FirstEnergy®

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P.O. Box 16001
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April 21, 2022

Mr. John Clista, Audit Manager
Pennsylvania Public Utility Commission
Bureau of Audits
3rd Floor East, Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

RE: Management and Operations Audit of Metropolitan Edison Company (D-2020-3023106), Pennsylvania Electric Company (D-2020-3023107), Pennsylvania Power Company (D-2020-3023108), and West Penn Power Company (D-2020-3023109)

Dear Mr. Clista:

Enclosed are copies of the implementation plan of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company (collectively referred to as the "Companies"), addressing recommendations made in the Focused Management and Operations Audit in accordance with the above-referenced dockets.

If you have any questions pertaining to this filing, please contact me at your convenience.

Sincerely,

Joanne M. Savage

Joanne M. Savage
Director of Rates & Regulatory Affairs-PA
610-921-6525

Enclosures

c: George Dorow – PAPUC Bureau of Audits

FirstEnergy

Metropolitan Edison Company,
Pennsylvania Electric Company
Pennsylvania Power Company
West Penn Power Company
("Companies")

IMPLEMENTATION PLAN

for the

MANAGEMENT AND OPERATIONS AUDITS

April 21, 2022

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Introduction

This Implementation Plan is submitted in response to the Pennsylvania Public Utility Commission's Management and Operations Audits of the Pennsylvania operating companies owned by FirstEnergy Corp. ("FirstEnergy"): Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power"), and West Penn Power Company ("West Penn") (collectively, the "Companies").

The Implementation Plan is organized to address each recommendation contained in each chapter of the Report. For each recommendation, the Implementation Plan states the Companies' response, the actions to be taken, the individual responsible, and the expected completion date.

Recommendation III-1

Complete and retain documentation of a span of control analysis upon projected completion of reorganization in December 2023.

Response:

Accepted.

Implementation Action:

Upon implementation of the new human capital management ("HCM") system Oracle in January 2023, the Companies will complete a span of control report.

Once HCM is implemented and this report is run, a more complete timeline will be developed to deliver on a comprehensive span of control analysis.

Responsible Individual/s:

Katie Blandford – Manager, Human Resources Analytics and Sara Robinson – Manager, Employee Compensation & Payroll

Expected Completion Date:

December 2023.

Recommendation III-2

Continue and complete the FE Forward Initiative with the integration of the Audit Bureau's recommendations for various functional areas in the 2021 Management Audit report.

Response:

Partially accepted.

Reasoning:

The FE Forward ("FEF") initiative continues in its deployment as planned, and the Companies are in agreement with this portion of the recommendation. However, each of the various audit recommendations will need to be evaluated to determine whether they are appropriate for incorporation as FEF initiatives, based on criteria that were set for the scope of that initiative, which is an enterprise-wide effort of limited scope, and which is not specifically focused on Pennsylvania operations.

Implementation Action:

Each of the audit recommendations has been shared with the responsible functional areas of the FirstEnergy organization. Each functional area will perform a review, with the support of the Transformation team overseeing deployment of the FEF initiative, to determine appropriateness for incorporation into the larger FEF effort. For those that are incorporated, plans will be established to close those recommendations out, which plans will be tracked by the Transformation team. For those that do not meet criteria and are to be addressed separately, leadership for those functional areas and for Pennsylvania operations will independently complete their implementation plans where recommendations have been accepted.

Responsible Individual/s:

Gary Grant - Vice President, Transformation

Expected Completion Date:

December 31, 2022

Recommendation IV-1

Cooperate fully with all ongoing investigations and implement all approved recommendations for remediation determined by the completed internal and governmental investigations and any settlement terms arising therefrom.

Response:

Accepted.

Implementation Action:

FirstEnergy Corp. and its subsidiaries have fully cooperated with ongoing government investigations and intend to continue their cooperation. As of the date of this Implementation Plan, FirstEnergy Corp. is subject to a Deferred Prosecution Agreement with the Department of Justice ("DOJ"), entered on July 21, 2020, the obligations under which it is fully complying with and will report to the DOJ, as required under the terms of that agreement.

Responsible Individual/s:

Erika Ostrowski – Associate General Counsel and Antonio Fernandez – Vice President, Chief Ethics & Compliance Officer

Expected Completion Date:

Ongoing

Recommendation IV-2

Carefully track and document ongoing activities related to the investigations and litigation, so the costs associated with dealing with the matter are appropriately segregated to minimize negative impacts to ratepayers

Response:

Accepted.

