

IMPLEMENTATION PLAN

of

PECO ENERGY COMPANY

to the

PA PUC FOCUSED MANAGEMENT

and

OPERATIONS AUDIT

Docket No. D-2013-2370921



September 29, 2014

PECO Energy Company
Stratified Management and Operations Audit

IMPLEMENTATION PLAN for
2014 PA PUC Management Audit Report

Recommendation III-1

Conduct periodic management position span of control reviews and document justification for supervisors/subordinate ratios with narrow or wide spans of control.

Response

Accepted

Action

PECO will periodically develop a span of control review and document justifications for supervisors /subordinate ratios with narrow or wide spans of controls through the Workforce Planning process.

Individual Responsible

Mary Krick, VP HR Operations PECO

Expected Completion Date

2nd Quarter 2015

Actions Taken

**PECO Energy Company
Stratified Management and Operations Audit**

**IMPLEMENTATION PLAN for
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Recommendation III-2

Perform periodic staffing level and base workload studies.

Response

Accepted

Action

PECO will perform a periodic staffing level and base workload analysis through the Workforce Planning process.

Individual Responsible

Mary Krick, VP HR Operations PECO

Expected Completion Date

4th Quarter 2015

Actions Taken

**PECO Energy Company
Stratified Management and Operations Audit**

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Recommendation III-3

Conduct periodic business case studies for contracted services, particularly Contractors of Choice contracts.

Response

Accepted

Action

1. Identify contracted services to perform a cost benefit analysis based on work scope, resource requirement and contractor comparison and develop appropriate sourcing strategies.
2. Develop a standard analysis template which serves as the documentation that will support the Contractor of Choice recommendation.

Individual Responsible

John McDonald, VP Technical Services

Expected Completion Date

2nd Quarter 2015

Actions Taken

PECO Energy Company
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Recommendation IV-1

Enhance PECO's code of business conduct and ethics training programs by offering periodic in-person led training classes for all employees.

Response

Accepted

Action

Exelon's Ethics Office will work with PECO leadership to train appropriate personnel (e.g. supervision, Human Resources, Legal) to deliver in-person Ethics training and develop a schedule of periodic class offerings.

Individual Responsible

William Cameron, Asst. General Counsel, Manager, Ethics

Expected Completion Date

4th Quarter 2015

Actions Taken

PECO Energy Company
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Recommendation V-1

Periodically review costs and quality of services provided by Exelon BSC and compare them to market.

Response

Accepted

Action

As part of the 2014 Market Testing of BSC services provided to PECO, the Company will follow guidelines presented in procedure FI-PE-002. Analysis will be performed on total billings and the focus of comparison to market via benchmarking or other measures will be on those services categorized as transactional. Given the duration since the last comparison to market (largely driven by the focus on systems conversion), at least one service will be identified for comparison to market in 2014 by PECO and subsequently tested in 2015. This comparison will be on both costs and quality of services. Moving forward, PECO will annually perform the market testing with a focus on having key transactional areas tested on a regular timeframe (every 5-7 years).

Individuals Responsible

Lisa Graham, Director Corporate Planning, BSC
Phillip Barnett, SVP, CFO & Treasurer, PECO

Expected Completion Date

2014 Analysis – 4th Quarter 2014.
Comparison to market via benchmarking or other measures for one service – 4th Quarter, 2015.
Testing in subsequent years – 4th Quarter each year.

Actions Taken

**PECO Energy Company
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Recommendation VI-1

Review and update PECO's Financial Management policies and procedures, periodically to ensure that the policies reflect actual practices and current organizational structure.

Response

Accepted

Action

PECO will review the Company's Financial Management policies and procedures every three years. As a result of the review, PECO will update the Company's Financial Management policies and procedures to ensure that the policies reflect actual practices and current organizational structure.

