generate the M&S overheads as part of the budget closing process.

**Professional Contractors & Outside Services** – Contracted work from professional and outside services vendors should be accounted for using the categories and cost elements established by Business Unit. Please refer to the tables in Chapter 7 for further details.

**Revenues** – Budgeted revenues must be entered as negative numbers.

**Sales Tax** – Business Units should include sales taxes incurred as part of the purchase price of taxable items in their cost centers.

**Medical Surveillance Testing – Occupational Health** -The outside vendor costs for employees participating in the FirstEnergy Medical Surveillance Program (Regulatory required) should be budgeted in the individual employee's responsible Cost Center. Each Plant and Operating Company should account for these costs (i.e., regulatory required respirator fitness exams, hearing tests, asbestos and lead physicals, etc.). The Industrial Relations-Health & Safety section will provide specific cost information related to this activity, contact **Timothy Walter 825-1706** or **Chuck Fabo 825-5162**.

**Drug & Alcohol Testing Program – CDL/DOT, Maritime, Safety Sensitive, Ohio State Project Work, New Hires**- The outside vendor costs for employees participating in FirstEnergy's Drug & Alcohol Testing Program (Company and Regulatory required) should be budgeted in the individual employee's responsible Cost Center. Each Plant and Operating Company should account for these costs in 2014. The Industrial Relations-Health & Safety section will provide specific cost information related to this activity, contact **Timothy Walter 825-1706** or **Chuck Fabo 825-5162**.

**Industrial Hygiene (IH) Assessments** – The outside vendor costs associated with OSHA required routine IH monitoring, including associated laboratory analyses and processing costs, should be budgeted in the individual employee's responsible cost center. Routine monitoring (OSHA required) includes periodic assessment of the following hazards: Noise, Asbestos, Inorganic-arsenic, Lead, Personal Protective Equipment, Confined Space Entry, etc. The Industrial Relations-Health & Safety section will continue to support and budget for special, complex or unique IH assessment needs. Specific cost information related to this budgeting activity will be provided by the Industrial Relations-Health & Safety section, contact **Timothy Walter 825-1706** or **Martin Duffy 825-3814**.

**Satellite Airtime** – The infrastructure cost to provide the service will be paid by IT Network Services. The usage is not an IT cost and should, therefore, be budgeted by the business units at these rates:  
BTV broadcasts \$800 /hour (Bandwidth 3.0Mb/hr)

**Severance** – Each Executive Council member is contacted by HR to determine the appropriate level of severance to be budgeted. Cost of severance payments, as determined by HR, will be entered into the SAP system by HR/Corp Budgets/Forecasts.

**Supply Chain/Inventory Items** – Inventory Adjustments - Each plant and Operating Company should budget for its own storeroom's inventory adjustments. **Assets No Longer Used or Useful – Obsolete Inventory** - Each location should budget for its own obsolete inventory write-offs. With market value of these items being unknown, it is recommended that Business Units not budget for proceeds from obsolete inventory sales. **Assets Other Than Inventory** - Investment recovery proceeds from the sale of items will be given to the Business Unit that provided the items. We will use the accounting the Business Unit provides.

**Training** – Business unit cost centers should budget for on-site classes that support company-wide, employee, or department-specific programs. **The Learning and Development Department (L&D) will budget for the New Supervisor/Manager program. However, the business unit cost centers should budget for associated travel and lodging expense.** Questions should be addressed to **Jacqueline Roth 825-7890.**

The Information Technology Dept (IT) will budget for on-site classes that support company-wide software applications. Business unit cost centers should budget for on-site classes that support department-specific software applications.

**Training – External** – The cost of external training and seminars, as well as the travel and lodging expenses will be budgeted in the cost center requesting the training.

**Transportation** – Energy Delivery Transportation costs will be manually planned to appropriate cost collectors using the cost element 545099 – Fleet usage manual plan. The responsible cost center used on the SPL is the appropriate Operating Company transportation contra cost center.

COMPANY	CONTRA COST CENTER	DESCRIPTION
Toledo Edison	416001	Transportation Costs Undist-TE-Wstrn Reg
CEI	426001	Transportation Costs Undist-CE-Nrth Reg
Ohio Edison	406001	Transportation Costs Undist-OE-Cntrl Reg
Ohio Edison	406005	Transportation Costs Undist-OE-Sthrn Reg
Ohio Edison	406003	Transportation Costs Undist-OE-Estrn Reg
Penn Power	436001	Transportation Costs Undist-PP-Estrn Reg
Penelec	456001	Transportation Costs Undist-PN-W PA Reg
Met Ed	446001	Transportation Costs Undist-ME-E PA Reg
JCP&L	466003	Transportation Costs Undist-JC-Nrth Reg
JCP&L	466001	Transportation Costs Undist-JC-Cntrl Reg
West Penn Power	492001	Transportation Costs Undistrib- WP01
Mon Power	470201	Transportation Costs Undistrib - MP01
Potomac Edison	483001	Transportation Costs Undistrib - PE10

The Operating Companies must also plan a credit to the contra cost center in the amount planned out to the cost collectors using the same Responsible Cost Center. The contra cost center should be used as the target cost center for these credits.

**Vehicle Leases & Licenses –**

Vehicle lease payments should be budgeted, using G/L account 570050 for all Operating Leases and 570075 for all Capital Leases, for the following:

- Fleet Services cost center for Operating Company vehicles, (it is no longer necessary to budget by each department in the Operating Company using the vehicle).
- Each fossil generation plant, each nuclear generation plant, environmental, generation technical services.
- Each non-Operating Company or non-plant department using a vehicle. This would include (but is not limited to): IT, Corporate Transportation, Workforce Development, Administrative Services, T&D Technical Services.

Vehicle licenses should be budgeted, using G/L account 650300, for the following:

- Fleet Services cost center for Operating Company vehicles.
- Each fossil generation plant, each nuclear generation plant, environmental, generation technical services.
- Each non-Operating Company or non-plant department using a vehicle. This would include (but is not limited to): IT, Corporate Transportation, Workforce Development, Administrative Services, T&D Technical Services.

All requests for vehicles and/or power operated equipment should be directed to the Fleet Manager (see below) responsible for the area where the vehicle and/or equipment will be assigned. The Fleet Manager will work with Corporate Fleet Services directly to place the order, etc. Any questions related to this matter should be directed to **Lisa Pfeifer 824-5090**.

Company	Fleet Services Manager	Internal Phone	External Phone
CEI	Bryan Komlos	824-5060	216-295-5060
Toledo Edison	Jeff Burgoon	883-5938	419-249-5938
Ohio Edison/Penn Power	Robert Pyles	835-4099	330-436-4099
West Penn Power	Mike Geitner	365-2020	724-743-2020
Penelec	Wally Cunningham	430-8803	814-868-8803
Met Ed	Frank Cummins	500-6573	610-921-6573
Mon Power	Forrest Miller	324-1211	304-284-1211
Potomac Edison	Jasan Hileman	300-5227	301-582-5227
JCP&L	Nick Dello Russo	210-2237	973-989-2237

**Personal Computer Hardware Items that require direct funding by the Business Units:**

**Unique, non-standard PC configurations.** IT budgets each year for standard notebook and desktop models and configurations. At the time IT approaches a client group to plan for the retirement / replacement of their existing computers, the client group will need to provide the funds to cover any cost above the standard model cost. Funding by the client will be required for special features such as:

- RAM (memory) above the standard configuration
- Higher CPU speeds or multiple CPU's
- Tower model
- Floppy drive (no longer provided on new PCs)
- Video graphic cards

- Extra network interface cards
- Optical or wireless mice or special trackball configurations
- Ergonomic keyboards
- Larger internal or external storage drives or memory sticks
- Port replicators or docking stations
- Second batteries for notebook PCs
- Glare shields
- DC power converters or adapters
- Monitors for notebooks (If you presently have one with your notebook, when it fails, it will not be replaced without business unit funding.)
- Local printer (all printer requests must be forwarded to **David A. Zelgler** for review).

**Process related PCs.** IT budgets each year for rollover of **20%** of the office desktop PCs and **33%** of the office notebook PCs. PCs that are not typically used by employees, but rather dedicated to a process are not funded out of the PC capital budget. Funding must be provided either within a capital project when these systems are upgraded, or by the business unit. Examples of process PCs include:

- AFSSO and MRMS (TPP)
- EMS Consoles
- GMS Consoles
- HVAC controls
- Plant control systems
- Badge readers
- Field equipment testing or data logging PCs
- Special printer, scanner or plotter interfaces
- Cache PCs (pseudo servers)

**Off-cycle (premature) replacement PCs.** As mentioned earlier, IT budgets each year for rollover of 20% of the office desktop PCs and 33% of the office notebook PCs. The scheduling of replacements is determined by the local Desktop Support team. Should any department require a notebook PC to be replaced sooner than every 3 years, or a desktop model to be replaced sooner than every 5 years, the client group must fund the complete cost of the replacement.

**Off-cycle upgrade of a desktop unit to a notebook unit.** If an employee, because of their job responsibilities, requires switching from a desktop PC to a notebook PC, the full cost of the new notebook PC must be borne by the business unit if their desktop is not scheduled to be replaced. The exception to this rule is if the business unit still has un-deployed notebook PCs in its annual replacement allotment, the business unit leadership may elect to redirect a yet-to-be-deployed notebook from its pool to the employee in need, at the sacrifice of another employee within the business unit. That impacted employee would then be given the notebook recipient's existing desktop PC.

**On-cycle upgrade of a desktop unit to a notebook unit.** If an employee, because of their job responsibilities, requires switching from a desktop PC to a notebook PC, and the timing of this need coincides with our replacement schedule, IT will cover the higher cost of the notebook PC. New or replacement notebooks will require director level review and approval. There must be a valid business case for using a notebook model.

**Second PCs.** If an employee requires more than one PC to perform their job, the full cost of the additional PCs must be borne by the business unit. This includes instances where a hot-standby PC must be provided for a critical function. The exceptions to this rule are console-based PCs, such as those in plant control rooms or regional dispatch centers where 2-3 PCs and/or monitors are part of the console and required for the operator to perform their work. This second PC will be an asset managed and maintained by IT, following the same standards and practices used for IT-funded PCs.

**Moves, Adds, Changes (MACs) of Employee Services and Devices at Company Facilities –**  
**For all locations other than Shared Services' workspace in Akron General Office and the Reading General Office - Business Units will be responsible for budgeting for their planned moves, adds and changes described below:**

- Non-computer equipment, such as telephone sets, headsets, speakerphones etc.
- Install and terminate voice cabling to workstations.
- Creation of the workstations in the telephone system database.
- Cross-connected and install telephone instruments.
- Move telephones to existing or new jack locations.
- Install, terminate, and test data cabling to the workstations.
- Activate data jacks by patching through to data switches.
- Install, terminate, and test inside fiber optic cabling.
- Install and terminate coax cabling for applications such as Satellite for IDL.

This does not include maintenance or repair responsibilities for these items. Normally the moves, adds, and changes are considered an O&M cost, unless they are associated with a major project.

The usual way to schedule moves, adds and changes is to contact your local facilities management team. This team will contact IT Field Operations to arrange for the approved vendors to make your requested changes. MACs that do not require Facilities involvement can be requested by calling the IT Service Desk. Please adjust your 2014 budget to include your facilities plan.

## CHAPTER 4: CAPITAL MANAGEMENT PROCESS

FE's capital investments are integral in helping the company achieve operational excellence and financial success. The capital expenditures, are necessary to ensure the reliable generation and distribution of electricity, and compliance with regulatory requirements.

The Capital Planning & Management Process is a formalized process that provides the platform for capital discussions and allocation decisions at all levels of the organization. The process helps senior management to effectively understand competing uses for FE's cash, funding requirements for capital investments, and to allocate capital dollars across various business units (ED, FENOC, Fossil, Corporate). Ref. Capital Planning & Management Corporate Policy CP-TPR-6101 and FE 5-year Capital Portfolio Development and Capital Management Procedure (FirstPlace Portal/About FirstEnergy/Policies and Practices/Overview/Capital Management Procedure.pdf)

### Capital Categories:

**Mandatory** - Non-discretionary investment required by law, regulatory order, or duty to serve customers (e.g. new business). Other required investment to meet externally driven regulatory commitment.

**Maintain** - Discretionary investment to support and sustain existing infrastructure at existing performance levels. Specific operational performance and financial tracking support these projects (e.g. SAIDI, CAIDI, EFOR).

**Improve** - Discretionary investment to improve existing infrastructure or performance levels beyond existing business plan key performance metric commitments. Improvement in specific operational performance and financial benchmark targets support these projects (e.g. SAIDI, EFOR, ROI).

**Value** - Discretionary, non-recurring investment for a defined initiative which improves or expands existing infrastructure or creates new business opportunities and drives improved economic value.

### Capital questions contact:

Business Area	Business Area Contact	Capital Support
Corporate Services - IT	Debbie Lutner (350.6934)	Megan Gallagher (825.5821)  Scott McBride (825.4888)
	Dave McGaha (850.2167)	
Corporate Services - Facilities	Bob Grosjean (825.6393)	
	Tom Yanks (825. 5926)	
Corporate Services - Other	Business Area Management	
FE Utilities/Transmission	Mark Myers (825.7961)	
	Marcus Geise (825.2542)	
Fossil Generation	Joe Walko (350.5722)	
	Denise Bracken (850.7237)	
FENOC	Jay Morris (879.5425)	
	Don Jacobson (879.7605)	
FES - Other	Ollie Pannell (850.6868)	
	Brandon Fedor (850.7226)	

## **Capital Projects – Only budget capital projects to the level of spending identified in Executive Council guidance**

**Work Breakdown Structures (WBS)** - Labor is budgeted through Activity Input Planning using transaction CJR2. Loaded labor costs, which include overheads, are moved from the employee or sending cost center to a WBS element by planning productive hours by activity type. Instructions for Activity Input Planning are located in Chapter 2 - Labor. All 'Other than Labor' costs are input into the SPL using transaction GP12N and must include the cost element and the appropriate responsible cost center. Instructions for input are found in Chapter 3 – OTL.

If new WBSs are created, all master data fields (i.e., costing sheets, project type, interest profiles, settlement rules, etc.) must be entered into SAP. **(See Key Contact appendix, page 26, for names to set up the WBS Master Data.) In all cases, it is critical that the WBS and WBS element start and finish dates be accurate and the WBS should be established at the Company which will own the assets. Departments which complete work for other Companies should cross charge the other Company WBS. Planning must never be entered in months beyond the finish date.** These dates are used by Property Accounting Services to compute and input AFUDC and depreciation and in reporting, including rate cases. All WBSs with settlement rules to asset accounts (CWIP, RWIP & OWIP) require an AFUDC element regardless if the project would qualify for AFUDC.

The status of WBSs must be TECO (Technically Complete), when the project is ready for service. The TECO date is passed to PowerPlant and the project is placed in-service. If a project is suspended or ceases construction the WBS elements should be locked and the status of the project is changed to "suspended" in PowerPlant. This will shut off the AFUDC calculation. If a project is cancelled existing charges should be transferred to expense, the AFUDC should be reversed and once the charges have been removed from the WBS, the WBS should be 'business closed'. **It is important to update the status to TECO on a timely basis since it directly reflects the calculation of AFUDC and the beginning of depreciation in PowerPlant.**

**Construction Indirects (Supervisory, Engineering, Administrative and General Overheads) –** Capital costs should be direct charged to the related WBS whenever possible. However, in those cases where certain costs have a proven relationship to construction, an assessment or allocation will be made from predefined cost centers to Operating Company construction indirect cost centers (Supervision, Engineering, and A&G). An example of this would be supervision of an engineering group that supports capital projects overall. A portion of those supervision costs will be allocated to capital using the prescribed process. Rates will be calculated by General Accounting Services for each Operating Company and overhead category and will be applied on the labor and contractor portion of the budgeted WBS elements.

**PowerPlant Property Unit Catalog –** The PowerPlant Property Unit Catalog should be used to determine what items or activities are capital. Assistance in using the Property Unit Catalog or questionable items should be directed to **Tim Clyde (825-5863)**, Property Accounting Services, prior to inclusion of an item in the budget as capital.

**Small Tools and Equipment** - Only small tools and equipment greater than \$1,000 should be capitalized.

**Corporate Facilities** will budget for all facility-related Mandatory and Maintain capital project work across FirstEnergy. Each Business Unit will budget for any Value Added or Improve facility related capital work. If there are questions on definition, please refer to the Capital Definitions section.

**Vehicles/Power Operated Equipment**

When acquiring the equipment identified below, the acquisition should be coordinated with the Corporate Fleet Services Department. The Corporate Fleet Services Department will determine with Treasury whether to purchase or lease the equipment. If the decision is to purchase the equipment, Corporate Fleet Services will purchase the equipment and charge the appropriate capital WBS. The equipment will also be given a vehicle number and tracked in the M5 Fleet System.

