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September 7, 2018

BY HAND DELIVERY

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Filing Room
Harrisburg, PA 17120

In re: Focused Management and Operations Audit of Pike County Light & Power Company and Leatherstocking Gas Company LLC; Docket Nos. D-2017-2584891 & D-2017-2584892; **PIKE COUNTY LIGHT & POWER COMPANY'S COST BENEFIT ANALYSIS OF IMPLEMENTATION OF ELECTRONIC DATA INTERCHANGE**

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission is Pike County Light & Power Company's Cost Benefit Analysis of Implementation of Electronic Data Interchange in the above-captioned matter. A copy of this filing has been served in accordance with the attached Certificate of Service.

If you have any questions regarding this filing, please do not hesitate to contact me.

Very truly yours,



Thomas J. Sniscak
Whitney E. Snyder

WES/das

Enclosure

cc: Russel S. Miller
Steven L. Grandinali
Dan Mumford, Office of Competitive Market Oversight
Kriss Brown, Law Bureau

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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Focused Management and Operations :	Docket Nos.	D-2017-2584891
Audit of Pike County Light & Power :		
Company and Leatherstocking Gas :		D-2017-2584892
Company LLC :		

**PIKE COUNTY LIGHT & POWER
COST BENEFIT ANALYSIS OF IMPLEMENTATION OF ELECTRONIC DATA
INTERCHANGE**

Pursuant to the Pennsylvania Public Utility Commission (Commission) June 14, 2018 Order in this proceeding, Pike County Light & Power electricity division (Pike) submits this cost benefit analysis¹ of the implementation of Electronic Data Interchange (EDI). Pike fully supports shopping in its service territory and wants to ensure that its customers have the full capability to choose an Electronic Generation Supplier (EGS). Based on the below analysis, Pike believes that implementation of EDI is not prudent or cost effective and is not in the best interests of Pike's customers at this time. Pike instead describes an alternative, much less expensive proposal (less than one-tenth of the costs of implementing EDI) to continue providing EGS's operating in its service territory with the necessary information for customer switching in lieu of fully implementing EDI. Pike will submit a petition requesting waiver of EDI requirements and any other associated waivers by September 28, 2018.

¹ Pike requested an extension of the deadline of this report to September 7, 2018 via letter filed on September 4, 2018.

I. Costs of Implementing EDI

A. Background

Pike is unique as an EDC in Pennsylvania. It is the only EDC in the Commonwealth that receives 100% of its electric supply from the NYISO zone G via interconnects from Orange & Rockland (O&R), while Pike's franchise territory is 100% within the Commonwealth and the PJM footprint. This creates several unique accounting processes for the company as they relate to the allocation of and forecasting of electric supply and capacity and the purchase and retirement of renewable energy credits.

Pike's previous owner O&R provided EDI services to Pike's customers under the New York State EDI protocols because O&R had implemented EDI for its much larger New York State customer base. The Commission granted Pike a waiver of Pennsylvania EDI standards. Pike's affiliate Corning Natural Gas Company is not required by New York to provide EDI for its 15,000 natural gas customers even though it is open access. Corning has no preexisting EDI protocol or systems to incorporate Pike EGS customers into. Instead, as Pike has previously explained, Pike would be required to considerably modify its existing customer information system and engage an EDI software developer.

B. Estimated Costs of Implementing EDI

In its monthly status updates filed in this proceeding, Pike explained that it has worked with both its customer information system (CIS) vendor and an EDI vendor to explore the details and costs of implementing EDI. As discussed in its last status report, the costs to implement EDI will be at least \$240,000.00 with the potential of being as high as \$450,000.00. There will also be ongoing annual costs of \$35,000.00 to \$40,000.00.

Given that Pike is a small utility, with only 4,764 electricity customers, these costs will be significant for ratepayers. As implementation of EDI is a cost incurred for customers, Pike would

seek to fully recover these costs through rates from all customers. For illustrative purposes, assuming final costs for upfront implementation are \$345,000 (the midpoint of the estimated averages) and those costs are recovered from customers over one year, customers would face an additional \$6.03 charge per month. If costs were recovered over 3 years, customers would face an additional \$2.01 charge per month. Customers would also pay approximately an additional \$0.66 per month for the ongoing annual costs of EDI (using a midpoint annual cost of \$37,500.00) that would be recovered for as long as the EDI system were in place.

II. Benefits

When the Commission initially implemented EDI requirements, it did so on the basis that enabling effective electronic exchange of customer data between EDCs and EGSs is critical to ensuring retail customer have direct access to a competitive market and that quality of service for customers is not hindered by retail competition.