Implementation Action:

The FirstEnergy Legal department has set up separate matters through its third-party matter management and billing system that ensures that all activities and costs related to the referenced investigations and litigation are segregated and allocated to FirstEnergy Corp. The existing system will be maintained to ensure proper allocation.

Responsible Individual/s:

Art Richards – Director, General Accounting, Steve Vucenovic – Manager, Corporate Business Services, and Erika Ostrowski – Associate General Counsel

Expected Completion Date:

Ongoing

Recommendation V

Develop and implement approved enhancements to the Compliance Program. Implement appropriate testing criterion for testing the key controls to strengthen FirstEnergy's internal control environment and ultimately resolve the noted material weakness in internal control over financial reporting.

Response:

Accepted.

Implementation Action:

Outside counsel (representing the FirstEnergy Corp. ("FirstEnergy") Board of Directors) conducted an evaluation of the structure, operation and effectiveness of the Ethics & Compliance Program. A list of 118 programmatic actions were adopted by the Board of Directors to further mature FirstEnergy's ethics and compliance program and culture. The Office of Ethics & Compliance is accountable for ensuring these actions are implemented consistent with the Board's direction. Oversight of the performance of those actions includes but is not limited to:

- On a bi-weekly basis, progress towards completion of the programmatic actions is reported to the Company's Executive Council and other stakeholders (e.g., the Company's external auditor, the Board's counsel, key members of management, etc.)
- At least quarterly, the Board of Directors, the Audit Committee of the Board, or the Compliance Subcommittee of the Audit Committee receive updates on the status of efforts associated with the programmatic actions.
- Prior to a programmatic action being deemed complete, documentation of the steps taken to address the action is collected and presented to outside counsel (representing the Board) to confirm management's determination that the action has been completed.

Further, FirstEnergy's Internal Audit function has on its audit plan an Ethics & Compliance Program Review to review Ethics program project management process and controls to ensure appropriate governance over implementation of programmatic actions and evaluate operating effectiveness. As of December 31, 2021, internal controls over financial reporting were operating effectively to prevent or detect material financial statement errors in a timely manner. The material weakness was remediated in 2021. Management and the Board of Directors, along with the Audit Committee and its newly formed subcommittee, focused on remediating the material weakness. The following summarized remedial activities have been completed:

- Termination and separation of certain members of senior management;
- Appointment of key personnel in senior management;
- Establishment of the new subcommittee of FirstEnergy's Audit Committee;
- Identifying and implementing changes and enhancements to the compliance program and structure;
- Board of Directors' reinforcement and executive team's recommitment to setting appropriate tone at the top; and
- Increased training and communication on ethical standards, expectations, compliance requirements, and policies and procedures.

A comprehensive remediation plan was developed and has been implemented, including defined action items for each of the activities noted in the list above. Internal Audit, management, and the Board of

Directors monitored the implementation of these activities and concluded that based on the actions taken, the material weakness was remediated.

Responsible Individual/s:

Antonio Fernandez – Vice President & Chief Ethics & Compliance Officer and Laura Mollenshott – Director Financial & Corporate Services Audit

Expected Completion Date:

Ongoing

Recommendation VI-1

Conduct periodic market studies to confirm FirstEnergy Service Company's cost of services are at or lower than market, and the FE-PA Companies are charging the higher of cost or market for goods/services to affiliates.

Response:

Partially accepted.

Reasoning:

The Companies accept the recommendation to conduct a periodic market study to confirm FirstEnergy Service Company costs are at or lower than market (see Implementation Action below). However, the Companies do not accept the recommendation to conduct a study to confirm that the Companies are charging the higher of cost or market for goods/services to affiliates. The most significant charges in this category are those related to internal labor for mutual assistance for storm restoration. The Companies' Human Resources team performs periodic market studies to ensure that all employees are compensated at a fair market rates. Because these labor charges are then charged to affiliates at cost, the auditor's concern is adequately addressed. Instances of goods being charged from the Companies to an affiliate are very infrequent and, in most instances, require Commission review and approval of the transfer, including the cost for that transfer. As such, a periodic review of charges specifically made from the Companies for goods and services to their affiliates is redundant and unnecessary.

Implementation Action:

The Companies will complete a market study to validate that the cost of services provided by FirstEnergy Service Company are at or lower than market by December 31, 2022, and at three-year intervals thereafter. Services included in the scope of this assessment will include those falling under the following areas of responsibility: Information Technology; Human Resources; Workforce Development; Customer Services; Transmission & Distribution Technical Services, Environmental; Claims; Real Estate; Admin Services; and Supply Chain.

