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September 28, 2017

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 171 05-3265

Re: PECO Energy's Third Annual Stratified Management & Operations Audit Progress Report – Docket No. D-2013-2370921

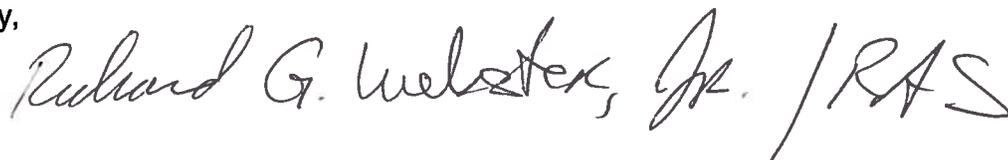
Dear Secretary Chiavetta:

PECO Energy Company hereby submits the Third (and final) Annual Progress Report on the implementation of the recommendations in the 2014 Stratified Management and Operations Audit of PECO Energy Company. This third Progress Report summarizes the steps taken by the company in implementing the recommendations contained in the original Audit Report dated October 23, 2014. Of the twenty-eight (28) recommendations from the Audit, PECO Energy accepted all twenty-eight as part of the Implementation Plan that is submitted to the Pennsylvania Public Utility Commission.

As of September 28, 2017, PECO is proud to report that all 28 of the Implementation Plans have been completed. This report contains only 1 Recommendation update (see pages 24-25) as the remaining 27 Recommendations were completed prior to 2017.

If you have any questions concerning the Progress Report, do not hesitate to call me at 215-841-5777.

Sincerely,



Enclosures

Cc: Kelly Monaghan, Director, Bureau of Audits
John Clista, Manager, Bureau of Audits

2017 Annual Progress Report

of

PECO ENERGY COMPANY

to the

PA PUC FOCUSED MANAGEMENT

and

OPERATIONS AUDIT

Docket No. D-2013-2370921



September 28, 2017

Progress Report Overview

PECO Energy is pleased to submit its third Progress Report (2017) on the Implementation of the Recommendations contained in the Stratified Management and Operations Audit of PECO Energy (Docket No. D-2013-2370921).

Of the twenty-eight (28) recommendations from the Audit, PECO Energy accepted all twenty-eight (28) completely as part of the Implementation Plan that it submitted to the Pennsylvania Public Utility Commission in September 2014. The Implementation Plan provides PECO Energy's commitment to act on the recommendations by addressing opportunities for improvement in operational effectiveness while improving service to our customers.

As of September 28, 2017, PECO is proud to report that all 28 of the Implementation Plans have been completed. For this report, only one recommendation contains an update (Pages 24-25) as 27 had been completed prior to 2017.

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

=====
Progress Update for October 1, 2015

Span of Control reports were created and presented to PECO leadership for approval. The spans of control report will be incorporated into the HR dashboard which is available to senior leadership. It will be used in conjunction with the annual staffing and budgeting process.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

=====

Progress Update for October 1, 2015

HR generalists have started working on staffing plans and will continue into the 4th quarter as part of the annual budgeting process. The expected completion date of the action(s) for this recommendation has not changed.

Progress Update for October 1, 2016

2016 staffing plan was completed in 4Q2015. 2017 Plan will be worked in the 4Q2016 as part of the annual budgeting process. HR also provides staffing level support on all departmental requests.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

Progress Update for October 1, 2015

1. A listing of all existing contracted services within PECO was generated. The list identified contractor of choice categories and Contractors of Choice performing the work.
2. Based on the contract expiration dates of current contracts in scope, PECO will perform a cost benefit analysis 6 months prior to the expiration. PECO will utilize templates embedded in existing procedures to evaluate insourcing and outsourcing decisions.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

=====

Progress Update for October 1, 2015

A training document was completed. 10-11 people are being trained in September and October in train the trainer sessions. In person training will begin in 2016.

The expected completion date of the action(s) for this recommendation has not changed.

Progress Update for October 1, 2016

In person training will begin in the Fourth Quarter of 2016. Further training by PECO employees will follow in 2017.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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.

Progress Update for October 1, 2015

Payroll was identified in December 2014 as the first BSC service to be evaluated. The benchmarking study is in progress and the analysis will be completed by December 31, 2015.