All requests for vehicles and/or power operated equipment should be directed to the Fleet Manager (see below) responsible for the area where the vehicle and/or equipment will be assigned. The Fleet Manager will work with Corporate Fleet Services directly to place the order, etc. Any questions related to this matter should be directed to **Lisa Pfeifer 824-4090**.

Company	Fleet Services Manager	Internal Phone	External Phone
CEI	Bryan Komlos	824-5060	216-295-5060
Toledo Edison	Jeff Burgoon	883-5938	419-249-5938
Ohio Edison/Penn Power	Robert Pyles	835-4099	330-436-4099
West Penn Power	Mike Geitner	365-2020	724-743-2020
Penelec	Wally Cunningham	430-8803	814-868-8803
Met Ed	Frank Cummins	500-6573	610-921-6573
Mon Power	Forrest Miller	324-1211	304-284-1211
Potomac Edison	Jasan Hileman	300-5227	301-582-5227
JCP&L	Nick Dello Russo	210-2237	973-989-2237

- | Asset Class | Vehicle Type  |
|-------------|---|
| 1           | Light Duty - primarily downsize pickups, mini vans, passenger cars & units impacted by EPAAct                                       |
| 2           | Medium Duty - includes full size pickups, vans, substation vehicles, small stake body trucks, etc                                   |
| 3           | Heavy Duty - includes heavy trucks other than aerial units, digger derricks or crane trucks   |
| 4           | Aerial Trucks - includes all manlift capabilities regardless of size  |
| 5           | Digger Derrick Trucks - includes all digger derricks  |
| 6           | Crane Trucks - includes all trucks with cranes mounted on them and licensed. Off road cranes are included in construction equipment |
| 7           | Trailers - includes all trailers regardless of size   |
| 8           | Construction Equipment - includes backhoes, loaders, excavators, off-road cranes, dozers, etc                                       |
| 9           | Forklifts, Mowers, Misc - includes forklifts, riding sweepers, scrubbers, snow removal equipment, mowers, ATV's & other.            |

**Office Furniture** – The Real Estate and Facilities Department manages and budgets all capital expenditures for furniture as well as maintains an inventory of existing furniture items. The Facilities Section has developed the Workspace Guidelines Policy and receives substantial discounted pricing on all furniture used by the Company.

All requests for furniture should be directed to **Kathy Tatman, Supervisor, Asset Planning** through an e-mail notification. Please base your request on budgeted new hire positions and/or replacement requirements for worn, damaged or obsolete furniture. Any purchases of furniture made outside of this arrangement will not be approved.

**Software Costs** - The following guidelines should be used for capitalizing computer software costs:

**New Computer Software Costs:**

- designed as a complete system
- has a life greater than 1 year
- capitalized cost is greater than **\$5,000**

Preliminary study costs, data conversions, and training are expensed when installing computer software.

**Upgrades and Enhancements of Existing Software:**

Upgrades and enhancements of existing software are expensed unless additional functionality is added and the cost is greater than **\$5,000** and is a significant upgrade or enhancement.

Questions concerning capitalization of Computer Software items should be discussed with Tim Clyde (825-5863), Property Accounting Services, prior to inclusion in the budget.

**Generation Employee Training Costs** – All employee training costs should be expensed, **except for Yards Creek**.

**IT Projects** – Activity allocate appropriate labor charges to IT managed projects that require Business Unit support. All IT projects created under SC00 WBSs that are for the benefit of other Companies should have settlement rules that settle these costs to other company WBSs. IT Department should coordinate these projects with the appropriate Business Services group.

**Depreciation** – The computation and application of depreciation will be the responsibility of Property Accounting Services.

**Major Retirements of Plant** – For retirements of plant, in which the estimated original cost exceeds \$5 million, the following information is required: the month the item is being retired, the estimated original cost, and a short description of the item being retired. For all other retirements, a historical average will be used by Property Accounting Services. Retirements related to replacement WBSs should be made at the time the WBS is placed in service.

**Generation Cost of Removal and Salvage** – The budgeting of cost of removal and salvage will be performed by Generation. Generation cost of removal is expensed, **except for Yards Creek**.

**Energy Delivery (Distribution and Transmission) Cost of Removal and Salvage** – The budgeting of distribution and transmission cost of removal and salvage will be performed by Energy Delivery. For Met-Ed, Penelec, and JCP&L, the cost of removal and salvage will be expensed as a component of the depreciation expense in accordance with the current rate making. The planned cost of removal and salvage will settle to Account 403, Depreciation Expense.

**Note:** Cost Type is a required input field when entering the plan into the SPL (SAP Transaction GP12N). Changing the settlement rule on the WBS master data does not change the Cost Type in the plan. It is important that the WBS master data and the Cost Type are reviewed for accuracy

and consistency prior to input (Cost Type 1 is for Capital, 2 is for O&M and all other P&L items including Depreciation account 403, and 3 is for Balance Sheets accounts not considered capital).

## CHAPTER 5: INTERCOMPANY TRANSACTIONS

Unless given approval by Corporate Budgets and Forecasts, General Accounting Services working with Corporate Budgets and Forecasts, will enter the budget estimates for all inter-company expenses and revenues. Corporate Budgets and Forecasts (**Mike Kreighbaum 825-2556**) will coordinate this effort. Unless approved for entry by the Business Units, inter-company expenses or revenues must be forwarded to General Accounting Services or Corporate Budgets and Forecasts for entry into the system. The required information to be forwarded includes:

- Inter-company G/L Accounts (Assoc. Company wording is typically included in the account description)
- Cost Centers
- Monthly Budget Amounts
- Description of transaction and the Cost Centers and G/L Accounts used for the offsetting revenues or expenses (if known)

Some examples of inter-company transactions include:

- Purchased Power and Revenues including RFP and POLR sales
- Interest Income or Expense from Associated Companies
- Leases including ATSI ground lease
- Internal Use of Company Electricity
- Billings between subsidiaries (Bayshore Power, FE Properties, etc.)

## CHAPTER 6: FIRSTENERGY SERVICE COMPANY

### Service Company Cost Centers – Budgeting Guidelines:

#### Direct Charging

When preparing your budget and incurring actual expenditures, it is important to consider who the beneficiary of your services is. Direct charging of time and expenses to the entity for which the services are being rendered is the preferred approach, where possible. To the extent that costs can be readily identified and associated with a specific transaction, the charging of those costs should be directed to the company(ies) receiving the goods or services, even when there is more than one receiving company.

#### Indirect Charging

Indirect charging through the Service Company assessment process supplements the direct charging of costs. Assessments are used to allocate the costs that were not direct charged from a cost center. Frequently, costs can not be direct charged because the recipient cannot be readily identified, or excessive administrative expense would result. Indirect charging employs the use of one of FirstEnergy's approved assessment methods. An approved assessment method is assigned to each Service Company cost center. The assessment methodology and the targeted legal entities for the Service Company cost centers can be provided by General Accounting upon request.

#### Service Company Assessments

Any desired change to organizational structure or revisions to the methodology used to allocate expenses from a Service Company cost center to the other legal entities must be reviewed and approved by **Joseph Mulpas, Assistant Controller (825-4049)**, prior to the change being implemented. This review process is necessary to insure that inter-company service agreements remain current and valid and that all regulatory requirements are being satisfied.

## CHAPTER 7: BUDGETING REFERENCE MATERIAL

### Primary Distribution Keys Used for Monthly Spreads

**NOTE:** Distribution Keys do not perform the wage escalation of your planned labor dollars. You need to plan your total gross payroll. The distribution keys are used to allocate your planned gross payroll to the appropriate months in accordance with that year's payroll calendar and wage escalation assumptions.

Please contact Mke Kreighbaum (825-2556) to request set up of new distribution keys.

2014	Distribution Key	Description
	P14S	NonBarg Bi-Weekly Pay 3.00% WRI Sep 2014
	P14B	Payroll BiWeekly 2014 3% March
	P14W	Payroll Weekly 2014 3.25% March
	PBM4	Barg Weekly Pay 2014 March 3% Inc
	PMH4	Barg Weekly Pay 2014 March 2.5% Inc
	PBW4	2014 Bi Wkly with 3.75% WRI Mar 2014
	PMY4	2014 Barg/Wkly Pay - with 3.00% WRI MAY
	P14M	Payroll BiWeekly 2014 3% May
	PMB4	2014 Bi-Weekly PR with 2.0% WRI MAY
	PJL4	2014 Barg/Wkly Pay - with 3.00% WRI JUL
	PJY4	2014 Barg/Wkly Pay - with 2.75% WRI JUL
	PAU4	2014 Barg/Wkly Pay - with 3% WRI AUG
	POC4	2014 Barg/Weekly Pay - with 3% WRI OCT
	PNV4	2014 Barg/Weekly Pay - with 3% WRI NOV
	PNO4	2014 Barg/Weekly Pay - with 2.5% WRI NOV

#### Other Monthly / Quarterly Distributions

Distribution Key	Description
1	Equal Distribution January - December
QMO	Quarterly - Last Month of Quarter - Mar, Jun, Sep, Dec
QTRM	Quarterly - Middle Month of Quarter - Feb, May, Aug, Nov
H1SP	First Half of Year - spreads evenly over Jan - Jun
H2SP	Second Half of Year - spreads evenly over Jul - Dec
Q1SP	First Quarter Distribution - Spread evenly over Jan - Mar
Q2SP	Second Quarter Distribution - Spread evenly over Apr - Jun
Q3SP	Third Quarter Distribution - Spread evenly over Jul - Sep
Q4SP	Fourth Quarter Distribution - Spread evenly over Oct - Dec
JAN	January Only
FEB	February Only
MAR	March Only
APR	April Only
MAY	May Only
JUN	June Only
JUL	July Only
AUG	August Only
SEP	September Only
OCT	October Only
NOV	November Only
DEC	December Only

**Payroll Accounting Periods**

**PAYROLL ACCOUNTING PERIODS - YEAR 2014**

**BI-WEEKLY**

<u>Acctg Month</u>	<u>End Date</u>			<u>Posting Date</u>	<u>Weeks</u>	<u>Hours</u>
	<u>Sat - Fri</u>	<u>Sun - Sat</u>	<u>Mon - Sun</u>			
January	01/24/2014	01/25/2014	01/26/2014	01/31/2014	6	240
February	02/21/2014	02/22/2014	02/23/2014	02/28/2014	4	160
March	03/21/2014	03/22/2014	03/23/2014	03/28/2014	4	160
April	04/18/2014	04/19/2014	04/20/2014	04/25/2014	4	160
May	05/16/2014	05/17/2014	05/18/2014	05/23/2014	4	160
June	06/13/2014	06/14/2014	06/15/2014	06/20/2014	4	160
July	07/11/2014	07/12/2014	07/13/2014	07/18/2014	4	160
August	08/22/2014	08/23/2014	08/24/2014	08/29/2014	6	240
September	09/19/2014	09/20/2014	09/21/2014	09/26/2014	4	160
October	10/17/2014	10/18/2014	10/19/2014	10/24/2014	4	160
November	11/14/2014	11/15/2014	11/16/2014	11/21/2014	4	160
December	12/12/2014	12/13/2014	12/14/2014	12/19/2014	4	160
					<u>52</u>	<u>2080</u>

**WEEKLY**

<u>Acctg Month</u>	<u>End Date</u>			<u>Posting Date</u>	<u>Weeks</u>	<u>Hours</u>
	<u>Sat - Fri</u>	<u>Sun - Sat</u>	<u>Mon - Sun</u>			
January	01/24/2014	01/25/2014	01/26/2014	01/31/2014	5	200
February	02/21/2014	02/22/2014	02/23/2014	02/28/2014	4	160
March	03/21/2014	03/22/2014	03/23/2014	03/28/2014	4	160
April	04/18/2014	04/19/2014	04/20/2014	04/25/2014	4	160
May	05/23/2014	05/24/2014	05/25/2014	05/30/2014	5	200
June	06/20/2014	06/21/2014	06/22/2014	06/27/2014	4	160
July	07/18/2014	07/19/2014	07/20/2014	07/25/2014	4	160
August	08/22/2014	08/23/2014	08/24/2014	08/29/2014	5	200
September	09/19/2014	09/20/2014	09/21/2014	09/26/2014	4	160
October	10/24/2014	10/25/2014	10/26/2014	10/31/2014	5	200
November	11/21/2014	11/22/2014	11/23/2014	11/28/2014	4	160
December	12/19/2014	12/20/2014	12/21/2014	12/26/2014	4	160
					<u>52</u>	<u>2080</u>

### Budget/Forecasting Transaction Overview & Template Uploads

#### BUDGET/FORECASTING TRANSACTION OVERVIEW

	Activity Input Planning (Hours)					OTL - Spec Ledger	Head Count
	Gross Payroll	Cost Center	Internal Orders	WBS Elements			
Planner Profile Transaction	KP04	KP04	KP04	KP04		GLPLSET	KP04
Profile	FE-C001	FE-C001	FE-C001	TD-PS01 GEN-FRMF GEN-FRMN		ZZSPL902	FE-C001
Input Transaction	KP06	KP06	KPF6	CJR2		GP12N	KP46
Layout	CC - Prime	CC - Act	OR - Act	WBS - Act		ZZSPL90	FE - SKF
4 Year Layout	CC - Prime - Y4	CC - Act - Y4	OR - Act - Y4	WBS - Act - Y4		ZZSPL90 - Y4	SKF - Y4

Notes/Versions:  
 Budget Input - Version 11  
 Forecast Input - Version 20

#### BUDGET TRANSACTION OVERVIEW WITH TEMPLATE UPLOADS

	Activity Input Planning (Hours)				OTL - Spec Ledger	Head Count
	Gross Payroll	Cost Center	Internal Orders	WBS Elements		
Planner Profile Transaction	KP04	KP04	KP04	KP04	GLPLSET	KP04
Profile	FE-C001	FE-C002	FE-C002	TD-PS02 GEN-FRMF GEN-FRMN	ZZSPL902	FE-C001
Input Transaction	KP06	KP06	KPF6	CJR2	GLPLUP	KP46
Template Upload	Extras > Excel Plan > Upload	Extras > Excel Plan > Upload	Extras > Excel Plan > Upload	Extras > Excel Plan > Upload		Extras > Excel Plan > Upload

Select path of text file, file description, and American decimal notation.

File Descriptions:	One year Input	Four year Input
Gross Payroll:	01_1P1_FE-CO02_002CC-PRIME-EXC	01_1P1_FE-CO02_003CC-PRIME-Y4
Cost Center (Hours):	01_1P1_FE-CO02_001CC-ACT-EXCEL	01_1P1_FE-CO02_001CC-ACT-Y4
Internal Order (Hours):	01_1P4_FE-CO02_001OR-ACT-EXCEL	01_1P4_FE-CO02_001OR-ACT-Y4
WBS Element (Hours):	01_1P7_TD-PS02_001FE-WBS-ACT2	01_1P7_TD-PS02_001WBS-ACT-Y4
SPL/Other than Labor:	07_ZZSPL90A_ZZSPL90_001ZZSPL90EXCEL	07_ZZSPL90A_ZZSPL90_003ZZSPL90-Y4
Headcount:	01_1P3_FE-CO02_001EXCEL-SKFS	01_1P3_FE-CO02_002SKF-Y4

## Key Terms & Concepts

### **Activity Price**

The price calculated for an activity type – used for charging labor hours and transportation usage to cost collectors.

### **Allocations**

Used to: assess shared services costs; move charges to correct legal entity; and/or assign to capital where appropriate.

### **Assessments**

Transactions that allocate costs from Cost Centers to receiver cost objects.

### **Cost Allocation**

Distribution of costs from one collector to another to reflect actual usage or predefined rates.

### **Costing Sheet**

Defines an overhead calculation. Contains the percentages to be applied to the base amount and the collector to be credited.

### **CREWS (Customer Request Work Scheduling)**

Used to estimate and schedule Transmission and Distribution projects.

### **Customer Care Services (CCS)**

The SAP R/3 software module for utility customer information.

### **EC-CS (Enterprise Controlling – Consolidation System)**

The consolidation module of SAP R/3 used for legal consolidation reports.

### **Financial Accounting Module (FI)**

SAP R/3's grouping of financial data required for external reporting purpose such as balance sheet, P&L statements, cash flows, and retained earnings.

### **Overhead Rate**

A surcharge, expressed as a percentage, used to spread indirect costs over a defined base.

### **Project System (PS) SAP R/3 Module**

Module is used to manage large projects. Accounting data used to manage WBS Elements are also located in this module.

### **Profit Center**

Organizational unit that reflects a management-oriented structure for the purpose of internal control and reporting.

### **Profit Center Accounting (PCA)**

A module of SAP used to manage the business by segregating costs and revenues by business units. Measures profitability by profit center or high-level business unit.