Individual Responsible

Phillip Barnett, SVP, CFO & Treasurer, PECO

Expected Completion Date

4th Quarter 2015

Actions Taken

PECO Energy Company
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Recommendation VI-2

Document PECO's internal dividend policy and continue to provide advanced notice of the declaration of dividends, and a written explanation to the Commission for each dividend payment in excess of 85% of net income.

Response

Accepted

Action

1. Document PECO's internal dividend program.
2. Continue to provide advanced notice of the declaration of dividends.
3. Provide written explanation to the Commission for any dividend payment in excess of 85% of net income.

Individuals Responsible

1. Phillip Barnett, SVP, CFO & Treasurer, PECO
2. Alan Cohn, Manager Regulatory Strategy

Expected Completion Date

1. Document PECO's internal dividend program - Completed
2. Continue to provide advanced notice of the declaration of dividends - Completed
3. Provide written explanation to the Commission for any dividend payment in excess of 85% of net income – 4th Quarter 2014

Actions Taken

1. Drafted / completed PECO's internal dividend program setting forth:
Purpose; Precautions and limitations; Prerequisites; Program; Roles and Responsibilities; Documentation; Terms and Definitions; References; Attachments; and Development History.
2. PECO continued to provide quarterly advanced notice of declaration of its common stock dividends to the Commission. The most recent notice was filed on 8/15/14.

**PECO Energy Company
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Recommendation VII-I

Improve response rates to emergency orders by tracking the reasons for missing trouble order goals and implementing corrective measures as necessary.

Response

Accepted

Action

PECO will reinforce dispatch and on-sight time expectations for Police and Fire 1 (PF1) events with dispatchers and ALM's. The Company will develop and conduct a quarterly review process of PF1 calls that have response times beyond target and implement corrective actions to improve response rates.

Individual Responsible

Len Sanelli, Director of Distribution System Operation

Expected Completion Date

1st Quarter 2015

Actions Taken

PECO Energy Company
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Recommendation VII-2

Reduce overtime levels, specifically non-storm overtime, for Construction & Maintenance and Distribution System Operations.

Response

Accepted

Action

C&M and DSO organizations will evaluate several alternatives and implement follow up actions

1. Outsource certain non-core work activities that have been previously insourced for some period during the audit study timeframe. Examples of potential work activities include worksite flagging and secondary fault locate and repair work.
2. Transition C&M and DSO field personnel that have been installing AMI meters back to their core functions at the end of the AMI project.
3. Assess vacancy rates within the C&M and DSO organizations through the audit study timeframe to assess impact of open positions on overall OT rate. Ensure that vacancies are appropriately filled within the C&M and DSO organizations.
4. Assess the current allocation of resources between the C&M and DSO organizations to determine if a resource shift is needed to normalize workload.
5. Perform a shift coverage analysis within C&M and DSO to determine if resources are needed to be allocated to different work schedules for OT reduction.
6. Implement more formal key performance metrics related to workforce holdover percentage in response to leadership requests.

Individual Responsible

Eric Helt, VP Electric Operations

Expected Completion Date

4th Quarter 2015

Actions Taken

**PECO Energy Company
Stratified Management and Operations Audit**

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Recommendation VII-3

Improve/expand oversight of contractor performed work.

Response

Accepted

Action

Develop and implement a plan to improve/expand oversight of contractors performing work managed by the Business Planning & Support organization in Electric Operations.

Individual Responsible

Eric Helt, VP Electric Operations

Expected Completion Date

4th Quarter 2015

Actions Taken

PECO Energy Company
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Recommendation VII-4

Reduce the number of customers experiencing four or more service interruptions in a year.

Response

Accepted

Action

PECO will continue to perform analysis and identify corrective actions focused on areas of customers experiencing multiple interruptions. These efforts will be employed to reduce the number of customers experiencing 4 or more service interruptions in a given year compared to the 5-year average (2008 – 2012 average of 4.88%).

Individual Responsible

John McDonald, VP Technical Services

Expected Completion Date

4th Quarter 2015

Actions Taken

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Recommendation VII-5

Incorporate additional factors into the Top Priority Circuit Program, like Customers Experiencing Multiple Interruptions.