Responsible Individual/s:

April Marx – Assistant Controller, FEU and Joseph Loboda - Director, SC Strategic Category Management

Expected Completion Date:

December 31, 2022 and ongoing.

Recommendation VI-2

Correct administrative oversight controls to ensure every notice and summary information of future debt securities issuances by FE-PA Companies are filed with the PUC within 60 days.

Response:

Accepted.

Implementation Action:

Regulatory notices and summary information reporting of future debt securities issuances will be added to each debt securities issuance closing checklist in order to ensure the required notice filings are made within 60 days of a transaction closing.

Responsible Individual/s:

Ermal Fatusha – Director, Capital Markets and Tori Giesler – Managing Counsel, Legal

Expected Completion Date:

Completed

Recommendation VI-3

Begin tracking pole attachment invoice receivables that are 60, 90, 120 and 180 days outstanding while charging late fees at each overdue interval to discourage late payments and improve collection performance for current arrearages at the FE-PA Companies.

Response:

Partially accepted.

Reasoning:

The Companies have a process for tracking pole attachment rental invoices and payments. The tracking process includes escalation steps for collection of past-due invoices. In addition, approximately 80% of the balance used to portray a one-time savings as well as part of the auditor's recommendation is representative of receivables related to several Verizon subsidiaries' 2019 Pole Attachment Fees. Due to ongoing litigation, Verizon has not remitted payment for these receivables. Recent rulings from the Commission have the potential to lead to an under collection of this receivable. An estimated reserve, consistent with the process outlined above, has been established until the litigation is resolved. In instances such as this, the application of late fees would not discourage nor improve collectability.

Implementation Action:

Currently, prior to month-end close, FEU Reporting & Utility Billing facilitates a process performed by Utility Business Services to review outstanding Sales & Distribution ("SD") Non-Consumption Receivables for collectability. Based on business unit feedback, items where a customer is not intending on paying or intending on partially paying are reserved as uncollectible. Based on escalation stages, an outstanding invoice 60 days past due populates the report and will write off at 182 days past due unless an account is locked. This review is inclusive of pole attachment invoice receivables. Upon feedback with the business unit, some pole attachment receivables are prevented from write off due to ongoing collection efforts. Business Services would reserve as uncollectible based on the business unit's feedback. This process serves as a mechanism for tracking pole attachment invoice receivables that are outstanding. Dunning locks are presently placed on invoices that are 150 days past-due so to retain visibility of all past-due pole attachment rental invoices.

In addition, the business unit is working with Business Services and IT to create a report that provides visibility of all unpaid rental invoices regardless of age past due. This will further enable the Companies to pursue collection of unpaid rental invoices.

Responsible Individual/s:

Stephen Schafer – Manager Joint Use & Cable Locating and Michael Walp – Manager Business Services Pennsylvania

Expected Completion Date:

1st Quarter 2023.

Recommendation VI-4

Perform comprehensive, periodic updates to FirstEnergy's CAM to ensure accurate and relevant information.

Response:

Accepted

Implementation Action:

FirstEnergy Corp.'s subsidiaries will review and document guidance policies, procedures and processes for the periodic review of the Cost Allocation Manual (CAM). This review will include input from Legal, Accounting, Business Services, Rates & Regulatory Affairs, and FERC & State Compliance regarding documented services, cost allocation methodologies, etc.

Responsible Individual/s:

Olenger Pannell, Vice President, Compliance & Regulated Services

Expected Completion Date:

December 31, 2022 and ongoing.

Recommendation VI-5

Evaluate the current cost allocation factors to assess how accurately they represent the most relevant cost drivers, update the SA after the current re-organization is complete to include robust descriptions of all goods/services provided to the FE-PA Companies, and file the SA with the PUC for approval.

Response:

Partially accepted.

Reasoning:

The current cost allocation factors are appropriate because they accurately reflect the most relevant cost drivers of the organization, i.e., Revenue, O&M, Property, Plant & Equipment, Headcount, etc. As part of existing process, an annual review of cost center level data is performed to ensure that costs are equitable allocated to the utility companies benefiting from such costs.

The Companies agree to update the Description of Products & Services within the FirstEnergy Service Company ("FESC") Shared Service Agreement to reflect the goods and services provided following the FE Forward reorganization and file the updated Service Agreement with the Commission for approval.

Note that the FE Forward reorganization will not affect the allocation of FESC costs to the Companies, because the reorganization will only change the cost center/departmental hierarchy and not impact how cost center level costs are allocated among the utility companies.