### **Settlement**

The SAP process of allocating costs from temporary cost collectors such as orders or WBSs to other cost collectors such as FERC cost centers.

### **Settlement Rule**

Set of instructions that define distribution of costs incurred on a temporary cost object such as an order or WBS.

### **Special Purpose Ledger (SPL)**

A stand-alone ledger within SAP that maintains detail without creating additional master data. Used by FE to track costs by Responsible Cost Center.

### **Financial Accounting Module (FI)**

SAP R/3's grouping of financial data required for external reporting purpose such as balance sheet, P&L statements, cash flows, and retained earnings.

## Key Contacts

By Department:

Area	Key Contact	Responsibility
Corporate Budgets and Forecasts	<ul style="list-style-type: none"> <li>Gina Caskey</li> <li>Mike Kreighbaum</li> <li>Carrie Wokaty</li> <li>Mark Dudley</li> </ul>	<ul style="list-style-type: none"> <li>SAP specific budget system preparations</li> <li>Activity prices</li> <li>Communicating the dates and times for budget input</li> <li>Oversight and management of the annual budgeting and forecast processes</li> <li>Tracking budget status and ensuring completion of key budget mid-point deliverables</li> <li>Ad-hoc budget related reporting</li> <li>PCA</li> </ul>
Business Services and Corporate Business Planning	<ul style="list-style-type: none"> <li>Gina Caskey</li> <li>Mark Dudley</li> <li>Carrie Wokaty</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Shared Services – budget and forecast coordination and support</li> <li>HR Benefits and Special Item budgets and forecasts</li> </ul>
Capital Management	<ul style="list-style-type: none"> <li>Megan Gallagher</li> <li>Scott McBride</li> </ul>	<ul style="list-style-type: none"> <li>Capital Management Processes</li> </ul>
Controllers Department	<ul style="list-style-type: none"> <li>Denis Dorward</li> <li>Mike Strozak</li> <li>Diane McVey</li> <li>Rich Snyder</li> </ul>	<ul style="list-style-type: none"> <li>Processing/Closing of SAP Plan</li> <li>Develop and input Costing sheets (overheads)</li> <li>System Maintenance – Versions, SPL, CO</li> <li>Accounting Issues</li> </ul>
Business Planning & Strategy	<ul style="list-style-type: none"> <li>Paul Mallue</li> </ul>	<ul style="list-style-type: none"> <li>Running of production cost modeling</li> </ul>
Competitive Retail Group	<ul style="list-style-type: none"> <li>Trevor Fernandez</li> </ul>	<ul style="list-style-type: none"> <li>Budget and forecasting of competitive retail sales, load &amp; revenue</li> </ul>
Rates	<ul style="list-style-type: none"> <li>Brad Eberts</li> <li>Bill Moll/Rich Faschan</li> </ul>	<ul style="list-style-type: none"> <li>Development of the Load, MWH Sales, and Wires Forecast</li> <li>Forecasting of regulated revenue for budgeting</li> </ul>
Supply Chain	<ul style="list-style-type: none"> <li>David Zeigler</li> </ul>	<ul style="list-style-type: none"> <li>Personal Printer requests</li> </ul>

For SAP Master Data questions or to set up new Master Data for the 2014 Budget:

Master Data		
Contact:		
➤ Cost Centers – Denis Dorward 500-8678; Michael Strozak 500-6554		
➤ Internal Orders – Denis Dorward 500-8678; Michael Strozak 500-6554		
➤ Cost Elements – Will Blair 825-5866		
➤ WBS Elements – By Business Unit		
Energy Delivery Operating companies:		
The Illuminating Co	Gregory Werner	824-8783
Ohio Edison/Penn Power	Eric Weaver	835-4021
Toledo Edison	Ann Toth	883-5016
Jersey Central	Sue Gabel	200-8673
Met Ed	Pete Dragoich	500-6892
Penelec	Guy Costa	430-8874
Mon Power	Sara Cetorelli	333-7320
Potomac Edison	Clarence Haden	300-5218
West Penn	Marianne Sobota	350-5847
ED Finance	Eric Herrmann	825-5444
Fossil Generation Group	Katie Pinkus	850-6820
	Denise Bracken	850-7237
Nuclear (FENOC)	Katie Pinkus	850-6820
	Desiree Etchell	850-6877
Information Technology, Security	Mark Dudley	825-1683
Facilities	Tim Goughnour	500-6974
All Other Groups	Mike Czubinski	825-5646

## Key Contacts

For Questions by Topic or Business Unit:

Questions or Issue Topic	Name	Phone Number
Inter-company Billings	Mike Kreighbaum	825-2556
General SAP	Mike Kreighbaum Mark Dudley Carrie Wokaty Marie Rote	825-2556 825-1683 825-6005 825-3854
Profit Center Accounting	Mike Kreighbaum Carrie Wokaty	825-2556 825-6005
FE Solutions	Paul Mallue Andy JayJack	850-7254 850-7332
Fossil Generation Group	Katie Pinkus Denise Bracken	850-6820 850-7237
Nuclear (FENOC)	Katie Pinkus Desiree Etchell	850-6820 850-6877
Records Management/Corporate/Real Estate	Marie Rote	825-3854
Energy Delivery Business The Illuminating Co Ohio Edison/Penn Power Toledo Edison Jersey Central Met Ed Penelec Mon Power Potomac Edison West Penn Utility Support Customer Service & EE (Energy Efficiency)	Gregory Werner Eric Weaver Ann Toth Sue Gabel Pete Dragoich Guy Costa Sara Cetorelli Clarence Haden Marianne Sobota Eugene DeChellis Rob Wemhoff	824-8783 835-4021 883-5016 200-8673 500-6892 430-8874 333-7320 300-5218 350-5847 825-7969 825-7981
Finance	Marie Rote	825-3854
General Counsel (Legal, Claims, Communications, Corp. Affairs, Government Affairs)	Marie Rote	825-3854
Human Resources	Marie Rote	825-3854
Information Technology	Mark Dudley	825-1683
Supply Chain	Mark Dudley	825-1683
Corporate Security, Flight Operations	Mark Dudley	825-1683

## Responsible Direct Cost O&M Reporting – Cost Elements Included

Use SAP Transaction KAH3 to view the Cost Element hierarchy shown below. Cost Element Groups **ZBWEMX0101** and **ZBWEMI0083** are the two groups included in direct cost O&M reporting.

ZBWEMX0000 P&L Cost Element Hierarchy-Post 2009

<input type="checkbox"/>	ZBWEMX0001	Revenues
<input type="checkbox"/>	ZBWEMI0300	Associated Co Revenues
<input type="checkbox"/>	ZBWEMX0043	Operating Expenses
<input type="checkbox"/>	ZBWEMI0044	Fuel Total
<input type="checkbox"/>	ZBWEMI0064	Purchased Power
<input type="checkbox"/>	ZBWEMI0046	Purchased Power Associated Co
<input type="checkbox"/>	ZBWEMI0361	PJM/MISO Expenses
<input type="checkbox"/>	ZBWEMX0100	Other O&M
<input type="checkbox"/>	ZBWEMX0101	direct O&M
<input type="checkbox"/>	ZBWEMI0098	Construction Overheads & Transportation
<input type="checkbox"/>	ZBWEMI0071	State Reimbursed Programs
<input type="checkbox"/>	ZBWEMX0070	Pension and OPEB
<input type="checkbox"/>	ZBWEMI0416	Mark to Market
<input type="checkbox"/>	ZBWEMI0260	Depreciation
<input type="checkbox"/>	ZBWEMI0261	Amortizations
<input type="checkbox"/>	ZBWEMI0402	Taxes, Other than Income
<input type="checkbox"/>	ZBWEMI0450	Associated Co Expenses
<input type="checkbox"/>	ZBWEMI0420	Inventory Carrying Charge-Memo Only
<input type="checkbox"/>	ZBWEMI0409	Service Company Assessments & Allocatn's
<input type="checkbox"/>	ZBWEMI0403	Indirectly Assessed Corporate Support
<input type="checkbox"/>	ZBWEPL0130	Direct Billed Corporate Support Costs
<input type="checkbox"/>	ZBWEMI0083	Labor Allocations Svc Co
<input type="checkbox"/>	ZBWEMI0510	Below the Line Activity Adjustment
<input type="checkbox"/>	ZBWEMX0405	AE Below the Line Activity Adjustment

**Corporate Shared Services – Professional & Contractor Services - Guidelines**

GL	GL Short Name	GL Long Name	General Description	CSS Description/Examples
550100	OutContractProNonLeg	Outside Services/Contractors - Professional Non-Legal	Service Contracts for unique skill-sets that we don't do in-house.	Security Equipment Installation & Investigations, Software Application Consulting/Training, Lobbying Firms, Ethnics Vendors, Expert Legal Witness, and Facility "White" Collar - Engineering, Electrical, etc.
550200	OutContractProLegal	Outside Services/Contractors - Professional Legal	Legal Fees/Legal Expenses	Law Firms Only
550300	OutContract-Other	Outside Services/Contractors - Other	Facilities	Security Guards, Annual Shareholders Meeting, Facility "Blue Collar" Contractors - Janitorial, Landscaping, Snow removal, etc.
550310	OutContractTreeTrim	Outside Services/Contractors - Tree Trim	Major Storm Deferrals	Major Storm Deferrals
550320	OutContractTempAgnc	Time and Material Contractor	Temp hires not managed by a staff service provider.	Guidant, Jet Professionals
550500	ONSITECONSLT/STFFAUG	On-Site Consultants/Staff Augmentation	Managed Service Provider - used to manage co-employment issues	Guidant, Garretcom Utility Networks
550503	Envrmt Wrk & Comp	Environmental Work and Compliance	Environmental	Warrenton River Terminal - Environmental

**Fossil – Professional & Contractor Services Guidelines (pgs. 30-31)**

GL	GL Short Name	GL Long Name	General Description	Fossil Description/Examples
550100	OutContractProNonLeg	Outside Services/Contractors - Professional Non-Legal	Labor outside of the plants possessing skills/knowledge that the plant does not have.	Examples include: NDE testing, Divers, Hydrochem (hydro blasting), Training Vendors (providing training on and off site), Guest Speakers, Inspection Services, Lab testing/services, Calibration, Non-repair/non-refurbishment of equipment, Welding Inspectors (x-ray team), Screening Systems International, David C Kissig Enterprises Inc., Turbine Services Incorporated, Structural Integrity Associates, Janx, Surveying, Schedulers, Ardmore, Gas line maintenance.
550105	OutsideSrvsContFees	Outside Srvs/Contractors - Profess Conting	Contingency Fees (jefferson wells for example)	Contingency and incentive fees paid to vendors.
550200	OutContractProLegal	Outside Services/Contractors - Professional Legal	Legal Fees/Legal Expenses	FERC relicensing (primarily used by CT/Hydro plants)
550210	OutContractEngineer	Outside Services/Contractors - Engineering	Contractors asked to provide engineering analysis/studies, project support, or technical development that cannot be completed with in-house engineering staff.	Examples include: Monitoring wells, Marland, RE Warner Consultants helping with outages, GE Energy, Kleinschmidt, Alistom, Siemens, Middough, Door maintenance (CT/Hydro).
550300	OutContract-Other	Outside Services/Contractors - Other	Facilities related work	Examples include: Scrap Removal, Janitorial work, Lawn care, Snow removal, Garbage and Sewage removal, HVAC/ Non-Plant Equipment, Sirens maintenance, Building and structures maintenance, General Pest Control, Elevator repairs, Grounds and roads maintenance, Auto Repair, Laundry Services, Fence Repairs, US Coast Guard, Fire Inspections, Vegetation Management.

GL	GL Short Name	GL Long Name	General Description	Fossil Description/Examples
550305	OutContract-ProjMgmt	Outside Services/Contractors - Project Mgmt	Consultants providing project management services such as costing reports.	Examples include JR Johnson, Sargent and Lundy.
550335	OutContrRepairRefurb	Outside Services/Contractors - Repair/Refurbishment /Overhaul of Plant Equipment	Off-site labor repairing/refurbishing/replacing plant production equipment.	Examples include: Repair/refurbish valves, motors, circuit boards, etc.; CMT for Motor repairs, Cleveland Valve & Gauge for valves, Columbus Equipment Company, City Machine Technologies Inc., Monarch Electric Service Company, 3-D Service LTD.
550500	ONSITECONSULT/STFFAUG	On-Site Consultants/Staff Augmentation	Managed Service Provider - used to manage co-employment issues	Example: Guidant
550501	PRIMMINT CONTRCRAFT	Primary Maintenance Contractor - Craft	On-site craft labor	Examples include: Enerfab, outage work/support, GMAs for bringing in Boilermakers, Insulators, Electrical Contractors, Mechanical Contractors, Patent Construction Systems, Enerfab, Burnham Industrial Contractors, McCarl's Incorporated, ERB Electric Company, Crane Inspections.
550503	Envrmt Wrk & Comp	Environmental Work and Compliance	Contractors working on Environmental projects or performing work in support of Environmental Compliance.	Examples include: any fees, Consulting services, Test monitors, Replace monitors/analyzers, Ash site maintenance, Cleaning spills, air/water waste, Performing lab work.
550513	OnSiteContractedLbr	On-Site Contractor Labor	Labor outside of the plants providing "turn-key solutions".	Examples include: Fluor, Stein (preventative maintenance).

## Fossil - Project Construction – Professional & Contractor Services Guidelines

GL	GL Short Name	GL Long Name	General Description	Fossil - Project Construction Description/Examples
550100	OutContractProNonLeg	Outside Services/Contractors - Professional Non-Legal	Labor outside of FirstEnergy possessing specialized skills/knowledge that we do not have in-house.	Examples include: Print Services, Nurses, Investigation Services, Background Checks/Investigations, Training, Inspection Services.
550105	OutsideSrvsContFees	Outside Srvs/Contractors - Profess Conting	Incentive fees	Examples include: Incentive arrangements, Contractor Shared Savings (for example B&W), Contractor Bonuses and Incentives.
550210	OutContractEngineer	Outside Services/Contractors - Engineering	Contractors asked to provide engineering analysis/studies, project support, or technical development that cannot be completed with in-house engineering staff.	Examples include: Conceptual Designs, Detailed Design Mods, Eng. Studies, Non-Mod, Calculations, Evaluations.
550300	OutContract-Other	Outside Services/Contractors - Other	Facilities related work	Facilities related work such as: Scrap Removal, Janitorial work, Lawn care, Snow removal, Garbage and Sewage removal, HVAC/ Non-Plant Equipment, Sirens maintenance, Building and structures maintenance, General Pest Control, Elevator repairs, Grounds and roads maintenance, Auto Repair, Laundry Services, Fence Repairs, US Coast Guard, Fire Inspections, Vegetation Management.
550305	OutContract-ProjMgmt	Outside Services/Contractors - Project Mgmt	Consultants providing project management services such as costing reports.	Examples include JR Johnson, Sargent and Lundy.
550501	PRIMMINT CONTRCRAFT	Primary Maintenance Contractor - Craft	On-site craft labor	Examples include: Enerfab, GMAs for bringing in Boilermakers, Insulators, Electrical Contractors, Mechanical Contractors.
550513	OnSiteContractedLbr	On-Site Contractor Labor	Fixed price, milestone payment, or other "turn key" type purchase agreement.	Examples include: OEM contracts (B&W), EPC contracts (Bechtel), Patent, ERB, contractors for excavating, painting, etc.

**Nuclear – Professional & Contractor Services Guidelines (pgs. 33-34)**

GL	GL Short Name	GL Long Name	General Description	FENOC Description/Examples
550100	OutContractProNonLeg	Outside Services/Contractors - Professional Non-Legal	Service Contracts for Unique skill sets that we don't do in-house	Divers, Vendor Reps, Training Vendors (providing training on and off site), Guest Speakers, Inspection Services, Vendor Source Inspections, Refueling Services, Chemistry Services, RP Services (excluding on-site support), Laundry Services, Management requested contractors/facilitators, Lab testing, Calibration of M&TE, Software customization (firm price), CNRB Members, Investigation Support, TLD Contracts, Supplier List Updates, ANI Support, Corrective Action Program Support, Print Services (Kinkos), Bulk Gas Delivery, Demurrage. Refer to cost element 550513 to ensure correct placement of vendor.
550210	OutContractEngineer	Outside Services/Contractors - Engineering	Engineering Expenses	Engineering support occurring predominantly offsite, Conceptual Design, Detailed Design Mods/ECR, Eng. Studies, Non-Mod, Calculations, Evaluations. Refer to cost element 550513 to ensure correct placement of vendor.
550300	OutContract-Other	Outside Services/Contractors - Other	Other	Lawn care and Snow removal, Garbage and Sewage removal, HVAC/ Non-Plant Equipment, Sirens (Maintenance), Building, Structures, Beta Security, Security Range Maintenance, General Pest Control. Refer to cost element 550513 to ensure correct placement of vendor.
550325	OutContractRadwstDsp	Outside Services/Contractors - Radwaste	FENOC specific	Transportation, Burial, Compacting, Processing and Analysis/Characterization of radwaste. Refer to cost element 550513 to ensure correct placement of resource.
550335	OutContrRepairRefurb	Outside Services/Contractors - Repair/Refurbishment /Overhaul of Plant Equipment	Self explanatory - see FENOC Description	Repair/refurbish valves, motors, circuit boards, etc. Security Repairs (Target Systems, Scope, NVG units), Beta test equipment. Refer to cost element 550513 to ensure correct placement of vendor.