Under the Competition Act, the Commission is charged with the responsibility of providing, 'for a fair and orderly transition from the current regulated structure to a structure under which retail customers will have direct access to a competitive market for the generation and sale or purchase of electricity.' 66 Pa.C.S. § 2802(13); 66 Pa.C.S. § 2804(14). Additionally, the Commission has the obligation to ensure that the quality of service received by customers is not hindered by the introduction of retail competition. 66 Pa.C.S. § 2807(d). The establishment of specific standards enabling an effective electronic exchange of customer data between EDCs and EGSs is a critical component of ensuring fulfillment of these important duties.

In re Standards for Electronic Data Transfer and Exchange, Docket No. M-00960890, F.0015, 1998 WL 553021 (Order entered June 19, 1998).

Time has shown that since 1998 implementation of Pennsylvania's EDI requirements, for Pike it is not necessary to fulfill those purposes. The Commission granted Pike multiple waivers of these requirements, allowing Pike to adhere to alternative data exchange standards. This has

not harmed competition. Even without EDI, Pike has one of the highest rates of customers taking supply from an EGS of all EDCs.² This also has not harmed customers. Pike has had no formal complaints regarding transactions that would utilize EDI.

Pike fully supports competition in its territory. However, given the small number of customers, small number of transactions present that would utilize EDI, and the fact that Pike has one of the highest rates of customers taking supply from an EGS of all EDCs,³ implementing EDI does not appear to present significant benefit to Pike, its customers, or the retail competitive market at a reasonable consumer cost. Moreover, Pike has proposed below a less costly alternative that will allow for timely and secure exchange of information between Pike and EGSs that will provide the benefit of electronic data exchange without the substantial costs of fully implementing EDI.

A. Small Number of Transactions

Historically Pike has a relatively small number of transactions that would be processed via EDI. Over the past year (September 2017 through August 2018), Pike has not had a single customer switch between electric generation suppliers (EGS) or switch from Pike's default service to an EGS. Pike has processed 110 rate changes and 82 switches from an EGS to Pike's default service during this time. This results in a frequency of 1 transaction per every 1.2 days, as illustrated below.⁴

² *Retail Electricity Choice Activity Report 2017, Technical Utility Services* (available at http://www.puc.state.pa.us/Electric/pdf/Electric_Choice_Report-2017.pdf)

³ *Id.*

⁴ Pike has updated the information in this table from its Fifth Monthly EDI Status Report to more accurately reflect transactions.

September 2017 - August 2018 Rate Changes														
		Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	
Constellation	A008	0	0	0	1	0	0	0	0	0	0	0	0	1
Direct Energy	A099	0	0	0	0	0	0	0	29	37	1	0	0	67
PG & E	A162	0	0	42	0	0	0	0	0	0	0	0	0	42
Total		0	0	42	1	0	0	0	29	37	1	0	0	110
September 2017 - August 2018 Drops														
		Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	
Constellation	A008	0	0	0	2	2	0	2	6	0	0	5	8	25
Direct Energy	A099	0	10	5	8	3	5	8	0	1	9	6	2	57
PG & E	A162	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		0	10	5	10	5	5	10	6	1	9	11	10	82
September 2017 - August 2018 EGS Transfers														
		Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	
Constellation	A008	0	0	0	0	0	0	0	0	0	0	0	0	0
Direct Energy	A099	0	0	0	0	0	0	0	0	0	0	0	0	0
PG & E	A162	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		0	0	0	0	0	0	0	0	0	0	0	0	0
Total Number of Changes		0	10	47	11	5	5	10	35	38	10	11	10	192
Calendar Days		3	31	30	31	31	28	31	30	31	30	31	31	338
Business Days		2	22	21	20	21	19	21	21	22	21	21	23	234
Frequency - Days/Transaction		0	2.2	0.4	1.8	4.2	3.8	2.1	0.6	0.6	2.1	1.9	2.3	1.2

B. Pike's Current Process

Pursuant to Pike's Tariff at Leaf Nos. 68-69, prior to making any customer switches to, from, or in between EGSs, Pike must first be notified by either the EGS or the customer of the transaction. Pike also must be notified of rate changes for customers that take supply from an EGS. Over the past year, once that notification has occurred, Pike has processed the transactions within five business days.

When customers communicate to Pike that a change will occur for the next billing cycle, Pike makes the change within that time frame, and there have been no customer complaints about Pike's process.

Pike has had customers that contacted it regarding rate or EGS change issues. In those circumstances, Pike was not given prior notice of the change by the customer or the EGS. Once

Pike was notified, the changes were made in Pike's system. When Pike became aware that EGSs were not notifying Pike of changes, and was contacted by a customer, Pike rectified the situation by requesting the customer provide a cancellation number or a letter with new pricing and effective date so that Pike could update its CIS (Customer Information System).