Implementation Action:

The Controllers department will form a team comprised of General Accounting and the Corporate/FEU/FET Business Services groups to update the Description of Products & Services within the FESC Shared Service Agreement.

The Legal department will update the FESC Shared Service Agreement and execute the agreement amongst the various FirstEnergy Corp. affiliates and ensure all regulatory approvals are acquired as appropriate.

Responsible Individual/s:

Tracy Ashton - Assistant Controller, Corporate and April Marx - Assistant Controller, FEU

Expected Completion Date:

1st Quarter 2023

Recommendation VI-6

Maintain transparent records of the additional costs incurred as a result of the investigations and fallout related to bribery charges in Ohio to demonstrate prudent and reasonable operating costs in any future rate case proceeding.

Response:

Accepted.

Implementation Action:

The FirstEnergy Legal department has set up separate matters through its third-party matter management and billing system that ensures that all activities and costs related to the referenced investigations and litigation are segregated and allocated to FirstEnergy Corp. The existing system will be maintained to ensure proper allocation.

Responsible Individual/s:

Art Richards – Director, General Accounting, Steve Vucenovic – Manager Corporate Business Services, and Erika Ostrowski – Associate General Counsel

Expected Completion Date:

Ongoing

Recommendation VII-1

Perform a comprehensive update to ensure all key elements are included in all policies/procedures/processes within the Finance and Accounting departments.

Response:

Accepted.

Implementation Action:

The Companies will perform a comprehensive review of all policies, procedures and processes within its Finance and Accounting departments as identified by the audit report to ensure they contain all necessary and relevant information and are up to date.

Responsible Individual/s:

Tracy Ashton – Assistant Controller, Corporate and April Marx- Assistant Controller - FEU

Expected Completion Date:

June 30, 2023

Recommendation VII-2

Comply with the requirements set forth in the various ongoing investigations to regain the confidence of the credit community.

Response:

Accepted.

Implementation Action:

Many actions have been taken since the onset of the ongoing investigations to regain confidence in the credit community. Since the Fall of 2020, FirstEnergy Corp. ("FirstEnergy" or "Company") has proactively reached out to the three credit rating agencies, S&P, Moody's and Fitch, and maintained an open dialogue on a monthly basis to keep them aware of the leadership transition, governance and compliance actions, FirstEnergy's focus on improving its credit metrics, and its commitment to return to investment grade ratings as soon as possible and confirming that strong credit ratings at the FirstEnergy utilities are key priorities. FirstEnergy is continuously working with the credit rating agencies to develop a clear outline of what is needed to return to investment-grade credit ratings, beginning with the resolution of the deferred prosecution agreement reached in July 2021 and the remediation of the material weakness in internal controls associated with tone at the top in October 2021, among some of the actions. FirstEnergy as an organization is continuing to drive cultural changes across the company and is keeping compliance and integrity at the center of everything the Company does in order to continue rebuilding the credit community trust and confidence in FirstEnergy. Additional information on updates with the various ongoing investigations and governance and ethics initiatives are communicated to the Financial Community through the quarterly earnings call webcasts, as well as through the published Strategic and Financial Highlights and FirstEnergy FactBook.

Responsible Individual/s:

Gina Caskey – Director, Investor Relations & Corporate Responsibility

Expected Completion Date:

Ongoing

Recommendation VII-3

Test the new internal controls over financial reporting and obtain an opinion from the external auditor without a material weakness.

Response:

Accepted.

Implementation Action:

Recommendation is complete. Material weakness was remediated as of September 30, 2021. PwC's year-end audit opinion was issued with the Form 10-K filed on February 16, 2022.

Responsible Individual/s:

Tracy Ashton – Assistant Controller, Corporate and Laura Mollenshott – Director, Financial & Corporate Services Audit

Expected Completion Date:

Control testing is already complete and the related audit opinion was issued on February 16, 2022.

Recommendation VIII-1

Improve electric reliability performance by implementing remedial programs that will effectively address the top outage causes within the FE-PA Companies control (e.g., Equipment Failure, Line Failure, Animals) as well as actively identify priority off-ROW trees for removal where possible.

Response:

Accepted.