Progress Update for October 1, 2016

Accounts Payable was chosen as the BSC service for benchmarking study in 2016. It will be completed by year-end 2016.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

=====

Progress Update for October 1, 2015

PECO had identified 40 Financial Management procedures for updating. As of September 2015, 20 of the 40 procedures have been reviewed and updated. The review of the remaining procedures is expected to be complete by December 2015.

Progress Update for October 1, 2016

PECO had identified 40 Financial Management procedures for updating. The remaining 20 Financial Management procedures were updated by year-end 2015.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

4th Quarter 2014

=====

Progress Update for October 1, 2015

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 continues to provide quarterly advanced notice of declaration of its common stock dividends to the Commission. The most recent notice was filed in August, 2015.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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 (DSO)

Expected Completion Date

1st Quarter 2015

=====

Progress Update for October 1, 2015

- PECO established a guideline for PF1 events – 5 minute dispatch / 30 minutes on site
- DSO reinforced expectations with responsible staff at team meetings in 4th Quarter 2014 and 1st Quarter 2015
- A monthly Performance Indicator (PI) was developed and are now reviewed at monthly DSO review meetings
- PF1 metrics are being reviewed quarterly at VP level monthly review meeting

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

Progress Update for October 1, 2015

1. Flagging was primarily outsourced again in 2014 as a normal approach for planned work, so there will be a reduction in OT seen for flagging activities compared to 2012 and parts of early 2013. Secondary fault locate and repair (SFL&R) was outsourced again primarily in late 2013 and 2014, so there will be a reduction in OT seen for SFL&R in the suburban regions compared to 2012 and about half of 2013.
2. It is anticipated that DSO and C&M personnel installing electric AMI meters will return to their normal departments by the 4th Quarter of 2015 or early 2016 and we will begin to see a reduction in overall OT at that time.
3. Continuing analysis on vacancy rates and any related potential OT savings.
4. C&M and DSO continue to evaluate additional opportunities on a monthly basis as a result of the MRM reviews.
5. An updated OT tracker has been developed and is reviewed at the C&M and DSO MRMs beginning in May 2015 to monitor progress and take any required follow up actions.

Progress Update for October 1, 2016

The Construction and Maintenance actions include the following:

- 1) Return of the Electric AMI personnel from the project in early June – all personnel have now been deployed within the C&M teams.
- 2) NRCG backoffice open positions have been filled.
- 3) PECO UG line mechanic open positions have been filled through schools conducted in 2015 and 2016 – resulting in 19 new UG mechanics within the workforce. An additional school for 10 new UG mechanics is planned in 2017 as well as future schools.
- 4) PECO UG OT is also seeing a reduction compared to 2015 due to a mainstem cable volume decrease and strategic use of UG contracting resources for mainstem cable, NB and secondary fault locate and repair work.
- 5) PECO aerial line mechanic open positions have been filled through schools conducted in 2014 and 2015 – resulting in 38 new aerial mechanics within the workforce. A 2016 school for 30 new aerial line mechanics will be starting in September of 2016 with plans for future schools as well.
- 6) Achievement of the steady state condition within the CM backlog for Pri 30 and Pri 40 work has minimized the need for any backlog work down that would incur OT.
- 7) First piece of workforce optimization plan implemented to counter the Pri 10 volume of callouts – movement of the swing shift from 4 -10 hour days to 5 – 8 hour days with a start time of 0500 hrs Tuesday through Saturday.

The Distribution System Operations actions include the following:

- 1) Return of the Electric AMI personnel (TM) from the project throughout 2016 to go back on regular shifts.
- 2) Return of the Gas AMI personnel (ET) from the project throughout 2016 to go back on regular shifts.
- 3) Reduction in OT from not backfilling shifts for the personnel from DSO supporting the AMI effort.
- 4) An additional 2 ALMs joined the Fault Locate Team in 2016.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

=====

Progress Update for October 1, 2015

Two FTEs were hired in 2015 by Business Planning & Support which increased the resources available to manage contractor oversight from four to six. Other areas were reviewed for process improvements to reduce back office time which increases field time. A process improvement associated with email handling has resulted in a significant reduction in the volume coming into the department. Communications are centrally managed which reduces the number of emails each contract coordinator is required to read.

