



Thomas J. Sniscak  
(717) 236-1300 x224  
[tjsniscak@hmslegal.com](mailto:tjsniscak@hmslegal.com)

Whitney E. Snyder  
(717) 236-1300 x260  
[wesnyder@hmslegal.com](mailto:wesnyder@hmslegal.com)

100 North Tenth Street, Harrisburg, PA 17101 Phone: 717.236.1300 Fax: 717.236.4841 [www.hmslegal.com](http://www.hmslegal.com)

February 1, 2019

*By Federal Express*

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

RECEIVED

FEB 1 2019

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Re: Focused Management and Operations Audit of Pike County Light and Power Company and Leatherstocking Gas Company, LLC; Docket Nos. D-2017-2584891, and D-2017-2584892; **PIKE COUNTY LIGHT & POWER COMPANY'S AUDIT REPORT**

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission is Pike County Light & Power Company's Audit Report.

Should you have any questions or comments, please feel free to contact me directly.

Very truly yours,

A handwritten signature in black ink, appearing to read 'T. Sniscak', is written over a horizontal line.

Thomas J. Sniscak  
Whitney E. Snyder

WES/das  
Enclosure

cc: Nathan Paul, Supervisor, Bureau of Audits ([npaul@pa.gov](mailto:npaul@pa.gov))  
Cherie Pyle, Administrator, Bureau of Audits ([chpyle@pa.gov](mailto:chpyle@pa.gov))

## 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: 02/01/2019

RECEIVED

FEB 1 2019

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

	A	B	C	D	E	F	G	H	I
1	Audit Rec. No.	Recommendation	Original Page No.	Initiation Time Frame	Functional Rating Summary	CNGHC FIRST RESPONSE	Management Responsible	When Initiated	When Completed
2	Chapter III -- Organizational Structure and Staffing								
3	III-1	Expand safety manual to include detailed safety topics related to gas and electric operations.	21	6-12 months		in progress	Matt Cook (G), Steve Grandinali (E)	8/18/2018	
4	III-2	Document and update annually LGC and PCLP's short and long term strategic plans	21	9-12 months		in progress for CY2019	Mike German	1/1/2019	
5	III-3	Develop a staffing plan to document the cost-benefit analyses used to support the decision making process in determining staffing level resources.	21	0-3 months	Significant Improvement Necessary	Staffing plan was submitted in June 2018. As of 1/18/19, Pike has 3 Customer Service Reps, 1 field planner, 1 system designer, 1 gas/electric technician, and 1 general manager. Complete. There will be additions to head count in the future as operating conditons change.	Steve Grandinali	6/1/2018	12/31/2019
6	III-4	Select, purchase, install, and test all remaining computer systems required to run and manage PCLP in a timely manner.	21	0-3 months		All necessary IT systems have been implemented. We are currently in Phase III of IT infrastructure improvements to provide greater connectivity between CNGC & PCLP to allow for future growth at PCLP. We have a site to site VPN and RingCentral IP phone system established. Phase III will entail adding new hardware and a server to the two existing ones.	Russ Miller	5/1/2017	ongoing
7	III-5	Prepare and file annual diversity reports with the Commission.	21	0-6 months		in progress for CY2019, due annually 3/1	Fi Sarhangi	1/15/2019	
8	Chapter IV -- Corporate Governance								
9	IV-1	Periodically review and update documents applicable to corporate governance of PCLP and LGC.	30	0-6 months		CNGHC Employee Code of Conduct has had portions updated, Core Values exist, Code of Ethics needs updating	Legal, Mike German	8/1/2018	in progress
10	IV-2	Develop a charter for the CNGHC Nominating and Compensation Committee regarding PCLP and LGC governance.	30	0-6 months		Completed	Legal, Mike German	7/1/2018	12/11/2018

