**CITIZENS’ ELECTRIC COMPANY**

**WELLSBORO ELECTRC COMPANY**

**VALLEY ENERGY, INC.**

**IMPLEMENTATION PLAN**

**FOR THE**

**FOCUSED MANAGEMENT**

**AND**

**OPERATIONS AUDIT**

**December 2019**

**Docket Nos. D-2019-3007883, D-2019-3007884, & D-2019-3007885**

**Citizens’ Electric Company**

**Wellsboro Electric Company**

**Valley Energy, Inc.**

**Focused Management and Operations Audit**

**Implementation Plan**

Introduction

 In response to the Pennsylvania Public Commission, Bureau of Audits Focused Management and Operations Audit of Citizens’ Electric Company (“Citizens’”), Wellsboro Electric Company (“Wellsboro”) and Valley Energy, Inc. (“Valley”) (collectively the “Companies”), the Companies hereby submit this Implementation Plan.

 The Companies commend the Bureau of audits for conducting and preparing the comprehensive audit. They believe a focused management audit can provide a valuable analysis of utility practices; and they welcome the recommendations for changes and improvements in the utility management that is gained from such a focused audit.

Therefore, the Companies agree to fully accept the recommendations, many of which have already been completed as shown in the Implementation Plan. The Implementation Plan is organized to address each recommendation contained in each chapter of the report. For each recommendation, the Implementation Plan states the recommendation, recommendation status, the expected implementation date, the actions to be taken and the individual responsible.

CITIZENS’ ELECTRIC COMPANY OF LEWISBURG, PA

MANAGEMENT AND OPERATIONS AUDIT

D-2019-3007883

IMPLEMENTATION PLAN

DECEMBER 2019

|  |  |
| --- | --- |
| RECOMMENDATION NUMBER: | Chapter X – Emergency Preparedness – Recommendation #1  |
|  |  |
| RECOMMENDATION: | Develop a business case to assess the options to create a C&T position to oversee the cybersecurity function for the C&T Companies. |
| RECOMMENDATION STATUS | Accepted |
|  |  |
| IMPLEMENTATION DATE: | May 1, 2020 |
|  |  |
| ACTION: | The C&T companies continue to recognize the value of a strong cybersecurity program. There are currently significant internal and external resources dedicated to this ongoing priority. However, due to the critical importance of protecting the security of physical assets and customer data, the Companies have already launched a business case assessment to study options for increasing internal staffing in 2020. This increase would allow dedication of primary cybersecurity responsibilities to a specific individual. The proposed staffing increase has been approved by senior management and is included in the 2020 budget. The budget is currently pending final approval by the C&T Board of Directors, expected in mid-December, 2019.  |
|  |  |
| INDIVIDUAL RESPONSIBLE:  | John A. Kelchner |
|  | President & CEO |

WELLSBORO ELECTRIC COMPANY

MANAGEMENT AND OPERATIONS AUDIT

D-2019-3007884

IMPLEMENTATION PLAN

DECEMBER 2019

RECOMMENDATION NUMBER: Chapter III – Executive Management and Organizational Structure III-1

RECOMMENDATION: Assign the Wellsboro CEO position to a qualified individual able to devote the necessary time to provide adequate leadership to Wellsboro by year end 2019.

RECOMMENDATION STATUS: Accepted

IMPLEMENTATION DATE: January 2020

ACTION: The transition of CEO duties began with the COO in Oct 2019 and the official date for the transition is January 1st, 2020.

INDIVIDUAL RESONSIBLE: Byron Farnsworth Jr.

 COO

WELLSBORO ELECTRIC COMPANY

MANAGEMENT AND OPERATIONS AUDIT

D-2019-3007884

IMPLEMENTATION PLAN

DECEMBER 2019

RECOMMENDATION NUMBER: Chapter VII – Electric Operations – Recommendation #1

RECOMMENDATION: Reduce the number of unknown outages at Wellsboro by providing additional resources to assist in investigating unknown outages and/or through supplemental training for field operations employees.

RECOMMENDATION STATUS: Accepted

IMPLEMENTATION DATE: Began in 2018 and ongoing

ACTION: Outage cause codes are reviewed with field personnel twice a year to remind them of the importance of accurate information. They are instructed that if a cause can be identified they should be reporting it if it was animal or tree contacts. If they are unable to identify a cause then they are to report “Unknown”.