Progress Update for October 1, 2016

One more FTE was hired in 2016 by Business Planning & Support which increased the resources available to manage contractor oversight from four to seven.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

Progress Update for October 1, 2015

Actions completed:

- PECO completed vegetation and equipment reliability improvement work specifically for CEMI customers following Ice Storm Nika in 2014 across the territory with additional focus on the hardest hit storm areas in Bucks and Chester Counties.
- PECO completed additional work with both vegetation and equipment solutions to CEMI customers in Upper Bucks County.
- PECO has proposed spending targeted for improvements in CEMI as part of its 2015 Long Term Infrastructure Improved Plan (LTIIP) which was filed with the Commission on March 27, 2015.
- PECO has created an online tool to track CEMI customers and events related to the CEMI outages to enhance analysis and corrective action plans.

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

Current Performance:

- PECO's current performance projection is 2.48%, favorable to the PUC Audit target of 4.88%.
- Current YTD performance for customers with 3 interruptions is currently favorable to the same period in 2013, which was PECO's best-ever CEMI 4 performance in history.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

=====

Progress Update for October 1, 2015

Prior to the 2015 Top Priority Circuit selections, the criteria for PECO TPCs was based on a weighted score of: customer interruptions, customer interruption hours, System Average Interruption Frequency Index (SAIFI) and System Average Interruption Duration Index (SAIDI). The weighting factors applied to these parameters are chosen to balance frequency and duration of interruptions and the effects of large and small circuits, and to scale values with large disparity.

As part of the audit recommendations, an additional factor for Customers Experiencing Multiple Interruptions (CEMI) was incorporated for TPC selection criteria starting in 2015 and has been applied in determining the latest TPC list. Customers Experiencing 4 or more interruptions in a 12-month rolling measure was utilized for this factor.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

Progress Update for October 1, 2015

Chester County continues to make use of the interface. Chester County is in the process of updating their system and server, and our IT folks are working with them.

Delaware County is in the process of implementing their interface. IT is also working with them on that.

IT is anticipating having both Chester and Delaware Counties up and running by mid-late October, depending on how the installations and testing go.

Bucks, Montgomery, and Philadelphia have all been contacted about their interest in implementing an interface. Each of them have asked to defer further conversation until after the Pope's visit (late Sept 2015), which is requiring their full attention.

Follow up meetings will be arranged with these counties. We do not expect to have any issues determining a "direction" with these other counties, to satisfy the action item by the end of the year.

We are currently working with Governmental Affairs to reach out to York County.

Progress Update for October 1, 2016

- Chester 911: Chester County has been using an automated interface to PECO for some time already. As of August 24th 2016 Chester 911 has completed a change-out/upgrade to their Dispatch System. A new, improved interface to PECO has been implemented and tested, and is currently operational.
- Delaware 911: Delaware County has recently procured the same Dispatch System as Chester County, and plans to implement after Chester County's system was made operational.
- Montgomery, Bucks and Montgomery 911: Meetings have been conducted with each, to solicit their interest in developing an automated interface between their individual Dispatch Systems and PECO. All have expressed some level of interest in developing an interface, and have begun investigations with their vendors regarding technical requirements, costs, etc. PECO conducts regular check-ins with the counties as to their intentions. None have advanced their plans past the discussion stage, so far.
- York 911: Inquiries have been made with York County regarding their interest in developing an automated interface with PECO. At this point, they have no interest.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

=====

Progress Update for October 1, 2015

DSO ALM performed initial training on job progression in 2015 for PragmaCAD 5.5 field completions. Formal PragmaCAD 5.5 training is being developed and scheduled to begin by year-end 2015. The organization continues to monitor the results and internal metrics on job progression to make the appropriate corrections.

Progress Update for October 1, 2016

PECO arranged for all of the ALM's to participate in a one-day (8 hour) Mobile Dispatch Training with the Training Dept. Here is a summary of actions to date:

- All ALM's have completed the outage order closure training as part of the PragmaCAD 5.5 implementation with the training department.