RECEIVED

FEB 1 2019

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

	A	B	C	D	E	F	G	H	I
1	Audit Rec. No.	Recommendation	Original Page No.	Initiation Time Frame	Functional Rating Summary	CNGHC FIRST RESPONSE	Management Responsible	When Initiated	When Completed
11	IV-3	Annually evaluate director performance and skillsets taking into consideration emerging needs and priorities, and provide director education and/or modify composition as necessary.	30	0-12 months	Moderate Improvement Necessary	Director performance and skills are reviewed once a year before the annual meeting. Board composition will remain unchanged.	Mike German	7/1/2018	10/30/2018
12	IV-4	Develop corporate governance guidelines for PCLP and LGC.	30	0-6 months		Jerry Sleva is drafting corporate governance guidelines- these need to be put on website when done	Mike German	9/1/2018	in progress
13	IV-5	Set specific performance goals for the LGC president and conduct evaluations of established performance goals annually.	30	0-12 months		Performance goals for LGC President have been established for FY2019. These will be periodically reviewed by LGC Board.	Mike German	5/1/2018	ongoing
14	Chapter V -- Financial Management								
15	V-1	Document financial management policies and procedures for LGC and PCLP and ensure documents accurately and appropriately reflect practices in policy.	36	0-12 months	Moderate Improvement Necessary	initiated	Fi Sarhangi	1/30/2019	
16	V-2	Document an internal dividend policy for LGC and PCLP and provide advanced notice and written explanation to the Commission for each dividend payment in excess of 85% of net income.	36	0-12 months		LGC is a new growth company and pays no dividend. Pike retains internally generated cash for capital expenditures. No payments in excess fo 85% have been made by either company.	Legal, Mike German		
17	V-3	Develop and document guidelines and policies for budget creation and management including the regular reporting of budget variances for LGC and PCLP.	36	0-12 months		As part of the board materials distributed before each board meeting, a variance report for all subsidiaries is given by accounting. Capital and operations budgets are presented to PCLP and LGC Boards in the fall for the subsequent fiscal year. <i>Guidelines and policies on budget creation not done yet.</i>	Mike German, Fi Sarhangi, Mario DiValentino	7/1/2018	in progress

	A	B	C	D	E	F	G	H	I
	Audit Rec. No.	Recommendation	Original Page No.	Initiation Time Frame	Functional Rating Summary	CNGHC FIRST RESPONSE	Management Responsible	When Initiated	When Completed
18	Chapter VI -- Cost Allocations								
19	VI-1	Enhance the cost allocation manual applicable to LGC and PCLP to reflect all cost allocation and affiliate transaction related processes.	42	0-12 months	Significant Improvement Necessary	completed	Mike German, Fi Sarhangi	2/1/2018	3/1/2018
20	VI-2	Implement mandatory refresher training on time sheet entry for shared employees.	42	0-12 months		not done yet	Fi Sarhangi		
21	VI-3	Ensure all charges between affiliates are appropriate, reasonable, documented, and align with the PA PUC approved affiliated interest agreement.	43	0-6 months		completed	Fi Sarhangi	2/1/2018	3/1/2018
22	Chapter VII -- Electric Operations								
23	VII-1	Develop and periodically update a systems-specific Pike Electric Operations and Maintenance Manual.	46	0-9 months	Minor Improvement Necessary	PCLP submitted its 2016 I&M Plan February 21, 2017. This is required every two years to be updated, report to be submitted October 31, 2018 for the I&M for 2020-21 time frame.	Steve Grandinali	2/21/2017	ongoing
24	VII-2	Update PCLP's Storm Response and Restoration Plan and tailor it to PCLP's available equipment, resources, and capabilities.	46	0-12 months		Pike OMS system is in place and Cooperative Response Center is used to manage outage calls. SCADA is now in place for both gas and electric with links to Corning headquarters yet to be established. Alarm messages for PCLP and LGC are sent to trained personnel in Corning, Pike, and Leatherstocking, Mutual aid contracts are in place.	Steve Grandinali	8/1/2017	in progress
25	Chapter VIII -- Gas Operations								
26	VIII-1	Accelerate replacement of unprotected bare steel and cast iron main for PCLP.	58	Ongoing	Moderate Improvement Necessary	Study is completed, submitted to PUC TUS quarterly meeting update in February 2018. LTIIP is complete and was submitted by 1/19/19.	Steve Grandinali	2/1/2018	1/19/2019
27	VIII-2	Track dispatch times for gas odor/emergency calls for PCLP.	58	0-9 months		Implemented	Matt Cook	8/1/2017	1/1/2018

