

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PENNSYLVANIA 17105**

**Focused Management and
Operations Audit of Pike County
Light and Power Co. and
Leatherstocking Gas Co.**

**Public Meeting: February 8, 2018
2584891-AUD
Docket No. D-2017-2584891, D-
2017-2584892.**

MOTION OF VICE CHAIRMAN ANDREW G. PLACE

Before the Commission is the Focused Management and Operations Audit (MA) of Pike County Light and Power Co. (Pike or PCLP) and Leatherstocking Gas Co., (Leatherstocking) and the Companies' Implementation Plan dated December 28, 2017. Audit staff rated nine functional areas or specific issues that were examined during the audit, and identified 33 recommendations for improvement.

A number of these recommendations are related to Pike's divestiture from Orange and Rockland Utilities, Inc. (O&R) and acquisition by Corning Natural Gas Holding Corporation (CNGHC) on August 31, 2016. CNGHC had previously entered into a joint partnership (50/50) with Mirabito Regulated Industries, LLC to form Leatherstocking, which was subsequently certificated by the Commission on September 27, 2012. Despite operating Leatherstocking within Pennsylvania for four years, the acquisition of Pike substantially increased CNGHC's operations and regulatory requirements within Pennsylvania and expanded CNGHC's activity into electric utility operations.

As the audit was conducted shortly after PCLP's acquisition, the audit team had difficulty acquiring certain data or information on specific procedures. In some cases, Pike had not implemented or completed IT systems such as an Outage Management System, Customer Service Information System, Work Management System, etc. Taking the transition into consideration, the audit team focused its efforts on identifying key procedures or processes lacking at Pike.

Due to the importance of ensuring that Pike's management effectively implements the audit recommendations and establishes proper systems and controls, it is vital that Pike provide the Commission with additional progress updates. As a result of the MA, Pike is already required to file progress reports on all audit recommendations by February 1st for the next three years (until February 2021). In addition, Pike is to continue to provide quarterly updates pursuant to the Settlement Agreement related to the sale of Pike to CNGHC to various parties including the Commission.¹

These existing quarterly reports/meetings related to the Settlement Agreement include:

¹ See Joint Application of Pike County Light and Power Company, Buyer Corning Natural Gas Holding Corporation and Seller Orange and Rockland Utilities, Inc. for a Certificate of Public Convenience Approving the Transfer by Sale of 100% of the Stock of Pike County Light and Power Company from Seller Orange and Rockland Utilities, Inc. to Buyer Corning Natural Gas Holding Corporation, Docket No. A-2015-2517036, Order entered August 11, 2016.

- During the term of the Transitional Service Agreement (TSA), Pike will meet or have a quarterly conference with OCA and OSBA to (a) explain in sufficient detail what services Pike is continuing to take under the TSA and what services it no longer requires and (b) to provide sufficient detail of what substitute services from the CNGHC or other vendors has or will occur.
- Pike/CNGHC shall provide OCA, OSBA, and the Commission with sufficiently detailed quarterly status reports on the progress of retaining an electric and gas utility staff for PCLP. Each report shall contain information regarding the number of permanent staff retained and the number of contractors still in use.

However, given the gravity of some of the identified audit deficiencies, the Commission will impose the following additional reporting requirements:

- The Commission directs Pike to file a status report with the Bureaus of Technical Utility Services (TUS), Investigation and Enforcement (I&E), and Audits by July 1, 2018 and add the below requested information to the existing implementation progress report due by February 1, 2019. Each status report shall provide updated information regarding Pike's implementation of the accepted audit recommendations with a focus on the following:
 - Recommendation III-1: Expand Safety Manual to include detailed safety topics related to gas and electric operations.
 - Recommendation VII-2: Update PCLP's Storm Response and Restoration Plan and tailor it to PCLP's available equipment, resources, and capabilities.
 - Recommendation IX-1 through IX-4: Development of the 4 required plans under 52 Pa. Code § 101 – Emergency Response Plan, Physical Security Plan, Business Continuity Plan, and Cybersecurity Plan.
 - Recommendation III-4: Select, purchase, install, and test all remaining computer systems required to run and manage PCLP in a timely manner. The report should include a status report on computer systems, including the outage management system, work management system, SCADA system, and the "interface" between systems.
 - Recommendation VII-1: Develop and periodically update an Electric Operations and Maintenance Manual specific to PCLP's system.
- The Commission further directs Pike to file a status report with the Commission's TUS Reliability and Emergency Preparedness Section, I&E, Audits, and the statutory advocates on April 1, 2018 regarding Pike's completed plan and cost-benefit analysis required by the acceptance of MA Recommendation III-3 which requests that Pike: develop a staffing plan to document the cost-benefit analyses used to support the decision-making process in determining staffing level resources.

- Pike is directed to hold a meeting, during the 4th quarter 2018, at their facilities with staff from TUS and Audits to review the completed plans required by MA Recommendations IX-1 through IX-4.²
- Pike is directed to file a written monthly status report, to the Commission's Office of Competitive Market Oversight (OCMO), on their Electronic Data Interchange (EDI) capabilities and when they expect to have EDI fully available for electric generation suppliers.

OCMO is encouraged to continue its monitoring and coordination with Pike and EGSs to ensure that Pike's customers receive the benefits of electric competition in accordance with the Commission's regulations.

Pike is also reminded to timely file all of its required regulatory reports as prescribed by the Commission.

THEREFORE, I MOVE THAT:

1. The Commission make the Focused Management and Operations Audit Report and the Companies' Implementation Plan public.
2. The Commission issue a Secretarial Letter directing the Companies to proceed with their Implementation Plan and submit progress reports on the Implementation Plan annually, by February 1st, for the next three years.
3. Pike County Light and Power Company and Leatherstocking Gas Company are directed to file the status reports at the times prescribed as identified in this Motion.
4. Pike is directed to hold a meeting, during the 4th quarter 2018, with staff from TUS and Audits to review the completed plans required by MA Recommendations IX-1 through IX-4.
5. The Office of Special Assistants prepare an Opinion and Order consistent with this Motion.
6. The docket remain open for the filing of the required reports prescribed herein with the Secretary of the Commission.

DATE: February 8, 2018


Andrew G. Place, Vice Chairman

² We note that this requirement also satisfies the directive of Ordering Paragraph 20 of our August 11, 2016 Order approving the Joint Petition for Full Settlement – see footnote 1, above.