Response

Accepted

Action

PECO will add a rolling 12-month CEMI-4 metric to the Top Priority Circuit criteria starting with 2015 Top Priority Circuit selections.

Individual Responsible

John McDonald, VP Technical Services

Expected Completion Date

Completed - 2nd Quarter 2014

Actions Taken

As part of the 2015 Top Priority Circuit Program, PECO has included Customers Experiencing Multiple Interruptions to the prior criteria of SAIFI, SAIDI, Customer Hours and Customer Count. This change was completed in June, 2014 when the circuit selections for the 2015 Top Priority Circuit Program started.

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Recommendation VII-6

Create enhanced tools/systems in partnership with County 911 Centers to provide interface capabilities during emergency situations.

Response

Accepted

Action

PECO will work with the various County 911 Centers to enhance communications and data transfer. The interface and event types currently in use between PECO and Chester County will be recommended to the other counties for their consideration, as well as evaluation of other potential enhancements. The final decision for implementing recommended tool/systems will be made by each county.

Individual Responsible

Len Sanelli, Director of System Operation

Expected Completion Date

4th Quarter 2015

Actions Taken

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Recommendation VII-7

Initiate efforts to improve and/or review outage orders closed by field crews.

Response

Accepted

Action

PECO will provide ALM's outage order closure training as part of PragmaCAD 5.5 implementation. PECO will include this in annual refresher training.

Individual Responsible

Len Sanelli, Director Distribution System Operation

Expected Completion Date

4th Quarter 2015

Actions Taken

**PECO Energy Company
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Recommendation VII-8

Evaluate the process for providing work packets to contractors and automate if deemed feasible.

Response

Accepted

Action

Identify contractor work categories to evaluate the use of automated work packages and implement where a business benefit is determined.

Individual Responsible

John McDonald, VP Technical Services

Expected Completion Date

2nd Quarter 2015

Actions Taken

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Recommendation VII-9

Improve the data capture rate for the Equipment Failure Database by enforcing compliance with the Equipment and Component Failure Analysis material retention procedures.

Response

Accepted

Action

1. Review current reporting procedure with Field Forces to capture required document clarifications.
2. Reinforce procedure adherence.
3. Measure and audit results as appropriate.

Individual Responsible

Dan Loveland, Manager Regional Distribution Engineering

Expected Completion Date

3rd Quarter 2015

Actions Taken

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Recommendation VIII-1

Reduce gas line hit damages resulting from PECO mapping data errors by mitigating mapping data errors and implementing an aggressive program to locate facilities with an emphasis on plastic pipe.

Response

Accepted

Action

PECO will work to reduce gas line hits by developing a program to proactively identify its underground facilities through the use of technology. The program will focus on: areas of high risk, 3rd party contractors and large projects as well as validating and updating records.

Individual Responsible

Dave Haverstick, Manager Damage Prevention

Expected Completion Date

4th Quarter 2015

Actions Taken

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Recommendation VIII-2

Accelerate the replacement rate of unprotected bare steel mains through a risk-based/prioritized schedule.

Response

Accepted

Action

PECO will utilize its DIMP to accelerate the replacement of unprotected bare steel mains on an annual basis. The replacement rate will correlate to the risk score (frequency times consequence) identified through DIMP and depend on the overall baseline risk potential established for the entire distribution system. In addition, by 2017, PECO's AGIMP budget will focus on high risk bare steel main replacement. These replacements will be driven by Optimain risk scores and focus on active Class 3 Leaks. Any further changes will be subject to an additional LTIIP filing.

Individuals Responsible

Brian Camfield, Manager of Gas Engineering & Asset Performance
Ron Bradley, VP Gas

Expected Completion Date

1st Quarter 2017

Actions Taken

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Recommendation IX-1

Periodically conduct Vulnerability Assessments/Site security Assessments using outside resources.