Implementation Action:

Operationally, it is imperative that the Companies deliver safe and reliable service, invest to continue improving the resiliency of their distribution systems, and strive for a high level of performance with regard to all regulatory requirements. The Companies continue to invest in their distribution systems and improve reliability through their LTIIP II programs, with consideration of continuing their investment through the filing of a third LTIIP for each Company in 2024. Nearing the half-way point of LTIIP II, the focus is on:

- Asset Health Improvement
  - System hardening
  - Circuit rehabilitation and targeted conductor/component replacements
- Minimizing Outage Exposure
  - Splitting large circuits and sectionalization
- Operational Flexibility
  - Setting the stage for future automation through circuit ties and SCADA devices

These investments in distribution grid infrastructure and emerging technology will be further supported through the implementation of the Advanced Distribution Management System planned for completion in 2023. This project will enhance distribution grid management and optimize performance across each of the Companies' operations.

The Companies also continue to prioritize the identification and removal of off-ROW priority trees. In addition, a number of enhancements are planned to be implemented over the course of the next two to three years:

- A new Vegetation Management System ("VMS") is planned to be deployed in 2023. The new VMS will improve tracking capabilities and will also allow for forestry staff to communicate with their crews and log post-trim inspections.
- Currently, some vegetation management contractors perform their own work planning (i.e. pre-trim circuit inspections to identify necessary trimming and removals as well as making customer notifications). In 2023, the Companies will begin using third-party work planning contractors to perform all work planning activities. This is expected to enhance consistency of trimming across the service territory and allow for improved customer communication.
- Lastly, the Companies will evaluate the expanded use of the aerial saw for trimming distribution circuits. The aerial saw is an efficient and effective tool that is currently being used on transmission circuit corridors to complete trimming, when possible.

Responsible Individual/s:

Scott Wyman – President, Pennsylvania Operations

Expected Completion Date:

December 31, 2024

Recommendation VIII-2

Establish an overtime target based upon a percentage of straight time hours as opposed to dollars and determine the necessary staffing level for field operations personnel to achieve a goal of 15% overtime for the field operations employees.

Response:

Rejected.

Reasoning:

It has been the Companies' practice to use 15% of total straight time gross payroll to create their overtime payroll goals. Actuals are recorded in hours and dollars, but the budget is only dollars. This is a system limitation embedded within the Companies' financial forecasting software, UIPlanner. A user must build / generate overtime payroll to be allocated, which is in dollars, thus why overtime is allocated in dollars rather than hours.

The overtime hours as provided through the Companies' response to audit fieldwork are inclusive of mutual assistance both for affiliates and non-affiliates. The assistance provided to non-affiliates is guided by the individual mutual assistance agreements in place with various regional utility collectives such as the Southeastern Electric Exchange. Due to bargaining agreements, providing this assistance can drive overtime above and beyond targets and plans as set for each year. In addition, the Companies' own storm response is included in the overtime hours. While the Companies utilize contractors, affiliate personnel and mutual assistance, the workforce during these periods may be doubled or tripled so it would be unrealistic to expect a reduction of overtime while the Companies are also expected to restore customers as quickly and safely as possible.

In addition, the assumption that all categories of craft personnel (i.e. line, meter, substation) will incur an equal amount of overtime is not realistic based on the practicalities of the Companies' business. "Trouble" calls (i.e., outages, failed equipment, dig-ins, car pole accidents, etc.) typically make up the majority of overtime hours and thus, as an example, it would not be appropriate to send a meter services employee to respond to these types of situations. Therefore, the amount of overtime will not be distributed evenly by each craft.

Responsible Individual/s:

Scott Wyman – President, Pennsylvania Operations

Expected Completion Date:

N/A

Recommendation VIII-3

Review and identify why field operations employees are incurring excessive amounts of overtime and promote and/or exercise the companies' right to equally distribute emergency callouts.

Response:

Accepted.

Implementation Action:

The Companies will perform a review to identify and assess individuals who are incurring fifty percent or more of overtime as compared to straight time and determine whether the Companies have the right to more equally distribute overtime, while also taking into account specific collective bargaining unit requirements. The benefits of additional reporting and/or monitoring will be reviewed and such reporting will be implemented where it is deemed appropriate.

Responsible Individual/s:

Scott Wyman – President, Pennsylvania Operations

Expected Completion Date:

1st Quarter 2023

Recommendation VIII-4

Review and redesign the training and learning management system(s) to create a centralized system to properly manage and report on employee training requirements and certification status.

Response:

Partially accepted.

Reasoning:

The Companies' current learning management system ("LMS") is scheduled to be replaced by an Oracle system with a planned go-live date of January 1, 2023. As a result, rather than implement the recommendation as written, the Companies will address the spirit of the recommendation within the new system.