GL	GL Short Name	GL Long Name	General Description	FENOC Description/Examples
550500	ONSITECONSULT/ STFFAUG	On-Site Consultants/Staff Augmentation	Managed Service Provider - used to manage co-employment issues	Guidant
550501	PRIMINT CONTRCRAFT	Primary Maintenance Contractor - Craft	Interfab/Day Zimmerman/etc	NPS contracted labor, site manager, administrative personnel.
550502	TIME&MATCONTR	Time and Material Contractor	Primary Security Contractor	Subcontracted outside security for Beaver Valley (Burns and Securitas).
550513	OnSiteContractedLbr	On-Site Contractor Labor	Goes back into capital allocation process for FENOC.	Contracted workers that are on site for a <b>continuous</b> period of 5 days or greater. Construction contractors other than NPS or Guidant that are brought on site to support a specific PRC, MERP, or outage project as identified by project managers. Contracted workers that are on site for a continuous period of time (e.g. 5 or greater continuous days i.e. Janitorial services). Part of fixed price, milestone payment, or other "turn key" type purchase agreement which represents the portion that is contract labor and performed on-site. Examples of included services are: Maxcom (telecommunication support), Assessment team support, Root Cause support, DZ Atlantic Group/Bartlett (RP Support), contractor Site Managers (with the exception of NPS). Excludes services with total annual cost <\$15k, any materials included in the contract, and services provided on an "as needed" basis.

## Energy Delivery – Professional & Contractor Services Guidelines

GL	GL Short Name	GL Long Name	General Description	FEU Description/Examples
550100	OutContractProNonLeg	Outside Services/Contractors - Professional Non-Legal	Service Contracts for Unique skill sets that we don't do in-house	OSI inbound calling, Vendor services, Training
550210	OutContractEngineer	Outside Services/Contractors - Engineering	Engineering Expenses	Off-site engineering that is primarily in Transmission and Substation voltages.
550300	OutContract-Other	Outside Services/Contractors - Other	Other	Storms, Transmission aerial inspections, Facility improvements, Cable locating, Grass cutting, Snow removal, Janitorial, Heating, and Electrical repair
550310	OutContractTreeTrim	Outside Services/Contractors - Tree Trim	Tree trimming	Vegetation management
550320	OutContractTempAgnc	Outside Services/Contractors - Temporary	Temp hires not managed by a staff service provider.	Flagger (Traffic control), Safety audits, Call-Center Temp Workers
550330	OutContractEngDrawing	Outside Services/Contractors - Engineering Drawings	Engineering Drawings	Lightly used. Outside drafting distribution work. Roll into 550210.
550335	OutContrRepairRefurb	Outside Services/Contractors - Repair/Refurbishment/Overhaul of Plant Equipment	Outside Services/Contractors - Repair/Refurbishment/Overhaul of Plant Equipment	Outside Services/Contractors - Repair/Refurbishment/Overhaul of Plant Equipment
550500	ONSITECONSLT/ STFFAUG	On-Site Consultants/Staff Augmentation	Managed Service Provider	Guidant
550503	Envrmt Wrk & Comp	Environmental Work and Compliance	Environmental	Claims follow-ups, Oil testing, and Clean-ups.
550506	CollAgencyCreditBur	Collection Agency - Credit Bureau	Collection Agencies	Revenue operations collections.



# Utilities International Planner UIPlanner - Budget Advanced

February 2014



## Ground Rules

- **Please turn all cell phones and pagers off, or to silent setting**
- **Respect those speaking and asking questions by keeping side discussions to a minimum**
- **Please do not interrupt the person speaking**
- **All unanswered questions will be placed in the “Parking Lot” and answers will be distributed later**
- **Have fun and enjoy the opportunity to contribute to FirstEnergy’s future success!**

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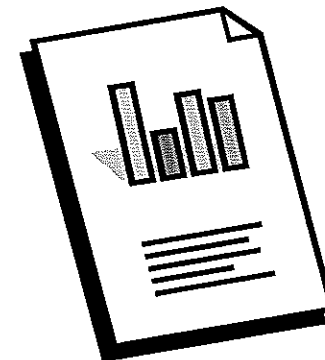
*Financial Accountability Model*

## Financial Accountability Model

*Vision – Establish a transparent financial view using standard SAP functionality*

### Why?

- Establishes “one source of the truth” for management reporting
- Increases accountability for total costs spent
- Reduces cost of ownership and customization of SAP



# Conceptual Review

## What is it?

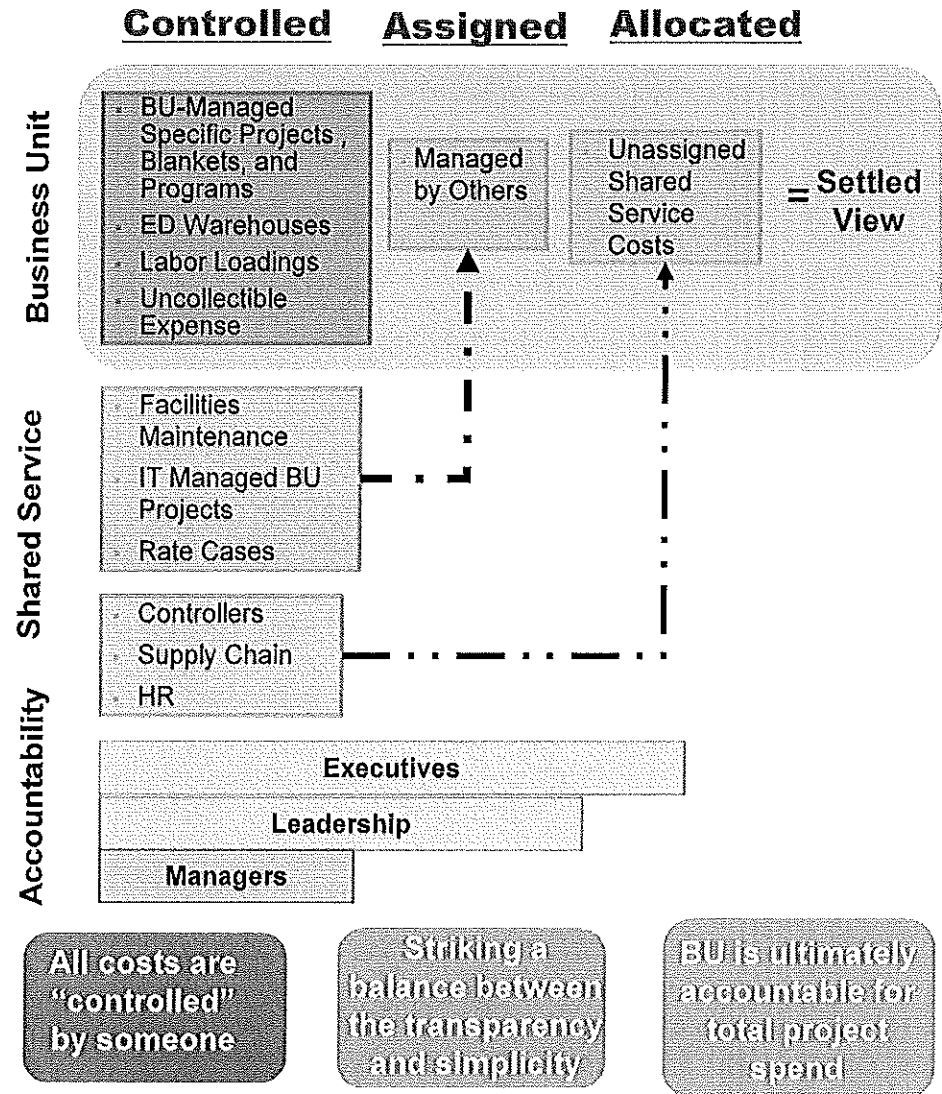
- Consistent financial view
- Establishes ownership for every dollar spent

## Key Changes

- **Shift** accountability to **total spend**
- Changes in **roles and responsibilities** within budgeting process
- Changes in **level of reporting** and **reporting views**
- Changes in **target setting** within the business

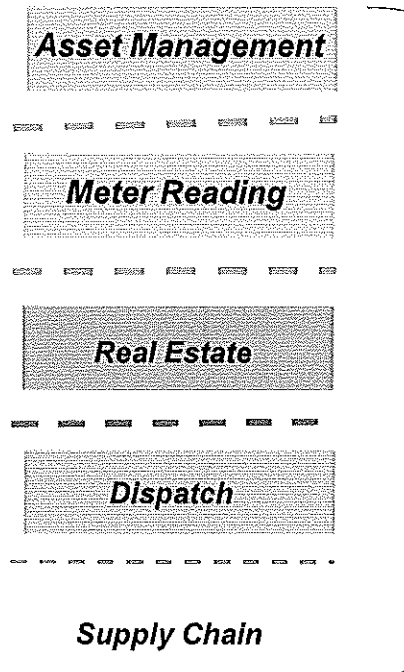
## Business Impacts

- **People:**
  - Single owner accountable for total project spend, regardless of where costs originate
  - Increased roles and responsibilities for Project Owners
- **Process:**
  - Coordinate, manage, track budget and explain variances
  - Collaborate outside own organization
  - Reporting will be in alignment with the Accountability Model



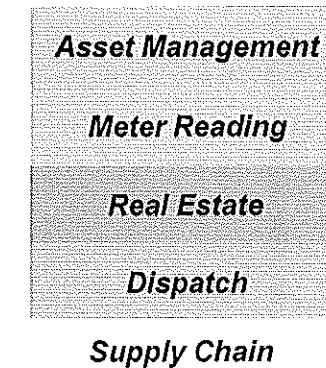
# Total Project Ownership

## Today



**Individual ownership of pieces of a project budget**

## Post-Transformation



**Single ownership of project budget**

## Outcomes

- **One budget input for the total project including Labor & OTL**
- **Required collaboration across the organization**
- **Driving more comprehensive and consistent budget practices**

## Roles & Responsibilities

- **Project Owners are responsible for:**
  - Developing, monitoring and updating budgeted and forecasted costs and revenues
  - Measuring and monitoring actual results, including explaining variances from budgets.
  - Collaborating with others when establishing their budgets, updating their forecasts, analyzing their actuals, and explaining variances between budget, forecast, and actual results
- **The responsibility for entering budgets and forecasts vary by Business Unit**
- **Standard financial management reports exist to support Cost Owners**

## How is Cost Ownership Assigned?

### **Business Unit Costs will be managed in one of two ways:**

#### **(1) Cost Owner Managed**

- The labor, other-than-labor, and revenues will be assigned a specific owner (a cost center) in SAP
- Owners will be specific to each BU and each work type (e.g. blankets, programs, etc.)
- Includes Controlled, Assigned, and Allocated costs
  - *For a list of owners, by work type, by Business Unit, refer to the Financial Accountability Model policy on the FirstEnergy Today portal at: Communities>Finance>Policies and Procedures>FiT folder.*

#### **(2) Line Item Managed**

- Specific income statement line items not included above (i.e. interest expense, fuel, purchased power, etc.) will be centrally managed by defined group(s)
- This ownership is not assigned in the system but is implied based on the management of those revenues and costs

# Illustrative Income Statement

Operating	Ownership
Electric Revenues	
PJM/MISO Revenues	
Non-kWh Revenues	
Forfeited Discounts and Rental Revenue	
Miscellaneous Service Revenue	
Interest and Dividend Income	
Miscellaneous Revenues	
Other Income	
Other Revenues - Associated Company	
<b>Total Revenues</b>	
Fuel Total	
Purchased Power Total	
<b>Fuel &amp; Purchased Power</b>	
O&M - Labor	
O&M - OTL	
Dues, Fees, Licenses	
Lease/Rental Costs Total	
General Business and Travel	
Materials and Equipment	
Professional and Contractor	
Uncollectible Exp	
Other OTL Total	
Other OTL Deductions	
Construction Overheads & Transportation	
<b>Total O&amp;M</b>	
PJM/MISO Expenses	
State Reimbursed Programs	
Pension & OPEB	
Depreciation & Amortization	
Taxes, Other Than Income	
Operating Expenses - Associated Company	
<b>Total Operating Expenses</b>	
<b>Operating Margin</b>	
Service Company Billings	
Sale/Leaseback	
Interest	
Other Expenses	
<b>Income Before Taxes</b>	
<b>Income Taxes</b>	
<b>Net Income</b>	

Legend	
Controlled Costs + Settlements & Assessments	
Line Item Controlled	
Allocated	

# How is Cost Ownership Assigned?

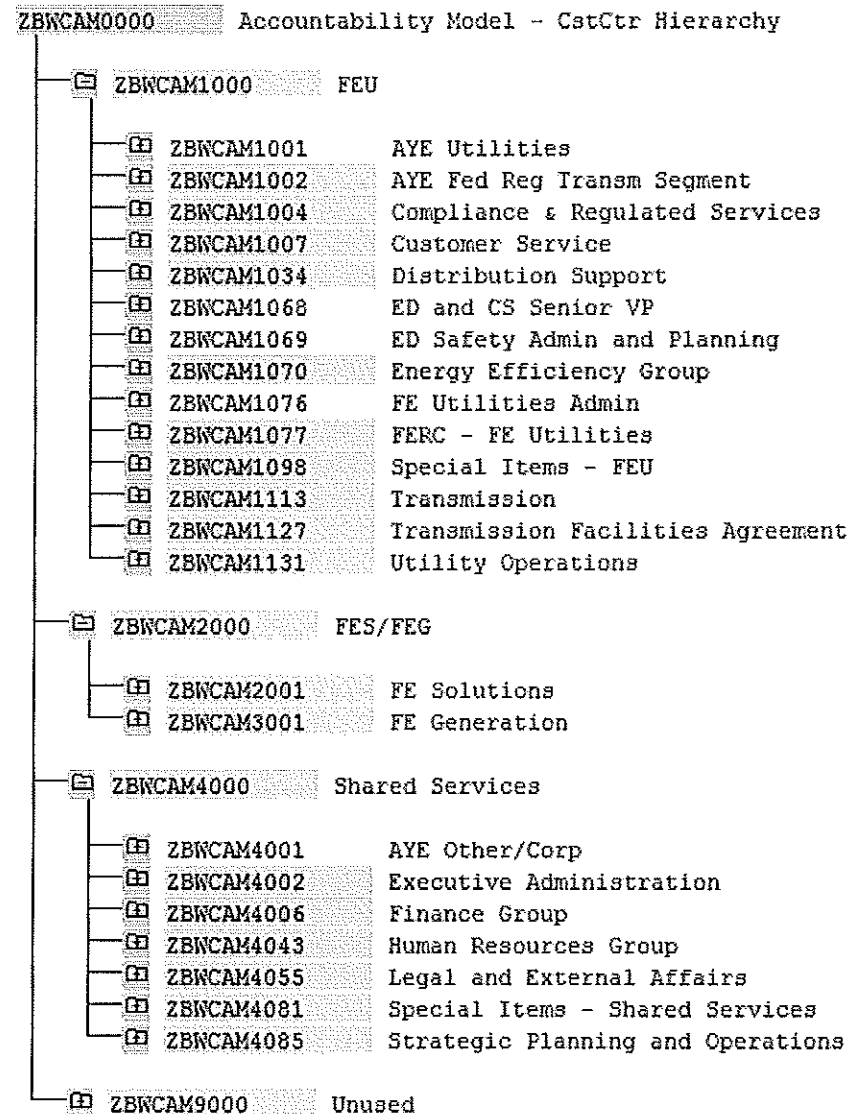
- Representatives from each Business Unit were involved in assigning cost ownership to cost collectors

- Cost Owner field is a field on the SAP cost collectors called "Responsible Cost Center"
- A Cost Owner is required on all cost collectors

Order	3746027	Order type	3210	Internal Order - R...
Description	R&D FET EPRI MEMBERSHIP - EPRI DUES			
Basic Data		Control Data		
<b>Assignments</b>				
Company Code	SC00	FirstEnergy Service Co.		
Plant	0101	FirstEnergy T&D		
Functional Area				
Cost Center		Other/Corp		
Responsible Cctr	501085	FE Tech - EPRI		
User Responsible				

- A new cost center hierarchy, ZBWCAM0000, drives Standard Financial Management Reporting

- The hierarchy will provide line-of-sight into Controlled, Assigned, and Allocated costs



## Benefits of Financial Accountability Model

- Identifies a single, accountable owner regardless of where costs originated
- Provides transparency and visibility into our financial statements
- Promotes an understanding of total spend by the work completed instead of a view by department
- Reduces customization and ad-hoc reporting
- Facilitates standard financial management reporting

### **Leadership Feedback:**

- Overwhelming support for moving to one financial view
- Requires clearly defined guidelines
- Governance is required for sustainability

## Frequently Asked Questions

### Q1) What is a 'Cost Owner'?

- A. A Cost Owner is a cost center in SAP (not a specific individual) assigned to each and every cost collector.