Response

Accepted

Action

PECO Security has requested the Department of Homeland Security (DHS) to conduct Vulnerability Assessments at PECO assets as an outside resource. DHS has committed to these assessments and has begun preparations to complete Vulnerability Assessments at several PECO assets in 2014.

Individual Responsible

Michael Melvin, Manager, PECO Security

Expected Completion Date

4th Quarter 2014

Actions Taken

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Recommendation X-1

Perform a periodic comprehensive system-wide review of emergency and inactive inventory and eliminate inventory, as appropriate.

Response

Accepted

Action

PECO will conduct a yearly comprehensive system wide review of ER and Non-ER inactive material that has not had activity for more than 5 years. This data will be reviewed with the Operation's VP's for disposition to optimize inventory levels and reduce inventory where possible.

Individuals Responsible

John McDonald, VP Technical Services
Ron Bradley, VP Gas
Ed Jandacek, VP Supply Ops & Sourcing

Expected Completion Date

First review - 3rd Quarter 2015
Annually thereafter - 3rd Quarter

Actions Taken

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Recommendation XI-1

Strive to achieve transactional customer service satisfaction levels equal to or greater than the Pennsylvania Electric Distribution Company average, through continued training, first call resolution, process improvements, etc.

Response

Accepted

Action

PECO Call Center will continue to improve call satisfaction by:

1. Providing refresher training to personnel on frequent call types such as high bills and connect calls.
2. Identifying drivers of repeat calls and identify improvement plans.
3. Defining and tracking first call resolution.
4. Investing in self-service channels (IVR, Web self service).
5. Reviewing Quality guidelines for CSR standards.

Individual Responsible

Frank Jiruska, Vice President of Customer Operations

Expected Completion Date

4th Quarter 2015

Actions Taken

PECO Energy Company
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Recommendation XI-2

Strive to reduce long-term residential customer arrearages by conducting analysis to explore the enhancement of existing payment programs and collection policies.

Response

Accepted

Action

Revenue Management will:

1. Improve payment options for all customers.
2. Conduct a comprehensive review of customer payment agreement policies & practices and modify as necessary.
3. Take an individualized approach for customers with high delinquent balances to address specific issues on a one-on-one basis.

Individual Responsible

Frank J. Jiruska, Vice President, PECO Customer Operations

Expected Completion Date

4th Quarter 2015

Actions Taken

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Recommendation XI-3

Initiate additional measures to reduce the utilization of deferred payment arrangements for Customer Assistance Program participants and decrease the Company's balance of outstanding customer accounts receivable balances.

Response

Accepted

Action*

Complete a comprehensive review of low-income policies to:

1. Address the number of collection exceptions or "holds" low-income customers can receive on a monthly basis.
2. Put policies in place that encourages regular, monthly payments from low-income customers.
3. Reduce the number of payment agreements low-income customers are given to prevent growth of high balances.

* PECO is currently in Mediation with several parties regarding the redesign of our current Customer Assistance Program (*i.e. CAP Re-Design*). We will use this substantial change in the CAP Program to address this issue through affordable bills, requiring on-time monthly bill payment and limiting payment agreements. This will require PA PUC approval.

Individual Responsible

Frank Jiruska, Vice President Customer Operations

Expected Completion Date

4th Quarter 2015 with the approval of the 2016 – 2018 Three Year Plan

Actions Taken

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Recommendation XIII-1

Document a comprehensive PECO vehicle replacement policy incorporating its current practices to supplement the Exelon BSC vehicle replacement policy.

Response

Accepted

Action

Fleet investigated and purchased a vehicle replacement module (VRM) developed by Utilimarc, which is the primary benchmarking company utilized by PECO/Exelon and utility fleets across the country. All vehicle information, including initial cost, maintenance costs and disposal costs are captured to identify total lowest cost of ownership (TLCO). Once TLCO is identified the vehicle life cycle is determined to produce a cyclical replacement vehicle plan and a replacement schedule. The VRM was run in 2014 to establish the vehicle replacement plan for 2015. The Vehicle Replacement Procedure was updated in 2014 to document use of Utilimarc's VRM module to establish vehicle replacement schedules.