Implementation Action:

As noted above, the Companies intend to establish role-based curriculums for their field workers in the Oracle LMS. This functionality will provide a centralized system to properly manage and report on employees' safety or skills training requirements and certification status. The steps to reaching this state include:

1. Identify roles for all Pennsylvania field workers
2. Assign training required for safety/skills-related compliance and certifications for each role.
3. Ensure these roles are established in Oracle by the go-live date.
4. Conduct pilot testing in Q1 2023 to ensure role assignments are functioning as intended.

Responsible Individual/s:

Susan Boggs – Director Regional Workforce Development and Kevin Sestak – Director Safety Training & Work Practices

Expected Completion Date:

1st Quarter, 2023

Recommendation VIII-5

Review the Met-Ed remediation measures for Penelec, Penn Power, and West Penn Power and implement as needed to standardize procedures to reduce the likeliness of a similar incident occurring at all FE-PA Companies.

Response:

Accepted.

Implementation Action:

The Companies have already collectively adopted certain of the remediation measures for applicability across all four of the Pennsylvania operating companies. In particular, standardized revisions were made to the construction standards for all four companies, and related training is in the process of being deployed for all four of the companies. In addition, a structured review of the field manuals for all of the Companies has already been completed.

As part of their implementation of this recommendation, the Companies will continue their ongoing collective review of the remaining measures for appropriateness to extend to Penelec, Penn Power and West Penn.

Responsible Individual/s:

Scott Wyman – President, Pennsylvania Operations

Expected Completion Date:

December 31, 2022

Recommendation X-1

Determine the cause for the significant increases in average inventory balances; and create an action plan to decrease balances and improve inventory turnover performance to match internal goals.

Response:

Partially accepted.

Reasoning:

The basis for the auditors' recommendation was reliance on a 5% carrying cost, which the Companies believe to be too high an assumption. The incremental carrying cost to the Companies is in fact directly correlated to their cost of short-term borrowing which, for the Companies, remains at 2.25% as of the time of this Implementation Plan. For this reason, the projected savings to be achieved are not realistic given the low carrying costs they experience.

Furthermore, the Companies' experience in 2020 reflected anomalies in normal practice, and inventory numbers through 2021 in its entirety were not fully reflected in the fieldwork. Updates to those figures would have reflected a reduction in inventory of approximately $2.3 million in 2021 over 2020. In fact, the Companies' 2021 inventory dollars were $3 million below 2016 levels when adjusted for inflation. Finally, the data also reflected lower turn rates and higher inventory balances due to lower than average materials activity.

Implementation Action:

Given the context explained above, the Companies intend to target second quartile benchmark performance (i.e., 1.56 for 2022) turnover rates and will maintain continue reporting and oversight of inventory levels to facilitate meeting this goal.

Responsible Individual/s:

Christopher Trump – Director, SC Material Operations

Expected Completion Date:

Ongoing.

Recommendation XI-1

Survey customers on their satisfaction with the IVR technology, and implement remedial actions based on the survey results.

Response:

Accepted.

Implementation Action:

A five-question survey will be implemented in order to gain a better understanding of the level of customer satisfaction with the Companies' interactive voice response ("IVR") technology. Specifically, within one day of the customer's contact, a survey is emailed to any customer who completes a transaction with a live agent after using the IVR. All customers who utilize the IVR technology, including those who do not require a live agent. In addition to the surveys, research will be conducted with peer utilities to determine potential best practices. Leveraging the analysis of survey results and peer utility best practices, remedial actions will be identified as well as a plan to implement.

Responsible Individual/s:

Lisa Watson – Manager, Customer Experience and Compliance

Expected Completion Date:

June 1, 2022 for implementation of the enhanced survey process. A remedial action plan, including timeline, will be created from ongoing analysis of survey results and peer utility research as appropriate.

Recommendation XI-2

Establish collection agency goals based upon net collection performance, track collection agency performance based upon actual dollars placed with each agency and hold the agencies accountable for their performance by eliminating agencies that can't achieve the established goals.

Response:

Partially accepted.

Reasoning:

While the Companies appreciate the goals of the recommendation and share in the value that the auditors place on collection performance, agencies that cannot meet the desired goal at an individual tier may not be eliminated from the entire placement structure but may have the accounts and amounts assigned to them adjusted and/or the tier changed to align to another tier that may better fit their business model.

The Companies have a process in place called "transfer to active". As part of this process, each month, arrears dollars are transferred from final-billed accounts to active accounts that have been identified as being associated with the same responsible party. These transfer to active dollars are included in the total placement dollars, while the recoveries are not. Therefore, the performance that agencies are held to may not fully reflect the Companies' additional efforts to collect through this process, to their detriment.