INDIVIDUAL RESPONSIBLE: Byron Farnsworth Jr.

 COO

WELLSBORO ELECTRIC COMPANY

MANAGEMENT AND OPERATIONS AUDIT

D-2019-3007884

IMPLEMENTATION PLAN

DECEMBER 2019

RECOMMENDATION NUMBER: Chapter X – Emergency Preparedness – Recommendation #1

 RECOMMENDATION: Develop a business case to assess the options to create a C&T position to oversee the cybersecurity function for the C&T Companies.

RECOMMENDATION STATUS: Accepted

IMPLEMENTATION DATE: May 2020

ACTION: The C&T companies continue to recognize the value of a strong cybersecurity program. There are currently significant internal and external resources dedicated to this ongoing priority. However, due to the critical importance of protecting the security of physical assets and customer data, the Companies have already launched a business case assessment to study options for increasing internal staffing in 2020. This increase would allow dedication of primary cybersecurity responsibilities to a specific individual. The proposed staffing increase has been approved by senior management and is included in the 2020 budget. The budget is currently pending final approval by the C&T Board of Directors, expected in mid-December, 2019.

INDIVIDUAL RESPONSIBLE: Byron Farnsworth Jr.

 COO

WELLSBORO ELECTRIC COMPANY

MANAGEMENT AND OPERATIONS AUDIT

D-2019-3007884

IMPLEMENTATION PLAN

DECEMBER 2019

RECOMMENDATION NUMBER: Chapter XI – Human Resources – Recommendation #1

RECOMMENDATION: Establish minority employee and MWDBE vendor utilization goals and submit annual diversity reports to the PUC for Wellsboro Electric Company.

RECOMMENDATION STATUS: Accepted

IMPLEMENTATION DATE: Started in August 2019 and ongoing

ACTION: The company assembled the 2018 data and made the 2018 Annual Diversity filing on August 12th, 2019. There will be survey sent out to all vendors that provide material and services to the Company during December 2019. The survey information will be used to identify qualified MWDBE vendors in our database to then be used for the 2019 Annual Diversity filing and future filings.

INDIVIDUAL RESPONSIBLE: Byron Farnsworth Jr.

 COO

VALLEY ENERGY, INC.

MANAGEMENT AND OPERATIONS AUDIT

D-2019-3007885

IMPLEMENTATION PLAN

DECEMBER 2019

|  |  |
| --- | --- |
| RECOMMENDATION NUMBER: | Chapter III – Executive Management – Recommendation #2  |
|  |  |
| RECOMMENDATION: | Enhance internal controls to ensure that all schedules in Valley Energy’s Annual Report to the PUC contain accurate reporting and correct any sources of errors. |
| RECOMMENDATION STATUS | Accepted |
|  |  |
| IMPLEMENTATION DATE: | November 22, 2019 |
|  |  |
| ACTION: | Valley Energy Policy No. 1-000-080 PA PUC Annual Report Filing; has been developed to enhance internal controls to avoid inaccurate reports. |
|  |  |
| INDIVIDUAL RESPONSIBLE:  | Edward E. Rogers |
|  | President & CEO |

VALLEY ENERGY, INC.

MANAGEMENT AND OPERATIONS AUDIT

D-2019-3007885

IMPLEMENTATION PLAN

DECEMBER 2019

|  |  |
| --- | --- |
| RECOMMENDATION NUMBER: | Chapter X – Emergency Preparedness – Recommendation #1  |
|  |  |
| RECOMMENDATION: | Develop a business case to assess the options to create a C&T position to oversee the cybersecurity function for the C&T Companies. |
| RECOMMENDATION STATUS | Accepted |
|  |  |
| IMPLEMENTATION DATE: | May 1, 2020 |
|  |  |
| ACTION: | The C&T companies continue to recognize the value of a strong cybersecurity program. There are currently significant internal and external resources dedicated to this ongoing priority. However, due to the critical importance of protecting the security of physical assets and customer data, the Companies have already launched a business case assessment to study options for increasing internal staffing in 2020. This increase would allow dedication of primary cybersecurity responsibilities to a specific individual. The proposed staffing increase has been approved by senior management and is included in the 2020 budget. The budget is currently pending final approval by the C&T Board of Directors, expected in mid-December, 2019.  |
|  |  |
| INDIVIDUAL RESPONSIBLE:  | Edward E. Rogers |
|  | President & CEO |