Individual Responsible

D. Cooper Colbert Jr., Manager Fleet Operations

Expected Completion Date

Completed

Actions Taken

The Vehicle Replacement Procedure FM-PE-1054 was updated in February 2014 to document use of Utilimarc's VRM module to establish vehicle replacement schedules.

PECO Energy Company
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Recommendation XIII-2

Strive to meet key fleet performance indicator goals.

Response

Accepted

Action

1. Enhance the contract with the Fleet maintenance vendor to provide incentives to manage costs and achieve operational performance goals.
2. Revise key cost and operational performance indicators to track performance to the contract.
3. Continue regular cost and operational performance indicator reviews with Fleet maintenance vendor.

Individual Responsible

D. Cooper Colbert Jr., Manager Fleet Operations

Expected Completion Date

Completed

Actions Taken

As part of the negotiations of the 2014 contract extension, PECO implemented additional cost management measures with its Fleet maintenance contractor. New terms were added to establish “caps not to exceed” based on three year average costs for variable labor charges. The 2014 amendment also added a 50% savings sharing if actual total labor costs ran under the total labor “cap not to exceed.” In addition, the 2014 contract extension included an enhanced tiered reduction in parts mark-ups and discounts to encourage effective parts management. Furthermore, the contract amendment added quarterly financial penalties related to four different key performance goals (average number of vehicles out of service, backshift work completion, percentage of preventive maintenance completed each month, and staffing numbers).

Recommendation XIII-2 (continued)

PECO's Fleet performance indicators were revised in 2014 to better track the cost management provisions in the 2014 contract amendment. Key operational performance indicators were already in existence and now include financial penalties.

Weekly, PECO's Manager of Fleet reviews key Fleet cost and operational performance indicators with the Fleet maintenance vendor. Quarterly, the vendor's management team meets with the PECO VP of Support Services to review key Fleet cost and operational cost performance indicators. Follow-up actions are tracked.

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Recommendation XVI-1

Modify the legal expense budget process to document variance causal factors for the indirect, internal and external charges for all BSC Legal teams charging costs to PECO and make adjustments, as necessary, to reduce budgetary variances.

Response

Accepted

Action

Modify budget methodology to analyze direct and indirect BSC historical charges to develop a forecast. Quarterly, research material variances against the estimate and document the primary driver.

Individual Responsible

Romy Diaz, VP & General Counsel PECO

Expected Completion Date

4th Quarter 2015

Actions Taken

PECO Energy Company
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Recommendation XVII-1

Develop leave request and approval policies and investigate the implementation of automated processes for HRIS time sheet and leave reporting functions.

Response

Accepted

Action

Investigate the implementation of an automated process for HRIS time sheet and leave reporting functions. Once the eTime timekeeping system is upgraded, PECO will analyze the upgraded system functionality and evaluate its ability to address the recommendations.

Individual Responsible

Mary Krick, VP HR Operations PECO

Expected Completion Date

1st Quarter 2016

Actions Taken

**PECO Energy Company
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Recommendation XVII-2

Modify PECO's Annual Diversity Report to the PUC to include PECO-specific total spending and PECO-specific diverse vendor spending by classification for minority, women, and persons with disabilities-owned business enterprises.

Response

Accepted

Action

In 2014, PECO's Diverse Business Empowerment team modified its section of the annual PECO Affirmative Report to include PECO total spend and PECO total supplier diversity expenditures. Moving forward, we will modify the PECO Affirmative Action Report to include PECO's supplier diversity spend by classification that will include minority, women and persons with disabilities (service disabled veteran owned business) expenditures.

Individuals Responsible

Emmett T. Vaughn - Director, Diverse Business Empowerment

Vernice Lewis - Manager, Diverse Business Empowerment

Expected Completion Date

1st Quarter 2015

Actions Taken