Implementation Action:

The Companies will place an emphasis on improving the dollars recovered by third-party collection agencies in the Primary tier by taking actions such as:

- Meeting with other non-affiliated Pennsylvania electric distribution companies to understand how they are reporting their outcomes, the timing of their process, and how/if they have a transfer to active process;
- Issuing requests for proposals ("RFPs") for a new middleware vendor that can support improved reporting and distribution of collections work to those agencies that perform at or above expected levels;
- Issuing RFPs for collection agencies to integrate with the new middleware vendor;
- Implementation of scorecard reporting around net collection performance, specifics for accounts, and dollars placed; and
- Evaluation of the potential to quantify the impact of the transfer on active process on net collection performance.

Responsible Individual/s:

Justin Good – Manager, Revenue Operations

Expected Completion Date:

April 30, 2023

Recommendation XI-3

Study potential solutions to reduce arrearages including an analysis of customer segmentation as part of the FE Forward initiative.

Response:

Partially accepted.

Reasoning:

Global arrears goals are established enterprise-wide which take into consideration the differences by jurisdiction to account for regulatory and operational impacts to outcomes. For Pennsylvania, arrears data reported in the universal service program ("USP") reports has been under consideration by various working groups for many years with the goal being achievement of an apples-to-apples comparison. Further, it is important to remember that COVID has had a significant impact on arrears levels in 2020 and 2021. It is currently anticipated that the impacts from COVID will continue through 2025.

Implementation Action:

For the reasons identified above, the reporting requirements required by Section 56.231 of the Commission's regulations provide a more consistent comparison source and will be used to track the Companies' progress. Specifically, the Companies will work to drive consistency in reporting and reduce arrears and write-offs by automating prioritization and scheduling of account actions in the following ways:

- The Companies will meet with other non-affiliated Pennsylvania electric distribution companies to understand how they are reporting arrears figures in the USP and Section 56.231 reports in an effort to present this data consistently;
- As part of the FE Forward initiative, the Companies will implement a tool to assist with scheduling prioritization for collections activities, which will better allow the Companies to segment and prioritize customers and match collection activities to the predicated outcome and desired goal of reducing arrears and write-offs;
- As part of the FE Forward initiative, the Companies will work toward integrating digital communications into their collection routine which, when fully implemented, will allow the Companies to communicate digitally with the customer regarding past due balances; and
- Individual arrears targets will be established by each of the Companies.

Responsible Individual/s:

Justin Good – Manager, Revenue Operations

Expected Completion Date:

December 31, 2023

Recommendation XIV-1

Evaluate the safety performance goal setting strategies for effectiveness and efficiency. The companies should set challenging yet attainable goals, individualized for each operating company, to encourage reasonable improvement while continuing to nurture the underlying safety culture.

Response:

Accepted.

Implementation Action:

The Companies maintain certain shared metrics with their affiliates due to the fact that it is critical for the safety culture that the Companies continuously reinforce the enterprise-wide shared mission of zero life-changing events and top-decile industry safety performance. Despite this shared mission and associated metrics, the Companies remain committed to their core value of safety and continue to roll out enhancements to strengthen their safety culture. In 2021, the Companies:

- Rolled out the Leading with Safety program to new departments, including Transmission, Workforce Development, Material Operations, Utility Services, Revenue Operations and Distribution Control Centers;
- Created and implemented the new "Foundations of Safety" training for all employees; and
- Established local safety teams, comprised of management and physical workers, which collaborates to identify exposures and create solutions.

The Companies' Executive Leadership Team continues to support reducing exposure, eliminating life changing events, and pursuing excellence in safety and human performance by setting an enterprise-wide safety target at top-decile industry standards. For this reason, the Companies will also separately establish individualized safety performance goals and tracking for each operating company in order to carefully manage localized performance.

Responsible Individual/s:

Scott Wyman – President, Pennsylvania Operations and John Rea – Vice President, Safety & Human Resources

Expected Completion Date:

December 31, 2022 and ongoing thereafter

Recommendation XIV-2

Enter into an agreement with the EEI to allow generalized composite benchmark data to be provided for regulatory review during future audits or participate in other safety benchmarking activities which allow for adequate review and verification

Response:

Rejected.