### Q2) How were Cost Owners determined for each cost?

- A. A review was completed with each of the Business Services organizations to determine the appropriate Cost Owner for each dollar spent. Activities included:
- Validation of Cost Owner assignment to each cost collector
  - Verification that Cost Owner hierarchy supports management reporting
  - Comparison of "as-is" with "to-be" reporting and explanation of differences in reporting and accountability throughout the business
  - Reconciliation of new reports to the existing internal reports/financial statements

## Frequently Asked Questions

### Q3) Who are the Cost Owners?

- A. Refer to the Financial Accountability Model policy, available effective January 1, 2014, for a list of work types and associated Cost Owners by Business Unit. The policy can be found on the FirstEnergy Today portal under Communities >Finance >Policies >FiT.

### Q4) What if the Cost Owner disagrees with costs from another department?

- A. The Cost Owner should discuss costs with the originating department. Changes to Cost Owners must be carefully controlled and are not permitted without prior approval. A process exists to request and receive approval for Cost Owner changes.

Refer to the Financial Accountability Model policy on the FirstEnergy Today portal at Communities>Finance>Policies and Procedures>FiT for more information.

### Q5) When will the Financial Accountability Model be implemented?

- A. It will form the foundation of all Reporting and Budget, Forecast, Planning activities beginning January, 1 2014.

## Frequently Asked Questions

**Q6) The direct view (z8/z9) is going away. What do I use for my project or cost center reporting?**

- Refer to chapter 2, Standard Financial Management reporting, of this training to understand the cost and labor reports available to you.

## UIPlanner Software Overview

## UIPlanner Overview

- Utilities International, Inc. is the leading provider of integrated planning solutions for utilities and related businesses
- UIPlanner (UIP) is a multi-user database system that supports Accounting and Finance functions

### Planning

- Financial plans
- Strategic plans
- Regulatory plans

### Treasury

- Daily forecasts
- Monthly forecasts
- Financing strategy

### Tax

- Tax plans
- Tax strategies
- Actual taxes

### Accounting

- Allocations
- Variance analysis
- Financial reporting

### Budget Admin.

- Consolidation
- Administration
- Rolling forecasts

### Regulatory

- Cost of service
- Rate design
- Clauses / riders

### Customer Service

- Bill forecasts
- Analytics
- Energy Efficiency

### Budget Users

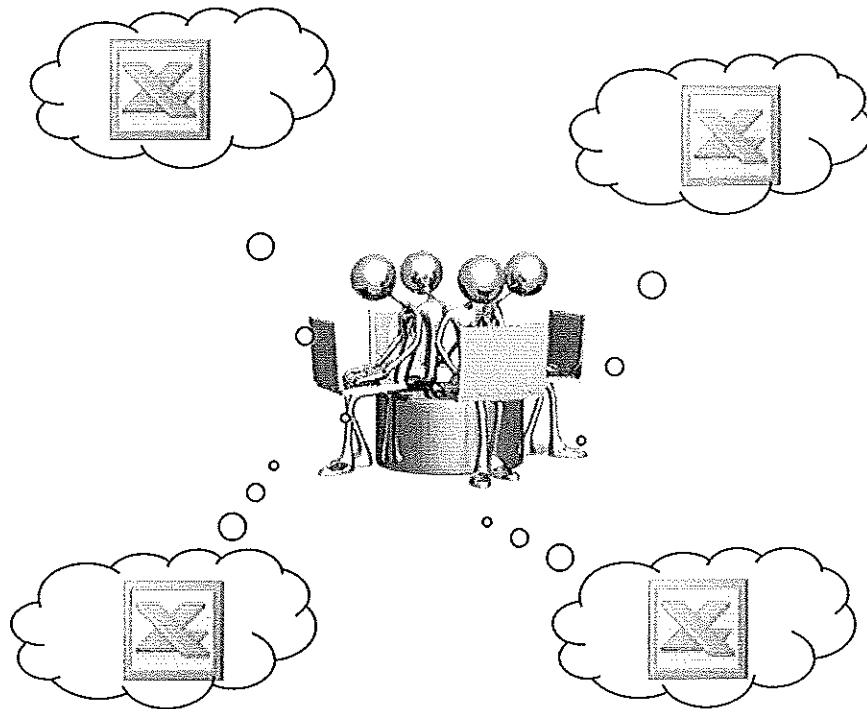
- Unit-based budgeting
- Labor planning
- Project forecasts

### Business Analyst

- Project evaluation
- Commitment tracking
- Performance analysis

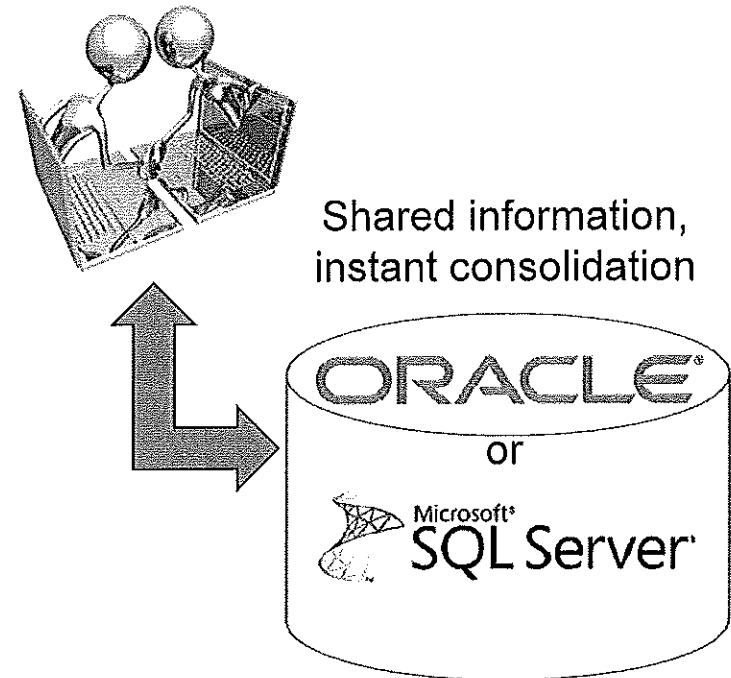
# UIPlanner Overview

## Individual Spreadsheets



*Relies on manual processes to share and consolidate data*

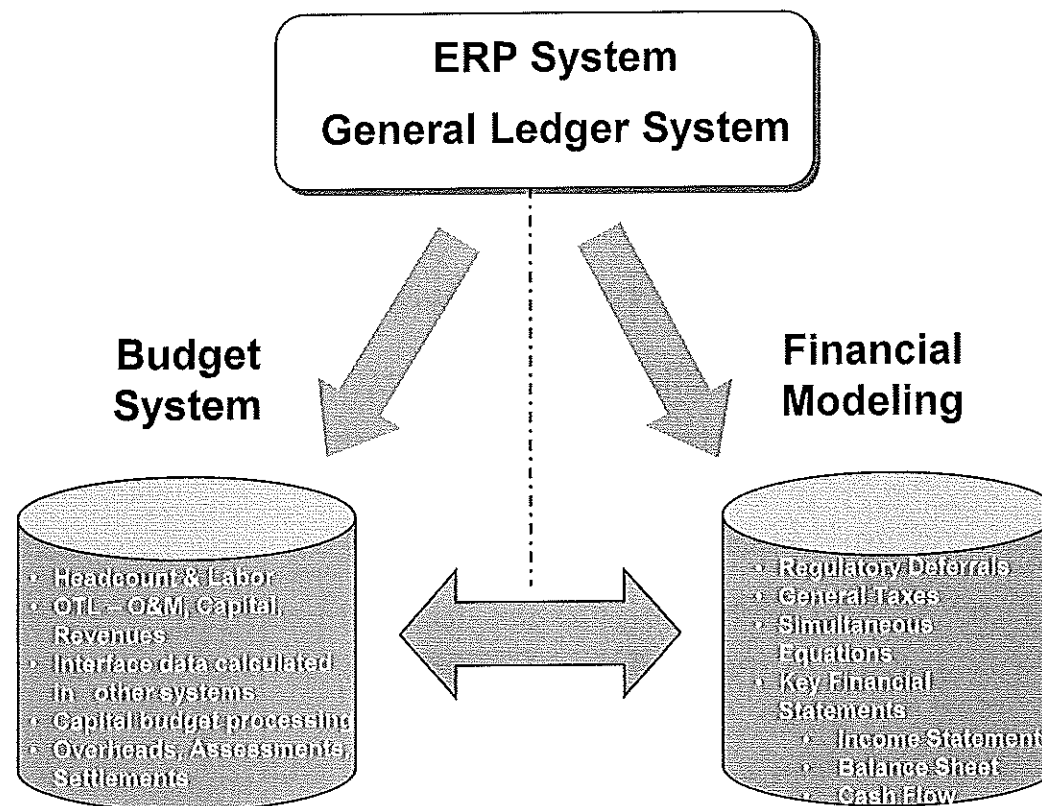
## Integrated UIPlanner



*More productive, efficient, and less prone to error*

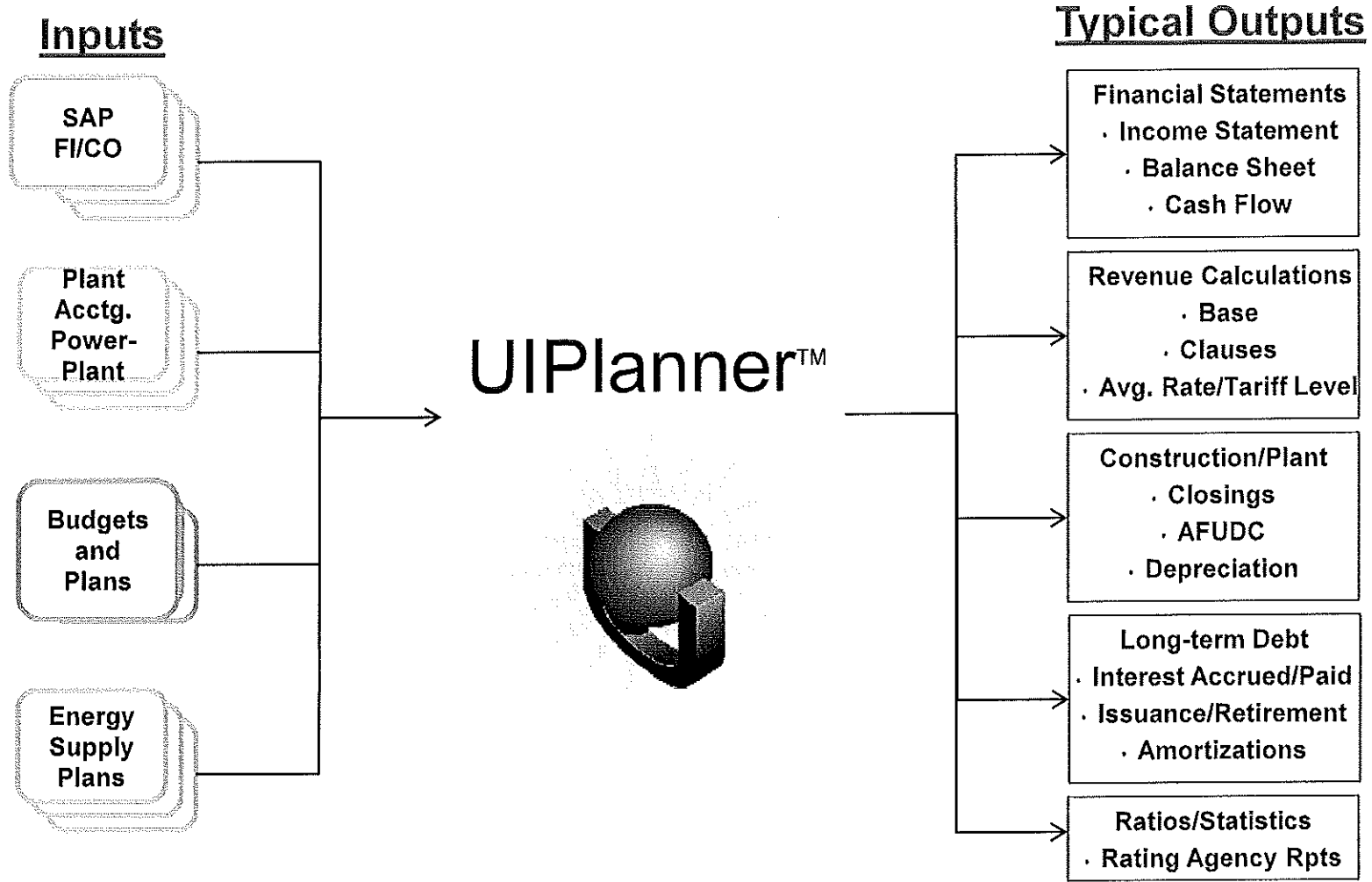
## UIPlanner Overview

- UIPlanner can interface budget, forecast, plan results directly from a Company's ERP or General Ledger System to either the UIP Budget System or Financial Model
- Many Utilities utilize the Financial Modeling tool to manage their financial planning and regulatory outcomes



# UIPlanner Overview

*UIPlanner integrates data from multiple sources*



## UIPlanner Overview

### Process Improvements

#### Move to multi-year forecasts

- Expand beyond current year
- Unlimited planning horizon (e.g. 5, 10, 20 year)
- Budget process practices

#### Improve variance explanation process

- Focus on business drivers
- Avoid unknown variances
- Shorten the cycle time to explain and respond

### System Improvements

#### Technology for multi year forecasts

- Merge actuals with forecast
- Lock months of actuals
- Refer to prior forecasts

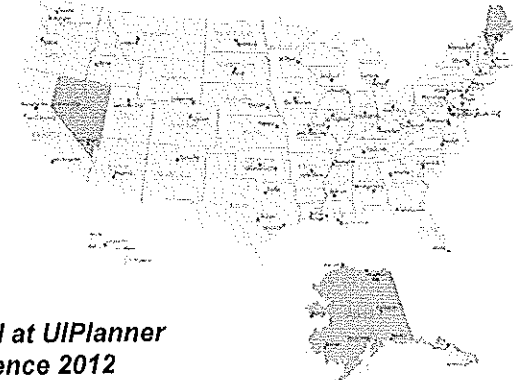
#### Technology for variance explanation

- Drilldown into logic and data
- Ability to add comments to reports by department/cost center

***UIPlanner integrates all aspects of the budgeting and planning process***

# UIPlanner Overview

- The 30 largest U.S. Utilities using the UIPlanner financial modeling tool – *not all clients shown are utilizing the UIPlanner budget entry system*
- Proven across jurisdictions – regulatory calculations in 47 states



Client list presented at UIPlanner Users Conference 2012

✓ Exelon	✓  Pacific Gas and Electric Company	✓  AES <small>the power of being global</small>	✓  Sempra Energy	✓  Ameren
✓  Duke Energy	✓  EDISON INTERNATIONAL	✓  ppl	PSEG	SONNEVILLE
✓ nationalgrid <small>The power of action.</small>	✓  MIDAMERICAN ENERGY HOLDINGS COMPANY	✓  Entergy	✓  Xcel Energy	✓  Northeast Utilities
✓  SOUTHERN COMPANY <small>Energy to Serve Your World™</small>	✓  FirstEnergy	conEdison	nrg	CenterPoint Energy
✓  FPL	✓  TVA	Energy Future Holdings	✓  DTE Energy	✓  NiSource
✓  AEP	✓  Dominion <small>It all starts here.</small>	✓  Progress Energy	elpaso	✓  Los Angeles Department of Water & Power

✓ = Client      ✓ = Not client; attended conference


## Budget, Forecast, Plan Key Process Overview

## Key Process Changes

- Budget entry and analysis will not be managed in SAP. UIPlanner will now perform all budget related functions.
- Long-term planning (5 year) will be integrated with current year budget and forecast processes
  - Current year monthly and quarterly multi-year forecasting process is being implemented
  - Actuals will be interfaced to UIPlanner on a monthly basis
    - Cost collector, cost element and GL level
  - Transaction detail will not be interfaced to UIPlanner but will be available in the Common Data Source (CDS)
- Budget close processing performed within UIPlanner for all years entered
- Close process for actuals continues in SAP
- UIPlanner replaces xRPM as the Corporate capital planning tool and FES/FEG One List