Regarding EGSs in Pennsylvania, Pike is aware that Direct Energy may oppose Pike's request for waiver of implantation of EDI because Direct Energy raised that issue in its Petition to Intervene in Pike's default service provider proceeding.

Most notifications that Pike receives from the EGSs are after the fact. Pike uses the last meter read to switch the customer to the new rate. If they need to be adjusted further than one month back Pike makes the manual supply price adjustment and makes sure billing is correct going forward.

When Pike receives notice that a customer is switching in the future, it is usually at the end of a month, which is at the same time Pike reads meters. Pike uses the read that the meter readers get to send the final EGS or default service bill and then the next bill is at the new default service rate or new EGS rate provided by the EGS.

C. Pike's Proposed Process

Pike proposes a process as an alternative to EDI that will be efficient and secure for customers, EGSs, and Pike. Pike believes that with this process in place, it can complete requested transactions within three business days of notification. Pike believes it can have this system implemented within three months of obtaining Commission approval.

Pike proposes to setup a File Transfer Protocol (FTP) site to which EGS & Pike personnel could upload and download customer data files in an Excel or CSV file format. Pike is willing to work with EGSs to create a mutually agreeable/beneficial simplified file format. The FTP site would be managed by Pike or its agent and all access would be password protected. File

information will be encrypted to further ensure data security. The site would be designed to generate an e-mail to the responsible party notifying them whenever files had been uploaded or downloaded. These files would serve as the notification to Pike that a change has occurred with the information Pike needs to manually enter that change into its CIS.

Pike's proposed FTP site will be secure to protect customer data and prevent access to both the EGS or EDC customer information systems by utilizing a FTP with an encryption. Additionally, utilizing a FTP with an encryption would prevent illegal access to customer data which would otherwise be stored on a 3rd party data integrators system by eliminating the need for that type of system.

Regarding meter reads to complete transactions, Pike is not required to and does not have smart meters. 66 Pa. C.S. § 2807 (f)(6) (smart meter provisions do not apply to EDCs with less than 100,000 customers). Pike reads meters monthly on four meter reading cycles. If a transaction occurs that requires a meter read, Pike will manually bill accounts that switch outside of its normal meter reading/billing schedule. Pike's affiliate Corning Natural Gas Company has experience with this manual process, and Pike would do so as well.

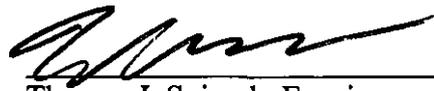
Pike will also ensure adequate staffing to manage the FTP site, process of inputting data into its CIS, and conducting meter reads to complete transactions. Five Pike employees will have access to and responsibility for ensuring the FTP site communication is input into the CIS. Those five employees are: two customer service representatives, Pike's affiliate Corning Natural Gas' energy supply specialist, Pike's customer service manager, and Pike's Vice President of Energy Supply. Having five employees with responsibility for these functions will ensure adequate staffing in the event of vacations or illnesses. Pike will ensure required meter readings are completed within a timely fashion.

Pike estimates the costs of this alternative proposal to be approximately \$30,000.00 for startup with ongoing annual costs of \$2,500.00. This is less than one-tenth than the costs of implementing EDI.

III. Conclusion

As discussed above, implementing EDI will have substantial costs for Pike's customers. EDI will not create a significant benefit to Pike, its customers, or the retail market. The substantial costs paired with lack of a significant benefit show implementing EDI is not a prudent decision at this time. Moreover, Pike has proposed an efficient and secure alternative that will provide the benefits of EDI at a much lower cost to customers. Pike believes it will be able to process transactions within three business days under its FTP site alternative. Pike will submit a petition requesting waiver of EDI requirements and any other associated waivers by September 28, 2018.

Respectfully submitted,



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Counsel for Pike County Light & Power Company

Dated: September 7, 2018

VERIFICATION

I, Russel Miller, certify that I am Vice President-Energy Supply & Business Development for Pike County Light and Power, and that in this capacity I am authorized to, and do make this Verification on their behalf, that the facts set forth in the foregoing document are true and correct to the best of my knowledge, information and belief, and Pike County Light and Power, expects to be able to prove the same at any hearing that may be held in this matter. I understand that false statements made therein are made subject to the penalties of 18 Pa. C.S. §4904, relating to unsworn falsifications to authorities.



Russel Miller
Vice-President Energy Supply & Business
Development, Pike County Light and
Power Company

DATED: 09/07/2018

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

BY FIRST CLASS MAIL

Bureau of Audits
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 3rd Floor East
Harrisburg, PA 17120

Bureau of Technical Utility Services
Pennsylvania Public Utility Commission
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*Attorneys for
Pike County Light & Power Company*

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