The Training Department is now the Lead on MDT Training and is tracking progress in our Learning Management System (LMS). All new ALM's who were hired in 2016 will participate this fall in outage order closure procedure training, which is scheduled to take place the last week of November 2016 through the first week of December 2016

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

=====
Progress Update for October 1, 2015

PECO has implemented electronic work plans for the Vegetation Management contractors. PECO has also reviewed all Field Operations areas and areas such as Construction and Maintenance, Distribution System Operations (during storms) and Gas Operations are also using Electronic work plans where applicable.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

Progress Update for October 1, 2015

Established a process where tags must be attached to items and a note must be created in OMS or Passport during close-out stating "Equipment In Bin for Analysis". An internal supervisor meeting occurred to develop an improved tagging process. A Field Tech Bulletin was issued in the beginning of August. Bins have been established at each Service Building for placing tagged equipment. A daily screening of OMS is in place along with weekly reports.

PECO will continue to monitor and track performance with a summary as follows:

- Number of Equipment Failures
- Number of Failure Items to Capture
- Number of Failure Items Captured
- % Captured

PECO will revisit the process at year end 2015 as a post implementation action to confirm the process is working.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

=====

Progress Update for October 1, 2015

- PECO implemented a Vac Team targeting high profile locates and high damage areas.
- Benchmark discussions have occurred with other Gas Utilites (BG&E, UGI, Columbia PA).
- PECO is investigating Damage Risk Assessment Software (USIC) that would score One Call tickets on the probability of being damage.
- A revised letter was sent to contractors as result of damage.
- PECO is implementing a record accuracy program.
- PECO increased the use of marker balls.

Progress Update for October 1, 2016

- Implemented a new Gas Standard for the use of Marker Balls
 - Standard applies to new installations and situations where an existing facility is exposed. This standard is in addition to the requirements in place for installing tracer wire associated with plastic pipe.
 - YTD – over 8500 marker balls installed in 2016

- Continued use of Vacuum Excavation Teams targeting high profile locates and high damage areas.
 - YTD – Over 245 jobs completed locating 13,860 feet of main and 25,000 feet of services
- Implemented Record Accuracy Program
 - Quality Control Audit of submission of As Builts and Gas Facility Records (GFR)
 - YTD – 11,570 GFR submittals have been Quality Reviewed
 - Field audit and verification to ensure tracer wire and marker ball installations were performed according to standard and are locatable.
- Locus View pilot implemented in 1st Quartile 2016
 - Four crews gathering data
 - Two Vac Teams
 - One Leak Repair
 - One Gas C&M
 - USIC – PECO Locating contractor will be included in pilot
 - Gas Asset Management will participate to capture data on Gas Transmission Mains
- Damage Prevention partnered with USIC and in July implemented a six month pilot. The pilot will risk score incoming One Call tickets and USIC will respond to high risk tickets with locate technicians and Vac Teams to proactively address problem locates to avoid potential damages. The pilot will be limited to Delaware County, Pennsylvania.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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 LTIP filing.

Individuals Responsible

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

Expected Completion Date

1st Quarter 2017

=====
Progress Update for October 1, 2015

- Revised LTIP filed with PUC in February 2015 requested increased spending per year.
- Planned increase spend for 2016.
- PECO has completed 21 miles so far and are looking to achieve 30 miles by end of year.

Progress Update for October 1, 2016

On May 5, 2015, the Pennsylvania PUC approved PECO's LTIP Modification which took the PUC recommendation into consideration and accelerated the replacement rate of unprotected bare steel mains from 34 to 20 years. PECO will use its DIMP (Distribution Integrity Management Plan) model to replace assets according to risk. PECO increased the bare steel main replacement mileage from 2.4 miles in 2014 to 7.1 miles in 2015. The 2016 bare steel main plan is 16.6 miles and 17.0 miles in 2017. This is subject to change depending on emerging priorities.

The expected completion date of the action(s) for this recommendation has not changed.

Progress Update for October 1, 2017

PECO continues to replace cast iron and bare steel main at the accelerated rate of 20 years (accelerated from 34 years). PECO continues to review results of DIMP (Distribution Integrity Management Program) and make adjustments if necessary. PECO will ramp up to a replacement mileage of 47 to 55 miles a year in 2018 (up from 27 to 32 miles in 2014).