## Key Process Benefits

- Consistent approach for budget, forecast, and plan; standard and efficient processes with integrated software tools
- Automated interfaces to source data reducing manual data manipulation
- Reduced cycle time to close budget
- UIPlanner replaces Midas (FE's current financial modeling tool) which is no longer supported by the vendor
- Monthly processing eliminates pencil changes and captures adjustments each forecast run
- Enhancement of integrated forward-looking scenario analysis for the company

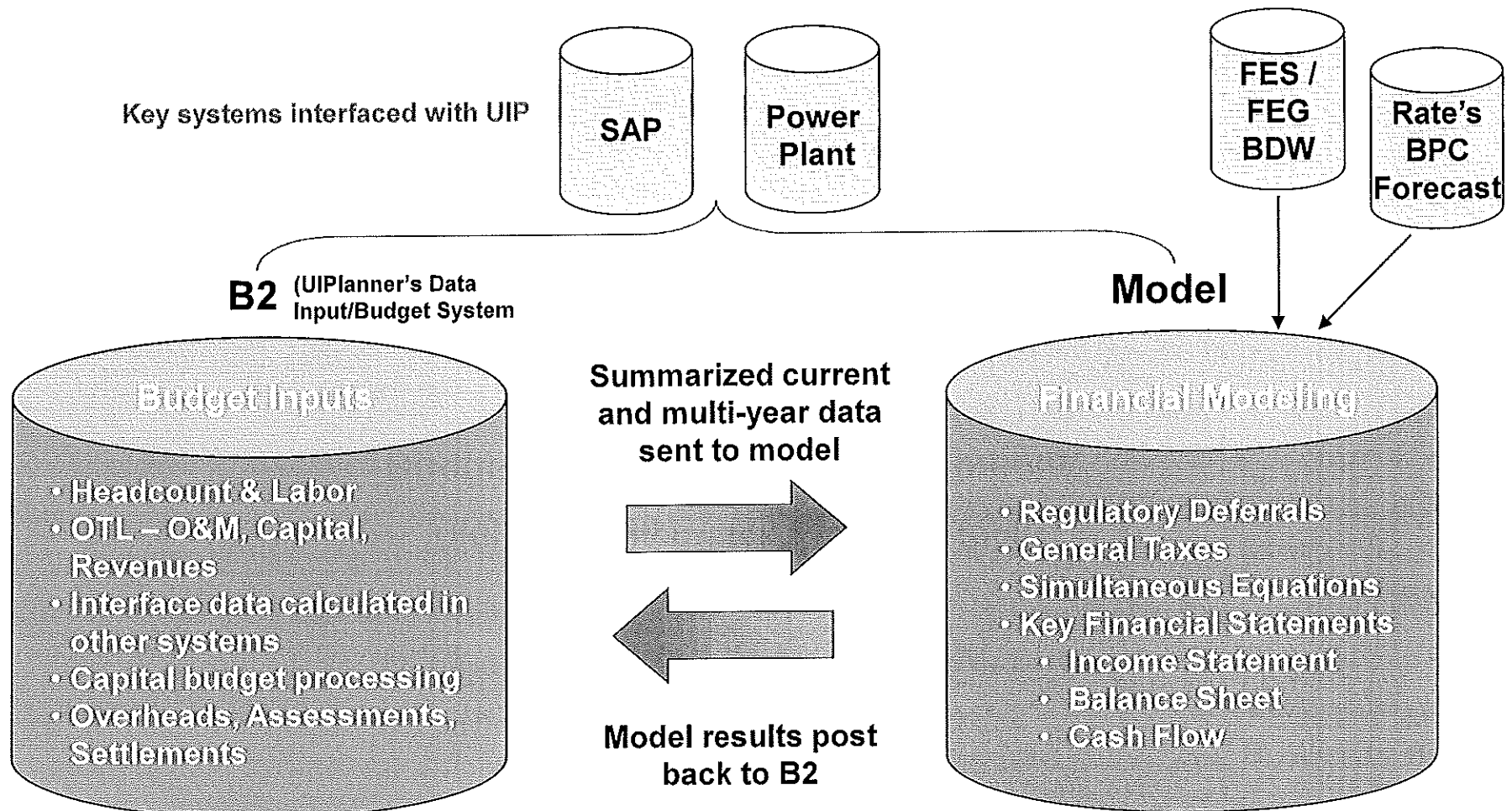


*The current year annual budget and forecast process provides the Company with a method to quantify and report the current year's expectations and help drive the Company toward achieving financial and operational objectives. The budget and forecast process also assists with facilitating the efficient usage of the Company's financial resources and allows the measurement of actual performance against projections.*

# UIPlanner System Processing

## Budget, Forecast, Plan Environment

### UIPlanner Integrated Planning Tool Current and Multi Year



## Budget, Forecast, Plan Process

**Today** Three separate processes for budget, forecast, and plan

### Annual Budget

- Current year annual projection of staffing (employee headcounts), revenues, and expenses (Income Statement, Capital and Other)

### Current Year Forecast

- Revised projection of the current year annual budget. Revisions to the current year annual budget (e.g. 3+9, 6+6, 9+3)

### Multi Year Plan

- Two or more years of projected financials. Also referred to as the multi-year plan

**Post FiT**

Migrating to an integrated budget, forecast and plan process

#### **A** Annual Budget / Multi Year Plan

- Current year (year 1) annual projection of staffing (employee headcounts), revenues, and expenses (Income Statement, Capital and Other)
- Includes multi year plan (years 2-5) identifying business initiatives and primary business drivers

#### **B** Current and Multi Year Forecast

- Revised projection of the current year annual budget. Monthly revisions to the current year annual budget (e.g. 3+9, 4+8, 5+7, 6+6, etc.) and multi year plan with formal multi year reporting on the quarter close

## Budget, Forecast, Plan Process

### Process Steps and Key Activities

**A Annual Budget / Multi Year Plan**

**B Current and Multi Year Forecast**

- 1 Maintain UIPlanner System & Process**
- Create New Scenario (annual/monthly)
  - Run Applicable Interfaces
  - Develop / Update Budget, Forecast Plan Guidelines
  - Create Annual Activity Prices
  - Perform Other System Functions

- 2 System Entry**
- Employee Labor
  - Allocate Labor and Non Labor
  - Create/Maintain Budget Group Budget Items
  - Project Planning and Tracking
  - Validation Reporting
  - Business Unit/Department Center Locking

- 3 System Administrator Activities**
- Validation Reporting, Center Locking, Budget/Forecast Close, Derive FERC

- 4 Financial Modeling**
- Move B2 Results to Model
  - Move Model Results to B2

- 5 Reporting**
- Move Processed Financial Results to Common Data Source
  - Standard Reporting

## **Annual Budget / Multi-Year Plan Process**

# Annual Budget / Multi-Year Plan Process

## A Annual Budget / Multi Year Plan Process

- Traditionally starts late third quarter each year
- Results available for November Board Meeting – approval of five year plan

### Year 1

September							October							November						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
1	2	3	4	5	6	7	6	7	8	9	10	11	12	3	4	5	6	7	8	9
8	9	10	11	12	13	14	13	14	15	16	17	18	19	10	11	12	13	14	15	16
15	16	17	18	19	20	21	20	21	22	23	24	25	26	17	18	19	20	21	22	23
22	23	24	25	26	27	28	27	28	29	30	31			24	25	26	27	28	29	30
29	30																			

**Years 2 - 5**

### • Key Activities

- Create New Scenario (annual)
- Run Applicable Interfaces
- Develop Budget, Forecast, Plan Guidelines
- Calculate Annual Activity Prices
- Perform Other System Activities
- Employee Labor
- Allocate Labor and Non Labor
- Create/Maintain Budget Group Budget Items
- Project Planning and Tracking
- Validation Reporting
- Business Unit/Department Center Locking
- System Administrator Functions
  - Validation Reporting, Center Locking, Budget Close, Derive FERC
- Move B2 Results to Model
- Move Model Results to B2
- Move Processed Financial Results to Common Data Source
- Standard Reporting

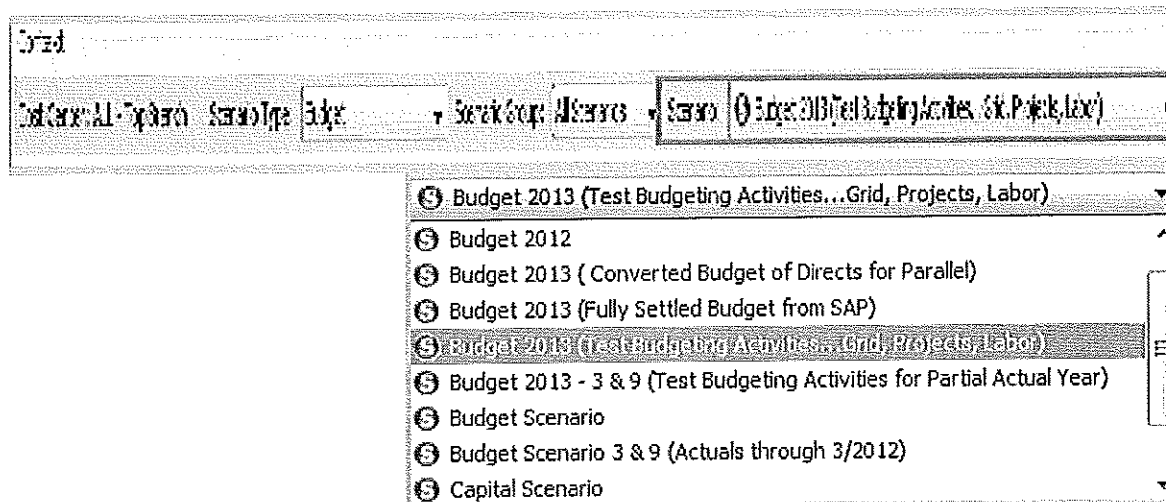
# Annual Budget / Multi-Year Plan Process

## 1 Create New Scenario

*Scenarios are similar to versions in SAP. UIPlanner will manage all the different scenarios needed throughout the year for the budget, forecast, and plan process*

September						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

- A new scenario will be created for the annual budget process and for each monthly forecast update
- Additional scenarios can be created based on management's request
- Available scenarios will be listed via drop down box on the main menu



## Annual Budget / Multi-Year Plan Process

2

### Run Applicable Interfaces

*SAP will interface data to UIPlanner near real time, nightly and monthly*

September						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

#### Near Real Time

- Cost Centers
- Orders
- Projects (*WBS project definition and WBS elements*)
- Cost Elements
- General Ledger Accounts
- Profit Centers

#### Nightly

- Activity Types
- Companies
- All related trees

#### Monthly

- Controlling Actuals
- General Ledger Actuals
- Overheads
- Assessments
- Settlements
- FERC
- HR employee data
- Power Plant

- Users will continue to create and manage master data in SAP
- Near real time approximately every 30 minutes
- On demand available

- Individual data fields available near real time – actual tree update will occur nightly

- Actuals loaded to support monthly processing
- Budget close performed in UIPlanner
- On demand available



## Annual Budget / Multi-Year Plan Process

### 4 Calculate Annual Activity Rates

*Annual activity rates will be calculated in UIPlanner prior to the start of the annual budget process. SAP HR employee data will be interfaced to UIPlanner to support this process*

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

- **Run HR interface**
  - Import Employee data containing employee salaries, vacation, PAD, holiday, etc,
- **Calculate employee loaded salary**
  - Labor additives (benefits, incentive compensation, payroll taxes)
  - Update union and non union wage schedules
- **Calculate productive hours by employee**
  - Vacation, PAD, holiday, meetings, and other non productive
- **Calculate activity rates**
  - Total dollars / total hours
  - Rates will be automatically calculated for the plan horizon

## Annual Budget / Multi-Year Plan Process

5

### Perform Other System Functions

*Other activities include administering user security, maintaining global assumptions, ensure system validations are current, publishing datasets and reports, etc.*

September						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

- **Administer user security**
  - Add, edit, delete
  - Maintain FERC code of conduct and required reporting
- **Maintain global system assumptions**
  - Update related datasets
- **System Validations**
  - Maintain rules and validations for appropriate screens
  - Maintain interfaces
- **Other Miscellaneous**
  - Publish standard reports
  - Trouble shoot system problems
  - General system maintenance

## Annual Budget / Multi-Year Plan Process

### 6 Employee Labor

*View and verify SAP HR interfaced employee data*

October							November						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
		1	2	3	4	5						1	2
6	7	8	9	10	11	12	3	4	5	6	7	8	9
13	14	15	16	17	18	19	10	11	12	13	14	15	16
20	21	22	23	24	25	26	17	18	19	20	21	22	23
27	28	29	30	31			24	25	26	27	28	29	30

- SAP HR data will be interfaced to UIPlanner initially for calculation of activity prices but also monthly to show employee changes and unproductive time usage
- Verify employee data - employee names, cost centers, etc.
- View/update labor data at the individual employee or summary cost center level
- Additional employee information such as vacation eligibility, available payroll hours, etc will be summarized to help facilitate building of the labor budget and monthly forecast process
- Access to the labor screens will be secured based on role and business unit/department
- User will be presented with hours and dollars at the individual employee level and summary level by Company, Cost Center, Pay Calendar, Personnel Subarea, Activity Type

## Annual Budget / Multi-Year Plan Process

### 6 Employee Labor (continued)

*Determine number of headcounts, FTE's, vacation and PAD allocation, total hours, and total dollars by either individual employee or summary level*

October							November						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
		1	2	3	4	5						1	2
6	7	8	9	10	11	12	3	4	5	6	7	8	9
13	14	15	16	17	18	19	10	11	12	13	14	15	16
20	21	22	23	24	25	26	17	18	19	20	21	22	23
27	28	29	30	31			24	25	26	27	28	29	30

- Verify employee data - employee names, cost centers, etc.
- Update staffing - headcounts and FTE's
  - Additions
  - Exits (planned retirements)
  - Internal transfers
- Allocation of unproductive time - PAD, vacation, deferred vacation
- Manual salary adjustments - promotions, non ICP bonuses
- Determine overtime hours or dollars
- Note: Other than labor entry can also occur in conjunction with developing employee labor
- Cost Center Labor Hours and Dollars Available to budget in grid



**Allocate Labor and Non Labor**

*Allocate hours and dollars to the various cost collectors (cost center, internal order, WBS) for capital and noncapital*

October							November						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
	1	2	3	4	5							1	2
6	7	8	9	10	11	12	3	4	5	6	7	8	9
13	14	15	16	17	18	19	10	11	12	13	14	15	16
20	21	22	23	24	25	26	17	18	19	20	21	22	23
27	28	29	30	31			24	25	26	27	28	29	30

- System design follows the Financial Accountability Model where each cost collector has one owner
- Cost collector owners will be responsible for budgeting and forecasting all other than labor
- Master Data guidelines will be in place to ensure consistency across the Company
- Cost collector combinations are entered into UIPlanner via a budget grid or Excel upload
  - Budget records will be displayed for the active department or cost center selected
  - An additional project screen available to further define budget inputs
- Both hours and dollars available on grid
- Contractor hours/dollars calculation available to assist users with developing their other than labor budgets

<input type="checkbox"/> Cost Source	<input type="checkbox"/> Cost Owner	<input type="checkbox"/> Cost Collected	<input type="checkbox"/> Project	<input type="checkbox"/> WBS	<input type="checkbox"/> Internal Order	<input type="checkbox"/> Cost Element	<input type="checkbox"/> Activity Type
--------------------------------------	-------------------------------------	---	----------------------------------	------------------------------	---	---------------------------------------	--

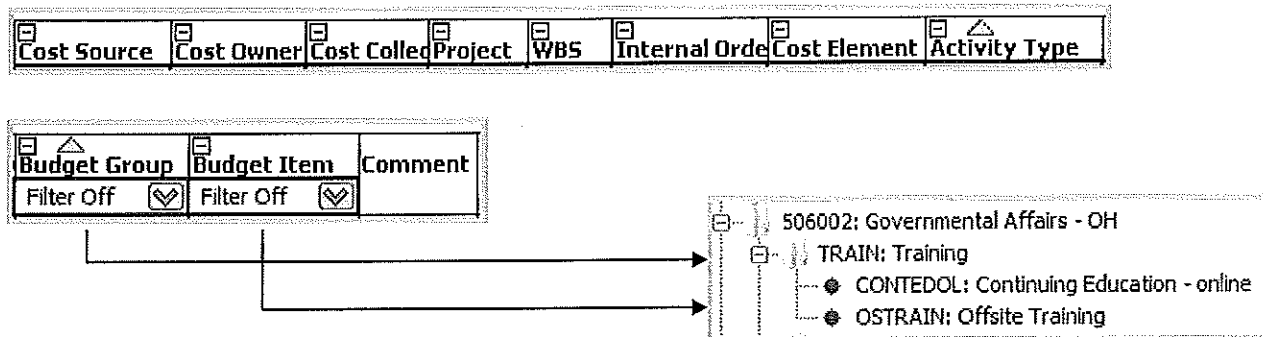
# Annual Budget / Multi-Year Plan Process