Reasoning:

As the Companies explained in response to PA-HR-077 and PA-HR-082, EEI guarantees that all data provided by participating members in the EEI Occupational Safety & Health Survey remains strictly confidential. As such, EEI remains unwilling to enter into a contract with any participant that allows sharing of even generalized data. Furthermore, after initial conversations with other entities that perform benchmarking services, this data would only be made available to the Companies under comparable confidentiality terms, with a lesser degree of specificity and comparison across the industry. Therefore, rather than switch to different safety benchmarking vendor, the Companies have elected to continue to perform benchmarking against the EEI Occupational Safety & Health Survey due to the wide-ranging and robust participation from approximately thirty-two organizations that cannot be obtained from any other known organization on different terms.

Responsible Individual/s:

Cheryl Scheeler – Director, Labor/Employee Relations & Corporate Safety

Recommendation XIV-3

Continue to identify exposures and to develop and implement adequate training on the appropriate procedures to proactively mitigate the risks associated with the identified exposures to ultimately improve safety performance.

Response:

Accepted.

Implementation Action:

In 2021, the Companies further demonstrated their commitment to safety by expanding the safety organization, which included naming a Vice President, Safety and Human Performance, as well as three new directors.

The Companies continue to influence safety through the Leading with Safety initiative. With an eye on continued focus on safety systems and resource alignment, a number of processes will be enhanced starting in 2022, including:

- Field Verifications – This process will be enhanced with a focus on quality leader and employee interactions aimed at exposure reduction.
- Safety Work Practices and Training - Leader and employee development will continue to grow through enhanced work practices and training. Improvements include leaders and governance teams' incorporation of the outcomes of safety data analyses to further hone the safety culture and support the Companies' operational goals.
- Human Performance - The Companies' Human Performance principles are aimed at reducing the number of human errors and managing defenses, resulting in fewer injuries and life changing events. The Human Performance principles, which promote the behaviors necessary for continuous performance improvement, are being reinforced throughout the Companies' operations in 2022 through targeted communications.

Responsible Individual/s:

Scott Wyman – President, Pennsylvania Operations and John Rea – Vice President, Safety & Human Performance

Expected Completion Date:

December 31, 2022 and ongoing thereafter

Recommendation XIV-4

Revise the corporate absenteeism metric to granularly report on each operating company's rate of actionable absenteeism. The metric should segregate bargaining and non-bargaining employees and include a reasonable target factor for continued improvement. Ensure that each of the FE-PA Companies' HR Departments can proactively monitor its absenteeism performance in relation to the revised corporate absenteeism metric to be able to evaluate the effectiveness of its absenteeism policies and procedures.

Response:

Accepted.

Implementation Action:

While the previous absenteeism reporting separated operating company data by bargaining and non-bargaining categories and called out short-term only absences, the Companies agree to revise their reporting on absenteeism to be more granular and set revised targets to encourage continued improvement. The Companies will be limited in their ability to revise this reporting while the use of the COVID-19 time code ("CV-19") is in place, as the majority of sick time has been associated with CV-19 over the past two years. The use of the CV-19 time code will be evaluated as the Companies begin an effort to revise all time codes, which should allow for more accurate tracking of unplanned absences.

The Companies have outlined a number of steps they have determined are necessary to implement the changes to absenteeism reporting; however, as this effort progresses, the Companies will evaluate any necessary changes to accomplish the goal of more granular reporting and reasonable absenteeism targets. Specifically, the Companies will:

1. Define "actionable absenteeism";
2. Benchmark to identify best practices for managing short-term absenteeism and understand peer metrics and performance improvement indicators;
3. Establish and confirm executive leadership alignment with metric(s) and performance improvement indicator(s);
4. Ensure the organization has resources and systems (including their human capital management ("HCM") system) in place to accurately track and report short-term absenteeism;
5. Understand the drivers of short-term absenteeism and the associated cost and impact (unplanned overtime, productivity loss, etc.);
6. Reinforce the Companies' Absence Policy;
7. Identify and develop solutions to reduce costs and lost time associated with unplanned, short-term absenteeism by:
    a. Reviewing and/or revising, establishing (if necessary) and communicating formal attendance polices and expectations,
    b. Reinforcing the use of absenteeism management process standardization and re-educate leaders,
    c. Negotiating antiquated and excessive sick pay and vacation policies in our collective bargaining agreements,
    d. Utilizing HCM to better track time, absence management, and associated absenteeism costs,

e. Establishing targets focused on continuous improvement, and
f. Tracking affirmative actions and document best practices and lessons learned.

Responsible Individual/s:

Scott Wyman – President, Pennsylvania Operations

Expected Completion Date:

June 30, 2023