	A	B	C	D	E	F	G	H	I
1	Audit Rec. No.	Recommendation	Original Page No.	Initiation Time Frame	Functional Rating Summary	CNGHC FIRST RESPONSE	Management Responsible	When Initiated	When Completed
28	VIII-3	Develop and maintain all gas operation procedures in accordance with federal regulations for PCLP.	58	0-12 months		Completed	Matt Cook	6/1/2018	12/1/2018
29	Chapter IX -- Emergency Preparedness								
30	IX-1	Develop an Emergency Response Plan (ERP) for PCLP and update LGC's ERP, and review, test, and update them annually.	67	0-3 months	Significant Improvement Necessary	in progress	Matt Cook, Steve, Russ	10/1/2018	
31	IX-2	Develop Physical Security Plans for PCLP and LGC, and review, test, and update them annually.	67	0-3 months		Video surveillance is in place 24/7 at PCLP. Positive controls are in place in both PCLP and LGC critical facilities. Pike's Cybersecurity Plan also covers physical security. <i>Leatherstocking written physical security plan is not complete yet.</i>	Russ Miller	3/1/2017	1/9/2019 ; LGC not done yet
32	IX-3	Develop Business Continuity Plans for PCLP and LGC, and review, test, and update them annually.	68	0-6 months		Jerry Sleeve developing BCPs as of 11/18.	Matt Cook, Russ Miller	11/1/2018	in progress
33	IX-4	Develop comprehensive Cybersecurity Plans for PCLP and LGC, and consider utilizing a cybersecurity risk analysis or cyber vulnerability assesment.	68	0-12 months		Based on results of a NYSPSC audit, we are implementing the same cybersecurity processes at CNGC, LGC, and PCLP. LGC's 50% partner, Mirabito Holdings, does have an IT policy, a component of which addresses cybersecurity. Written cybersecurity policy for Pike is complete.	Russ Miller	5/1/2018	1/9/2019
34	IX-5	Increase IT resources at PCLP and LGC and review IT resource needs regularly.	68	0-3 months		New servers, network connectivity, Microsoft Office 365, and an improved help desk have been executed at PCLP. Engaged services of Endeavor for firewall management and other services, while maintaining one full-time IT staff person at CNGC. Review of IT resources and performance for both companies is ongoing.	Russ Miller	4/1/2017	continuing

	A	B	C	D	E	F	G	H	I
1	Audit Rec. No.	Recommendation	Original Page No.	Initiation Time Frame	Functional Rating Summary	CNGHC FIRST RESPONSE	Management Responsible	When Initiated	When Completed
35	IX-6	Engage a trusted outside agency or security specialist to conduct a vulnerability assessment and penetration test on PCLP and LGC facilities periodically.	68	0-18 months		Began vulnerability testing in the form of phishing emails; to date, shows a 7% failure rate	Russ Miller	11/6/2018	ongoing

	A	B	C	D	E	F	G	H	I
1	Audit Rec. No.	Recommendation	Original Page No.	Initiation Time Frame	Functional Rating Summary	CNGHC FIRST RESPONSE	Management Responsible	When Initiated	When Completed
36	IX-7	Correct minor deficiencies in physical security at PCLP and LGC facilities, implement a system of security inspections at all facilities, and improve security measures.	68	0-24 months		not done yet	Matt Cook		
37	IX-8	Review and modify LGC's policy of not providing fire extinguishers at gate stations, and provide adequate first aid equipment, extinguishers, and safety data sheets at all work locations.	68	0-3 months		not done yet	Matt Cook		
38	Chapter X -- Customer Service								
39	X-1	Automate the LGC meter reading process to eliminate manual and redundant data entry tasks to improve efficiencies.	75	0-12 months	Moderate Improvement Necessary	not done	Matt Cook		
40	X-2	Document policies and procedures to govern customer service practices.	75	0-12 months		in progress	Matt Cook, Steve Grandinali		
41	X-3	Reduce long-term customer arrearages by implementing various collection methods including increased customer contact, review of customer repayment plans and terms, etc.	75	0-6 months		initiated and in process with successful results. Arreages have been reduced from a high of \$417K under O&R to \$180K, with an additional \$40K worth of customers on payment plans	Matt Cook, Steve Grandinali	6/1/2018	ongoing
42	Chapter XI -- Settlement Agreement								
43	XI-1	Continue efforts to ensure compliance with time-sensitive stipulations of the Settlement Agreement.	79	0-3 months	Minor Improvement Necessary	Many of the tasks have been accomplished; others will be ongoing	Mike German	1/15/2019	
44		updated 1/30/2019 by Julie Lewis, Business Analyst & Board Administrator				DUE 2/1/2019, 2/1/2020, 2/1/2021			