## 8 Create / Maintain Budget Group Budget Item

*Budget groups and budget items will be utilized as part of the budget grid entry to further categorize data inputs. Utilized to assist with budget/forecast approvals. Data fields are optional*

October							November						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
		1	2	3	4	5						1	2
6	7	8	9	10	11	12	3	4	5	6	7	8	9
13	14	15	16	17	18	19	10	11	12	13	14	15	16
20	21	22	23	24	25	26	17	18	19	20	21	22	23
27	28	29	30	31			24	25	26	27	28	29	30

- Budget groups and budget items can be assigned to any node in the cost center tree
- The availability for use will depend on the assignment and level in the cost center tree
  - If a budget group budget item is assigned to an individual cost center then it will only be available for use with a grid combination for that particular cost center
  - Budget group and budget items set at the "all node" or top level will be available for all users



## Annual Budget / Multi-Year Plan Process

9

### Project Planning and Tracking

*A separate project screen is available where users can house additional project information in one common place. Planning projects can be created in UIPlanner to assist with long term planning*

October							November						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
		1	2	3	4	5						1	2
6	7	8	9	10	11	12	3	4	5	6	7	8	9
13	14	15	16	17	18	19	10	11	12	13	14	15	16
20	21	22	23	24	25	26	17	18	19	20	21	22	23
27	28	29	30	31			24	25	26	27	28	29	30

- Users will input additional project information such as project description, project sponsor, project status, etc for both SAP projects and UI Planning Projects
- Project attributes will be both required and optional
- UIPlanner will allow users to create projects for multiyear planning without having to create the project definition and WBS elements in SAP
- “Project Templates” will be interfaced and utilized from SAP as a starting point
  - Allows the project attribute values of the SAP project to be applied to the new Planning Project (project definition and WBS element level)
  - Mirroring the SAP project to the UI Planning Project ensures important attributes such as the costing sheet data is applied accurately
- When planning projects are approved during the budget year, the project definition and WBS elements will be created in SAP and interfaced in UIPlanner

# Annual Budget / Multi-Year Plan Process

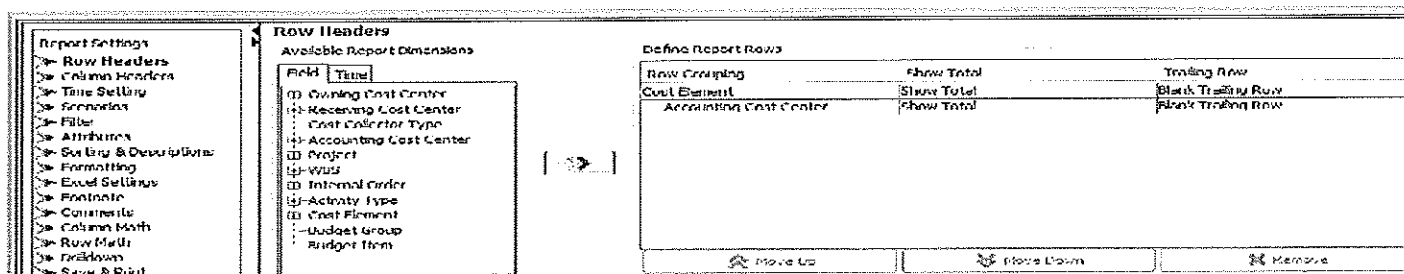
10

## Validation Reporting

*System validation reports will be available to check user entry for budget and forecast inputs*

October							November						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
		1	2	3	4	5						1	2
6	7	8	9	10	11	12	3	4	5	6	7	8	9
13	14	15	16	17	18	19	10	11	12	13	14	15	16
20	21	22	23	24	25	26	17	18	19	20	21	22	23
27	28	29	30	31			24	25	26	27	28	29	30

- UIPlanner reports will be available to validate system entry
- Multiple ways to view data
  - **View Reports** - standard reports by major category
  - **Create Reports** - on-the-fly reporting - menu driven. Ability to edit report rows and columns, add and delete fields, subtotal and total, formatting
  - **Report Administration** - enables user to create reports you want to quickly rerun, distribute, or edit in the future
- Certain data fields will be derived through reporting such as cost type, company code, profit center, etc.



## Annual Budget / Multi-Year Plan Process



### Business Unit / Department Center Locking

*Business Unit/Department approval will be required. Select users will be able to lock the cost centers for their respective areas prior to the final budget close*

October							November						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
		1	2	3	4	5						1	2
6	7	8	9	10	11	12	3	4	5	6	7	8	9
13	14	15	16	17	18	19	10	11	12	13	14	15	16
20	21	22	23	24	25	26	17	18	19	20	21	22	23
27	28	29	30	31			24	25	26	27	28	29	30

- Select users will be granted access to lock their individual business unit/department cost centers or entire group/department once the Business Unit Controller/Department Head has reviewed and approved the results
- Center locking will be considered an approval and signifies to the System Administrator that the group has completed their work and is ready for final processing
- Center locking is date stamped and identifies who locked and at what time

## Annual Budget / Multi-Year Plan Process

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### System Administrator Activities

*System Administrator will perform additional activities to finalize the budget/forecast process*

October							November						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
		1	2	3	4	5						1	2
6	7	8	9	10	11	12	3	4	5	6	7	8	9
13	14	15	16	17	18	19	10	11	12	13	14	15	16
20	21	22	23	24	25	26	17	18	19	20	21	22	23
27	28	29	30	31			24	25	26	27	28	29	30

#### • Validation Reporting

- Verify all areas are locked
- Review miscellaneous reports

#### • Administrator Center Locking

- Once the Business Unit/Department locks their individual groups, the System Administrator can perform an administrative lock over the entire cost center tree which signifies the scenario has been locked
- System Administrator has the authority to open up individual centers for a particular user in the event a budget correction is needed

#### • Budget / Forecast Close Process

- The Budget Close will be processed in UIPlanner and System Administrator will run the budget close at different intervals of the process giving the user insight into the final settled numbers
- The close will process all years in scenario
- A schedule will be published as part of the budget guidelines allowing users to plan accordingly
- Budget close processing time is expected to be significantly shorter than FE's current process. Exact time for compiling and run time is not yet known
- FERC will be derived as part of the close process

## Annual Budget / Multi-Year Plan Process

### 13 Move B2 Results to Financial Model

*Select budget entry items will be migrated from B2 to the Financial Model for further processing*

October							November						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
		1	2	3	4	5						1	2
6	7	8	9	10	11	12	3	4	5	6	7	8	9
13	14	15	16	17	18	19	10	11	12	13	14	15	16
20	21	22	23	24	25	26	17	18	19	20	21	22	23
27	28	29	30	31			24	25	26	27	28	29	30

- Dependent data items (interest, deferrals / riders, income taxes, general taxes) are calculations that will be automated in the model
  - The model “links” the calculation of dependent data
    - Eliminates the need for manual handoffs
    - Allows for quick turnaround of changes
  - New process will generate integrated financials, not just an Income Statement
    - Better insight on cash impacts
    - Monitor key financial drivers including regulated entities rate base
  - Separate model security limits access to data
    - Not all B2 users will have access to the financial model
- 
- Additional Model activities
    - Creating scenarios and “what if” analysis
    - Target setting and financial metrics
- ➔
- Develop internal multi-year financial guidance and targets*

# Annual Budget / Multi-Year Plan Process

## 14 Move Financial Model Results to B2

Once model processing occurs, results will be posted back to B2 for users to view. Level of details and posting method is still under development

October							November						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
		1	2	3	4	5						1	2
6	7	8	9	10	11	12	3	4	5	6	7	8	9
13	14	15	16	17	18	19	10	11	12	13	14	15	16
20	21	22	23	24	25	26	17	18	19	20	21	22	23
27	28	29	30	31			24	25	26	27	28	29	30

- Results from the data calculations within the model will be posted back to the B2 environment
- Calculated results will be available to view within a dataset and report
- Owners will review and validate results as part of process
- The key financial statements (income statement, cash flow, balance sheet) will also be generated as part of model processing
- Internal income statement results will be available for users to view in B2

Balance Sheet											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assets											
Cash	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Accounts Receivable	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Inventory	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Prepaid Expenses	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Other Assets	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total Assets	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Liabilities											
Accounts Payable	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Long Term Debt	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Other Liabilities	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total Liabilities	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Equity											
Common Stock	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Retained Earnings	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total Equity	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Total Liabilities & Equity	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000

# Annual Budget / Multi-Year Plan Process

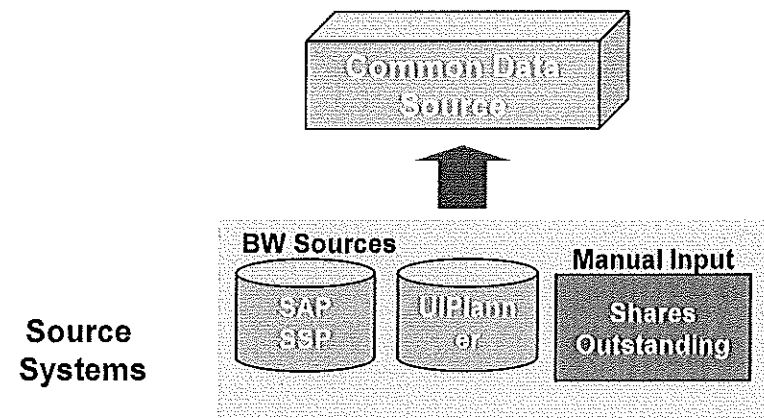
15

## Move Processed Financial Results to Common Data Source

*Provide standard management reporting sourced from a single, common database. Standard reporting available to ensure results are viewed consistently across the organization*

October							November							
S	M	T	W	T	F	S	S	M	T	W	T	F	S	
		1	2	3	4	5							1	2
6	7	8	9	10	11	12	3	4	5	6	7	8	9	
13	14	15	16	17	18	19	10	11	12	13	14	15	16	
20	21	22	23	24	25	26	17	18	19	20	21	22	23	
27	28	29	30	31			24	25	26	27	28	29	30	

- **Final processed results will be moved to the Common Data Source**
  - Separate Summary Cube allows faster report processing
  - Separate Detailed Cube simplifies variance analysis
  - Multi-year forecast data will not be sent to the BW
- **FiT Available Reports**
  - Financial Statements,
  - Monthly Management Reports
  - Cost Reporting
  - Employee Labor Reporting



## Current and Multi-Year Forecast Process

## Current and Multi-Year Forecast Process

### B Current and Multi-Year Forecast Process

- Recast current month and remaining months in current year
- Update of multi-year plan
- Standard reporting will be utilized with fixed timing (FIT Reporting)
- Forecast results available each month to manage current and multi year

Year 1						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			
Years 2 - 5						

#### • Key Activities

- |   |  |
|---|--|
| <p>1</p> <ul style="list-style-type: none"> <li>• Create New Scenario (monthly)</li> <li>• Run Applicable Interfaces (monthly)</li> <li>• Update Budget, Forecast, Plan guidelines</li> <li>• Calculate annual activity prices (N/A)</li> <li>• Perform Other System Activities (if needed)</li> </ul>  | <ul style="list-style-type: none"> <li>• Move B2 Results to Model</li> <li>• Move Model Results to B2</li> <li>• Move Processed Financial Results to Common Data Source</li> <li>• Standard Reporting</li> </ul> |
| <p>2</p> <ul style="list-style-type: none"> <li>• Employee Labor</li> <li>• Allocate Labor and Non Labor</li> <li>• Create/Maintain Budget Group Budget Items</li> <li>• Project Planning and Tracking</li> <li>• Validation Reporting</li> <li>• Business Unit/Department Center Locking</li> <li>• System Administrator Activities               <ul style="list-style-type: none"> <li>• Reporting, Center Locking, Budget Close, Derive FERC</li> </ul> </li> </ul> | <p>→ Reflect labor and non labor changes</p>   |

# Current and Multi-Year Forecast Process

## 1 Maintain UIPlanner System & Process

*The current and multi-year forecast process will follow the same steps as the annual budget/multi-year plan process with several activities being modified to reflect monthly versus annual*

Year 1						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			
Years 2 - 5						

- Create New Scenario
  - Create new version to capture recast
- Run Applicable Interfaces
  - Interface SAP monthly actuals (budget level)
  - Interface HR employee data
- Update Budget, Forecast Plan Guidelines
  - Update scenario assumptions (if needed)

Amount Type	2013					
	2013 - Jan	2013 - Feb	2013 - Mar	2013 - Apr	2013 - May	2013 - Jun
Dollars	\$35	\$35	\$35			
Hours	1.0	1.0	1.0			

*Actuals load to UIP*      *Recast remaining months and multi year*

*Reference row available to compare values from previous scenarios*

Amount Type	2013	2014	2015	2016	2017	2018
Dollars	\$0	\$0	\$0	\$0	\$0	\$0
Hours	0.0	0.0	0.0	0.0	0.0	0.0

## Current and Multi-Year Forecast Process

### 2 System Entry

*Users will identify changes and reflect labor and other than labor changes*

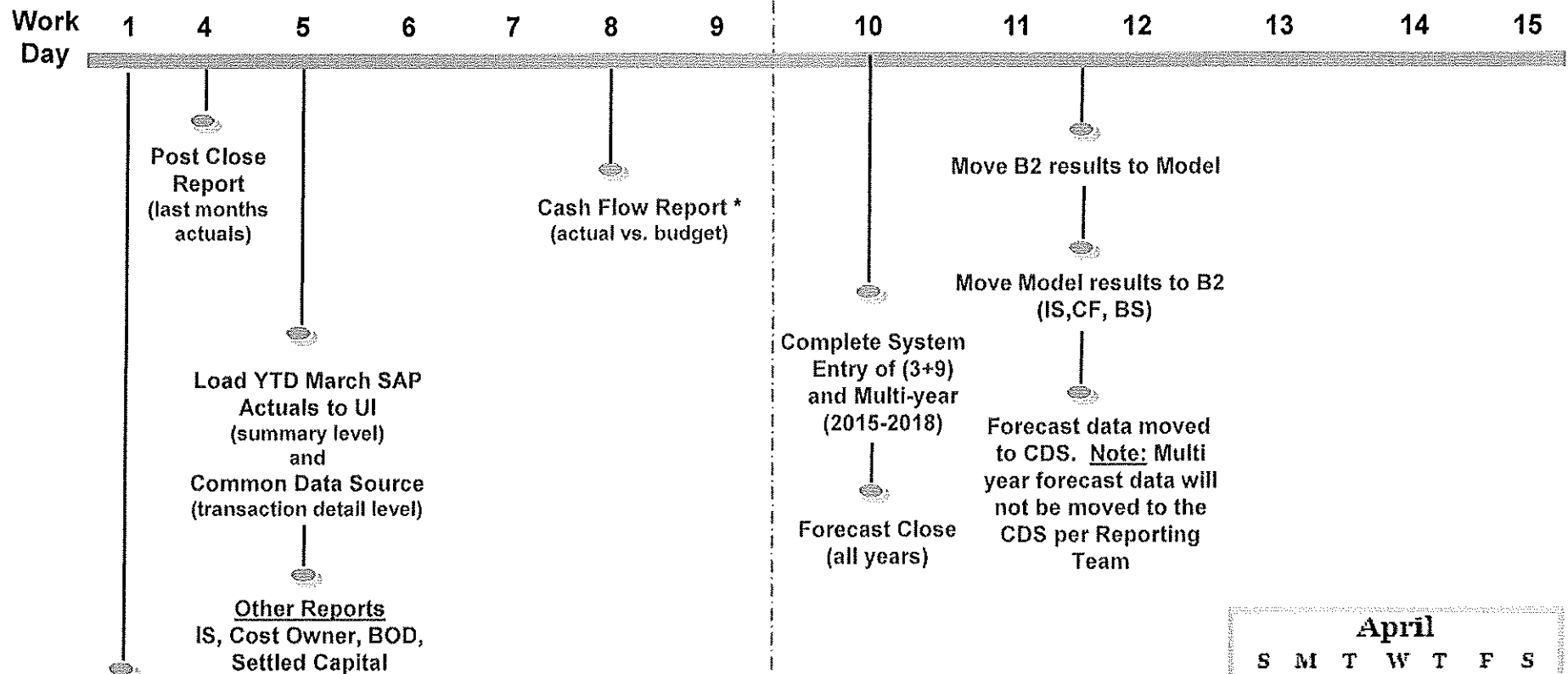
Year 1						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			
Years 2 - 5						

