

Pennsylvania Public Utility Commission

PUC AUDIT MAKES MANAGEMENT RECOMMENDATIONS TO PECO

Text of July 29 press release.

HARRISBURG – According to an audit report released today by the Pennsylvania Public Utility Commission (PUC), PECO Energy Co. could realize annual savings of up to \$1.6 million by implementing recommendations contained in the report. These savings are in addition to the \$8.1 million annual savings that the company has already realized by implementing recommendations from an August 2007 Focused Management and Operations Audit report.

The Commission voted 5-0 today to make the audit report and the company's plans to address those recommendations public. The PUC has now completed a Management Efficiency Investigation (MEI) that examines the company's progress in implementing 27 of the 53 recommendations from the prior management audit report and its emergency preparedness efforts.

According to the MEI, PECO has effectively implemented 14 of the 27 prior recommendations reviewed and taken some action on the 13 remaining recommendations. Some of the changes made by the company include:

Completing implementation of the Mobile Dispatch System, resulting in annual savings of approximately \$6,500,000.

Successfully reducing its energy-theft caseload by reorganizing its Revenue Protection Department and utilizing several reports to monitor for electric-theft. This has resulted in annual savings of approximately \$1,200,000 since 2006.

Taking steps to improve the effectiveness of its Gas-Theft of Service Program, resulting in annual savings of approximately \$35,000.

Reducing corrective maintenance costs over the 2005 to 2009 timeframe resulting in annual savings of \$112,000.

Implementing a process to compare cost of services provided to affiliates resulting in annual savings of \$273,000.

In addition, the Audit Staff made recommendations for further improvement that include:

Managing annual non-storm overtime spending through the use of proper controls, reviews and authorizations, including monitoring and tracking overtime, which should result in annual savings ranging from \$500,000 to \$1,500,000.

Allocating vegetation funding levels among operation regions to target areas experiencing prevalent tree-related outages.

Restructuring the reporting relationship of the Internal Audit function so that it no longer reports administratively, directly or indirectly, to management responsible for the financial accounting, or to the finance operation of the company.

Filling vacant Internal Audit Department positions in a more timely manner to reduce the need to augment audit services resulting in annual savings of \$101,000.

Striving to reduce the number of "at-fault" line hits attributable to inaccurate and no print causal factors resulting in annual savings of \$50,000.

The Pennsylvania Public Utility Commission balances the needs of consumers and utilities to ensure safe and reliable utility service at reasonable rates; protect the public interest; educate consumers to make independent and informed utility choices; further economic development; and foster new technologies and competitive markets in an environmentally sound manner.

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