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

=====
Progress Update for October 1, 2015

PECO met with the Department of Homeland Security (DHS) and Vulnerability Assessments were completed on fifteen PECO assets by DHS.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

=====

Progress Update for October 1, 2015

Supply created the subject material reviews to be completed across PECO Operations. The actual review of inventory occurred through Engineering support from the businesses. This review was sponsored by each Operational VP. The reviews were broken into 3 areas: 1) Gas, 2) Electric division (including Wire and Cable) and 3) Transmission. Gas and Electric have completed their reviews. Since Transmission has almost 2,000 codes to review, a phased approach was developed to complete a full review of the entire report over several years. The goal for this year was 20% of the value and to date, codes equaling 24% of the value have been reviewed. They will continue to review codes on an annual basis until completed.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

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Progress Update for October 1, 2015

Prior to 2014, PECO was below the average of the EDCs for several of the key questions in the survey. As of 2014, PECO was at the average for Overall Satisfaction with the CSR. Through 2Q 2015, PECO has been above average on all key questions in the survey.

The Care Center is continuing to provide refresher training for frequent call types. Emergency and Transfer call types are refreshed annually via web based training and reinforced seasonally. High bill refresher training is provided twice a year just before the summer and winter high bill seasons.

The Care Center is continually collecting and analyzing data on repeat call data. For example, the repeat call data indicated a high incidence to repeat calls related to budget billing. As a result, the

Care Center has developed a one hour budget billing refresher training that is scheduled to be delivered during our Columbus Day Training.

The Care Center has defined and is tracking First Call Resolution (FCR). We have created metrics and reports as a first step to identifying the repeat call rate and the issues. The 3 FCR metrics are:

- Count of the unique customer telephone number (ANI) in the specified time frame: same day, 3 days and 7 days.

PECO is continuing to expand self-service options for our customers in the automated phone system as well as on PECO.com. In October 2015, PECO will implement a Customer Preference Center where customers can opt-in to usage, billing/payment, outage and extreme weather notifications.

The Care Center annually reviews the Quality Guidelines for CSR standards and makes updates as necessary to improve our customers' experience. The Care Center's Quality program is designed to monitor customer calls and provide CSRs feedback on the customer calls. In addition, we have a Bi-Monthly Quality Oversight meeting to listen to customer calls that correspond with customer verbatims from the PECO customer transaction satisfaction survey. The quality and the CSR's supervisor follows-up with CSR to provide coaching and/or training as identified. Finally the Care Center is using feedback from call evaluations and feedback from focus groups to ensure training materials are effective and revise them if necessary.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

Progress Update for October 1, 2015

1. PECO improved payment options for all customers by allowing payment via a variety of means including electronic payments. PECO also reduced the cost of the customer fee based channel in 2014 from \$3.50 to \$2.35 and implemented a No Fee ACH via the customer portal on PECO.com that includes a payment scheduling and wallet functions.
2. In the 4th quarter 2013, PECO conducted a comprehensive “Low-Income Summit” with key internal stakeholders. Numerous credit and collection changes resulted from this summit including the following;
 - o Require a minimum 20% down payment after the initial agreement

- Exclude current “not due” bills from agreements
 - For agreements for low-income customer, require income verification, if income has not been verified within the past 6 months
 - Honor agreements for unforgiven PPA only if the customer is a good paying customer (i.e. no past due balance) and have not removed from CAP for non-compliance (i.e. failure to submit to a LIURP audit or Theft)
 - Shorten agreement terms for LIHEAP Crisis agreements
 - Include CAP agreement as the customer’s one required agreement (previously the CAP agreement was in addition to the customer’s one required agreement)
3. PECO implemented a Delegation of Authority (DOA) process to address high balance accounts. With the DOA process, customers requesting a payment agreement (or other exception) that have balances in excess of a pre-determined amount must go through a credit and collection specialist at PECO for resolution. As a result of the DOA process, PECO has seen the number of high balance agreements reduced significantly YoY (*Year over Year*);

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

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Progress Update for October 1, 2015

PECO completed a comprehensive review of low-income policies to:

- 1) PECO eliminated additional collection exceptions ("holds") for the following:

- a) Failure to submit all required document for CAP enrollment and recertification. Previously, PECO would place multiple collection exceptions on accounts that sent in partial documentation for the purpose of CAP enrollment or CAP recertification. PECO continues to notify the customer of the documentation needed for enrollment or recertification, but PECO no longer places an additional collection exception (“hold”) on the account.
 - b) PECO also eliminated collection exceptions for CAP applications received at locations other than the CAP Call Center (i.e. MOB). Those CAP applications are now emailed to the CAP Call Center the same day they are received. Previously, those applications were mailed via U.S. mail and a collection exception was placed on the account to allow time for the mail to be received at the CAP Call Center.
- 2) PECO implemented the following policies to encourage positive payment behaviors for CAP customers;
- a) PPA Catch-up program that allows a customer that brings their bill current the opportunity to gain PPA (*Pre-Program Arrearage*) forgiveness of previously unforgiven PPA.
 - b) PECO provides positive reinforcement via positive messages on customer bills for CAP customers that pay their bill in full and on-time during the PPA forgiveness period.
- 3) PECO implemented the following agreement changes in 2014;
- a) Agreements, beyond initial agreement at the time of enrollment, require a minimum 20% down payment for non-CAP and CAP tier decreases (i.e. – Tier C to Tier B)
 - b) Agreements exclude current “not due” bills
 - c) Low-income agreements require income verification if the customer’s income has not been verified within the past 6 months
 - d) Agreements for unforgiven PPA are only honored if the customer is a good paying customer (*i.e. no past due balance*), and not removed from CAP for non-compliance (*i.e. failure to submit to a LIURP audit or Theft*)
 - e) Shortened agreement terms for LIHEAP Crisis agreements
 - f) CAP agreement counts as the customer’s one required agreement; Previously the CAP agreement was in addition to the customer’s one required agreement

* PECO completed mediation discussions regarding our CAP program. All parties settled on a CAP FCO – Fixed Credit Option. PECO is currently working on IT and business requirements for the FCO. The FCO will be implemented in October 2016.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

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Progress Update for October 1, 2015

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.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

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Progress Update for October 1, 2015

1. 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).

2. 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.
3. 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.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

Progress Update for October 1, 2015

The 2014 budget was created using the modified methodology of historical trends to develop the estimate for direct and indirect BSC legal costs. 11 FTEs moved from Allocated to Embedded PECO employees which reduced variances in the Legal department. 2014 finished unfavorable by 2.6% to Budget. YTD 2015 has minimal variance with the BSC direct and indirect expenses.

The expected completion date of the action(s) for this recommendation has not changed.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

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Progress Update for October 1, 2015

An evaluation of this Recommendation has not yet begun. The expected completion date of the action(s) for this recommendation has not changed.

Progress Update for October 1, 2016

- Implement streamlined, automated process for timesheet reporting – Exelon is in the process of consolidating our timekeeping systems and, going forward, eTime will be our system of record for time reporting (November 2016). eTime is a cloud-based solution. In order to implement this request, it would be necessary to build a dynamic interface between Passport and eTime, which would require us to engage our vendor to create a complex, custom solution. We currently pay the vendor an annual fee to maintain existing customizations. There is an initiative to eliminate the customizations Exelon has already built into the eTime solution to reduce or eliminate the annual maintenance of custom code. Additionally, the estimated cost to implement the custom solution, which would involve engaging the vendor, would be an effort of approximately 6-12 months and more than \$1 million in cost.

- Establish automated procedure for leave requests and approvals – Exelon is currently implementing a new HR Cloud solution and consolidating our timekeeping systems. We are evaluating where absence management will be housed and will be designing the best solution for our enterprise. Through the requirements gathering process, the project team will evaluate standardization of the time-off requests and approvals. The project team is working with HR and OHS to determine the best enterprise-wide solution.

Status

Completed

PECO Energy Company
Stratified Management and Operations Audit

2017 Annual Progress Report to the Implementation Plan

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

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Progress Update for October 1, 2015

PECO modified the Affirmative Action Report to include PECO's supplier diversity spend by classification including minority, women and persons with disabilities (service disabled veteran owned business) expenditures.

Status

Completed