- Employee Labor
  - SAP HR data will be interfaced to UIPlanner initially for calculation of activity prices, but also monthly to reflect employee changes such as pay adjustments, vacation and PAD usage
  - Interface will automatically run the first workday each month
  - Labor balances should be reviewed as part of the forecast process
  
- Allocate Labor and Non Labor
  - Adjust cost collector dollars/hours for remaining months
  
- Create/Maintain Budget Group Budget Items (optional)
  - Create new budget groups budget items to capture new cost collector additions
  
- Project Planning and Tracking
  - Identify new projects
  - Identify project changes and status

# Current and Multi-Year Forecast Process

**Illustrative**

- Schedule included with annual guidelines
- Standard reports will be utilized to manage results



- New scenario created for 3+9. System open for entry (*scenario can be created in previous month*)
- Run applicable interfaces (e.g. monthly HR data)

*Specific calendar days will utilize standard reports*

- System generated cash flow reports will not be available until BPC go-live 5/9/14. Actual to budget/forecast cash variance reporting will continue to be created using the current process

April						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

# Current and Multi-Year Forecast Process

## • Multi-Year Plan / Forecast

- Performed in conjunction with the annual and monthly forecast process
- Multi year approach
  - Focus on one year out (year 2) – identification of known key events and business unit initiatives
  - Years 3 - 5 identification of primary business drivers
- Allow users the ability to develop a detailed forecast or adjust at a summary level
- Budget close will process all years in scenario

*Build and refine forecast data for detailed annual budget  
Ability to align earnings and cash projections with long-term strategy*

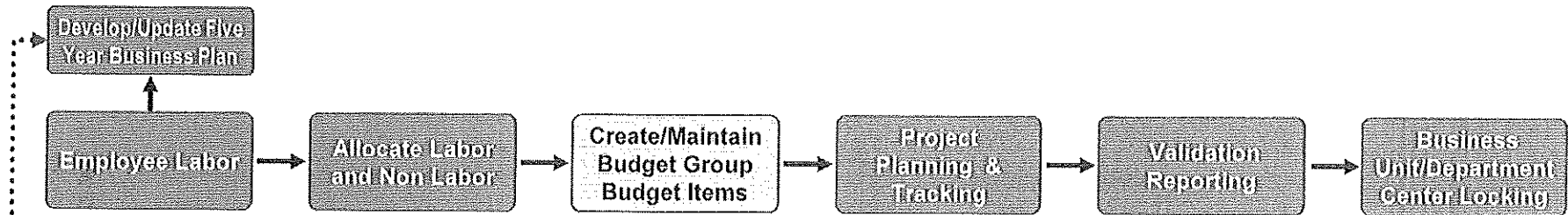
Year 1 (current year)	Year 2	Year 3	Year 4	Year 5
<b>Annual Budget</b>	<b>Multi-Year Plan / Forecast</b>			
<b>Current Year Forecast</b>	<b>Known key events</b>		<b>Primary Business Drivers</b>	
<ul style="list-style-type: none"> <li>• Cost center level details</li> <li>• Identification of specific capital and noncapital projects</li> <li>• Identified strategies</li> <li>• Execute and monitor performance</li> </ul>	<ul style="list-style-type: none"> <li>• Business Unit Initiatives</li> </ul>			
	<b>Key Variable Inputs</b>			
	<ul style="list-style-type: none"> <li>• Load</li> <li>• Special programs (e.g. forestry, energy efficiency)</li> <li>• Transmission</li> <li>• Regulatory strategy</li> <li>• Power prices</li> <li>• Plant outages</li> <li>• Fuel</li> </ul>		<ul style="list-style-type: none"> <li>• Human Resources special items</li> <li>• Tax strategies</li> <li>• Treasury activities</li> <li>• Accounting treatment</li> <li>• Business development strategies</li> </ul>	

# Budget, Forecast, Plan Process Summary

## 1. Maintain UIPlanner System & Process



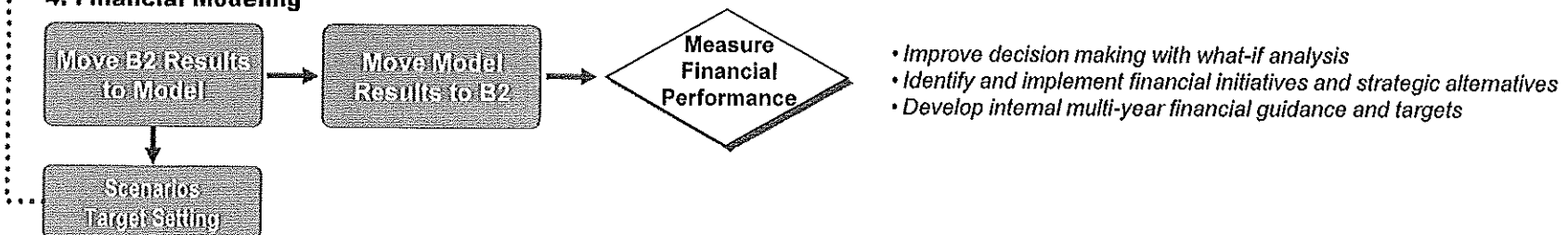
## 2. System Entry



## 3. System Administrator Activities



## 4. Financial Modeling



## 5. Reporting



**UIPlanner Log In Process**

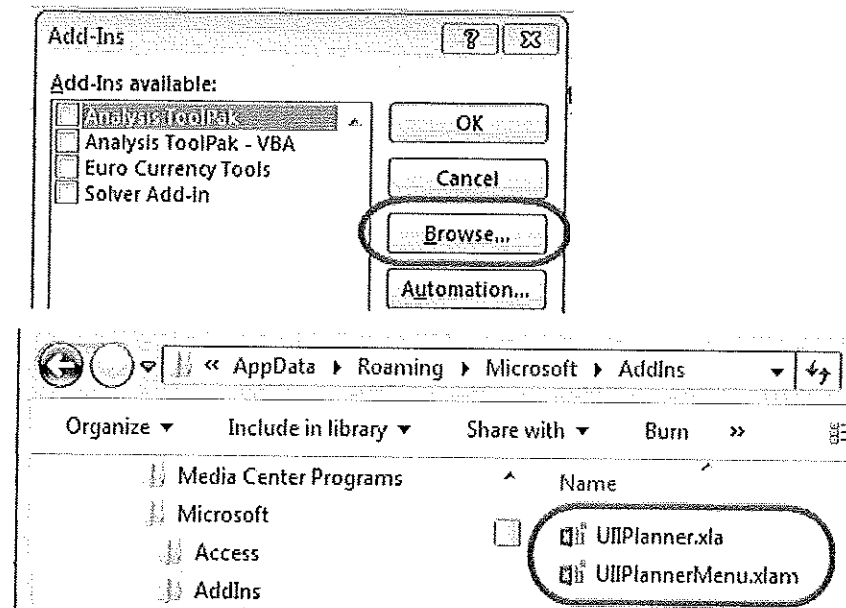
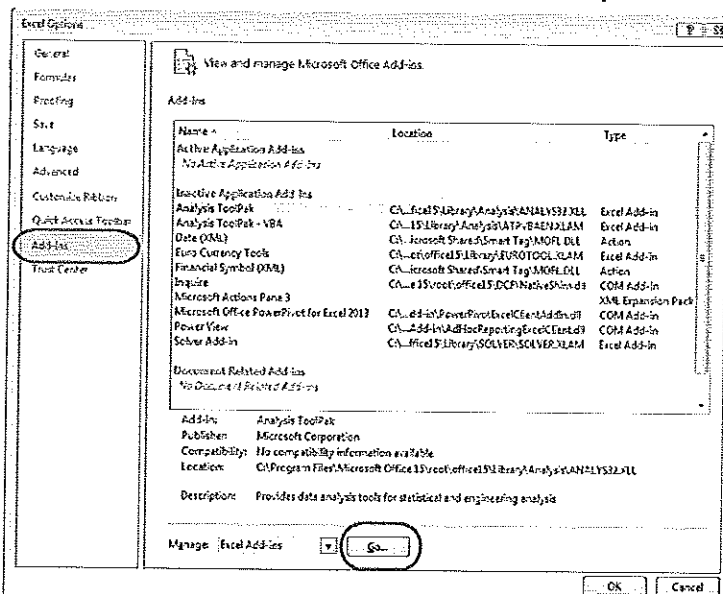
## Install Excel Add-Ins

- **UIPlanner Excel Add-Ins are used for Excel upload / download functionality**
- **Add-Ins are User ID and computer specific**
- **Follow these steps to copy the Add-Ins files to your Excel session on the computer you will use to access UI Planner**
  - **Step 1 – Locate the files to be copied**
    - Open Windows Explorer, navigate to the U: shared drive to your appropriate group folder and leave this window open.
      - U:\FE\Competitive - FES\FIT Project\UIPlanner\Excel Add Ins
      - U:\FE\EnerAff\FIT Project\UIPlanner\Excel Add Ins
      - U:\FE\RegEnt\FIT Files\UIPlanner\Excel Add Ins
      - U:\FE\ShrSvc\FIT\UIPlanner\Excel Add Ins
  - **Step 2 – Copy the files from the U drive to your C drive through Excel**
    - Follow the instructions pertaining to your version of Excel (see next slides)
    - Excel will direct you to where the files should be copied
  - **Step 3 – Confirm the Add-In was installed**
    - Follow the instructions pertaining to your version of Excel (see next slides)

## Excel Add-Ins – Step 2

### • For Excel version 2010 or 2013

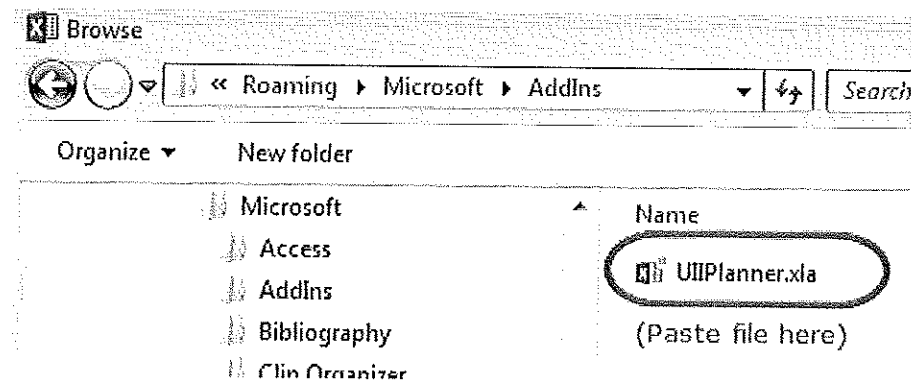
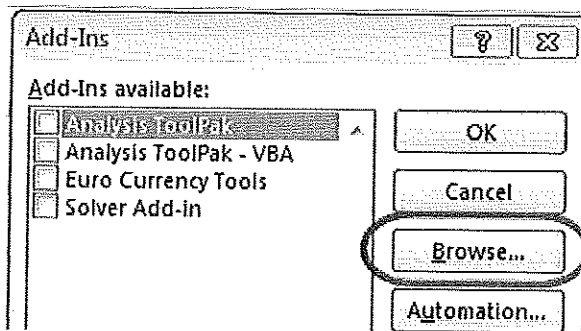
1. Open Excel (version 2010 or 2013)
2. Click File > Options
3. From the Excel Options window, select **Add Ins** then click **GO**
4. From the Add Ins pop up, click **Browse**
5. Excel will take you to the location where the files should be (It will be empty)
6. Navigate to your Windows Explorer session and copy the two Add-In files
7. Navigate to your Excel session and paste the two files into the 'AddIns' folder Excel has selected for you



## Excel Add-Ins – Step 2 (continued)

- **For Excel version 2003 or 2007**

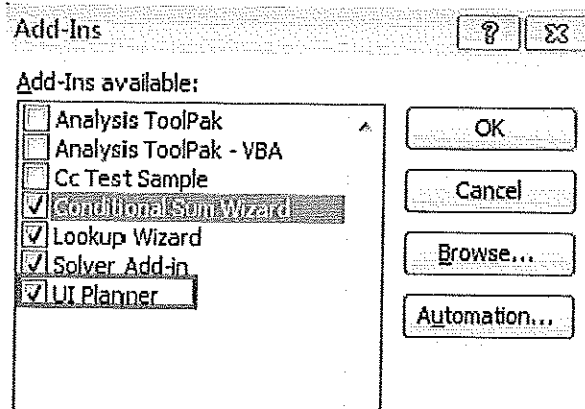
1. Open Excel
2. From the menu bar, select Tools > **Add Ins**
3. From the Add Ins pop up, click **Browse**
4. Excel will take you to the location where the files should be (It will be empty)
5. Navigate to your Windows Explorer session and copy one Add In file UIPlanner.xla
6. Navigate to your Excel session and paste the file into the 'AddIns' folder Excel has selected for you



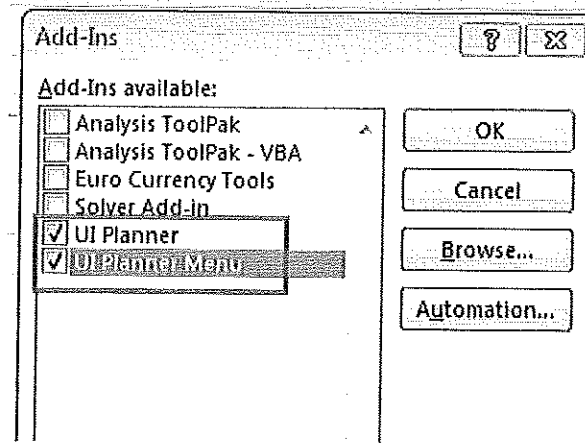
## Excel Add-Ins – Step 3

### Confirm the Add-In was installed

- **For Excel 2003 or 2007**
  - Click 'Tools' menu
  - Select 'Add-Ins'
  - Confirm 'UI Planner' is checked



- **For Excel 2010 or 2013**
  - Click File > Options > Add-Ins > GO
  - Confirm 2 UIPlanner Add-In files are checked



New 'UI Planner' Menu option appears



# UIPlanner Log In

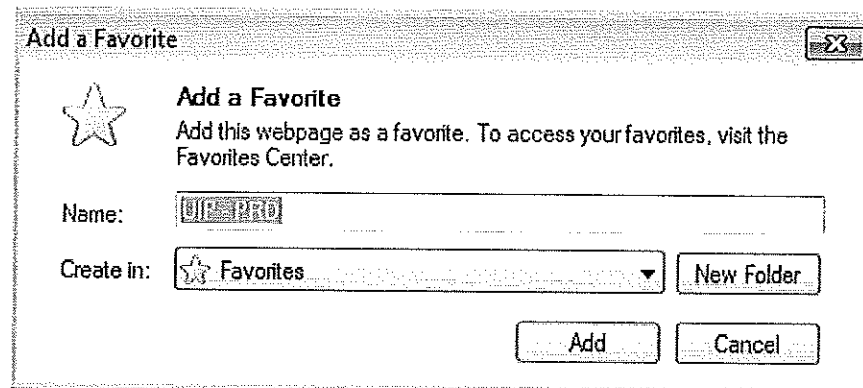
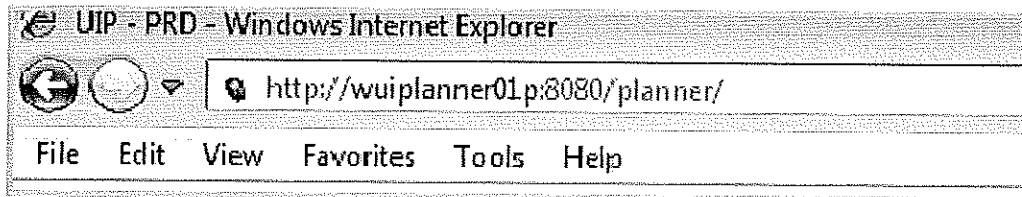
- 1 • Enter the link on the browser line

- <http://wuiplanner01d:8080/planner/> - Development

- <http://wuiplanner01t:8080/planner/> - Test

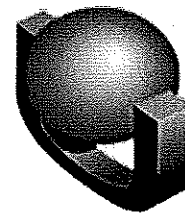
- <http://wuiplanner01p:8080/planner/> - Production

- Add to Favorites



# UIPlanner Log In

- 2 • After entering the link, the UIPlanner software main screen will display
- Click on (3 GB or 4 GB Workstation)



## UTILITIES International

UIPlanner - Production

(Build: 387 22-August-2013 04:38 PM) PRD

REV=15928

[Launch UIPlanner \(2 GB Workstation\)](#)

[Launch UIPlanner \(3 GB Workstation\)](#)

[Launch UIPlanner \(4 GB Workstation\)](#)

UIPlanner 8 GB Link requires 64-bit browser