ORIGIN ID:MDTA (717) 236-1300  
 WHITNEY SNYDER  
 HAWKE MCKEON & SNISCAK LLP  
 100 N 10TH ST  
 NONE  
 HARRISBURG, PA 17101  
 UNITED STATES US

SHIP DATE: 01FEB19  
 ACTWGT: 1.00 LB  
 CAD: 5875296/NET4100

BILL SENDER

565.120E3D23AD

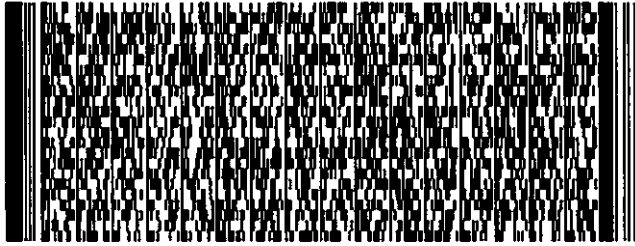
TO **ROSEMARY CHIAVETTA, SECRETARY  
 PA PUBLIC UTILITY COMMISSION  
 COMMONWEALTH KEYSTONE BLDG.  
 400 NORTH ST, 2ND FL, FILING ROOM  
 HARRISBURG PA 17120**

(717) 772-7777

REF: 1306 0001 WES/DAS

INV:  
 PO:

DEPT:

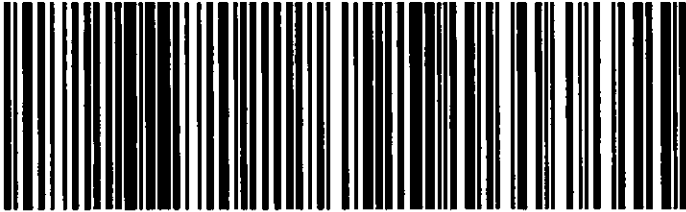


TRK#  
 0201 7743 7146 6463

MON - 04 FEB 10:30A  
 PRIORITY OVERNIGHT

**16 MDTA**

17120  
 PA-US MDT



**After printing this label:**

1. Use the 'Print' button on this page to print your label to your laser or inkjet printer.
2. Fold the printed page along the horizontal line.
3. Place label in shipping pouch and affix it to your shipment so that the barcode portion of the label can be read and scanned.

**Warning:** Use only the printed original label for shipping. Using a photocopy of this label for shipping purposes is fraudulent and could result in additional billing charges, along with the cancellation of your FedEx account number.

Use of this system constitutes your agreement to the service conditions in the current FedEx Service Guide, available on [fedex.com](http://fedex.com). FedEx will not be responsible for any claim in excess of \$100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation, unless you declare a higher value, pay an additional charge, document your actual loss and file a timely claim. Limitations found in the current FedEx Service Guide apply. Your right to recover from FedEx for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage whether direct, incidental, consequential, or special is limited to the greater of \$100 or the authorized declared value. Recovery cannot exceed actual documented loss. Maximum for items of extraordinary value is \$1,000, e.g. jewelry, precious metals, negotiable instruments and other items listed in our Service Guide. Written claims must be filed within strict time limits, see current FedEx Service Guide.