

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**  
**Harrisburg, Pennsylvania 17120**

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

**Public Meeting held July 10, 2025  
3050338-AUD  
D-2024-3050338  
D-2024-3050339**

**STATEMENT OF CHAIRMAN STEPHEN M. DeFRANK**

Before the Pennsylvania Public Utility Commission (Commission) is the Focused Management and Operations Audit (Management Audit) of Pike County Light and Power Company (Pike) and Leatherstocking Gas Company (Leatherstocking) (collectively the Companies). In response to the Management Audit, the Companies have submitted an Implementation Plan indicating acceptance of 23 Bureau of Audits' recommendations, partial acceptance of one recommendation, and rejection of one recommendation.

I commend the Commission's Bureau of Audits for its continued efforts to ensure jurisdictional utilities are managed and operated in an economic and efficient manner. The Commission's auditing arm is one of the most important mechanisms used under our economic regulatory jurisdiction.

Second, I offer my appreciation for the cooperation of Pike and Leatherstocking, most notably the Companies' management and employees, whom worked with our Bureau of Audits to formulate the instant Implementation Plan. The Companies have committed to effectuate the vast majority of recommendations offered by our Bureau of Audits Staff. These implementation measures include, but are not limited to the following:

- Fostering centralized management and controls of all business policies,
- Instilling budget management controls to monitor and report significant variances,
- Enhancing short term contingency planning for human resources at Pike,
- Expanding staffing at Pike to ensure optimal electric operations,
- Developing a comprehensive damage prevention manual at Pike,
- Increasing public awareness efforts for all involved parties about responsibilities under PA One Call, as well as
- Enhancing physical security and business continuity planning.


Nonetheless, I take this opportunity to highlight my concern with the Companies' rejection of the Bureau of Audit's recommendation to regularly compare total actual costs for internally performed shared services and costs of outside services to ensure cost effectiveness. I acknowledge the shared resources under the Companies' affiliated interest agreements (AIAs) most often do provide efficiencies that manifest lower costs. However, such results are not absolute. AIAs should be routinely benchmarked against outside service providers to ensure that

the cost and expense of services provided under such AIAs is creating value for ratepayers in the form of operational efficiencies and cost savings.

In our present environment, where many customers are increasingly challenged to afford utility service, I find it unwise to not routinely benchmark utility AIA costs to ensure they foster the affordability and efficiency expected by customers and required by statute. Look no further than Section 2102(c) of the Public Utility Code, which states the Commission **shall** disallow recovery of amounts paid pursuant to AIAs in excess of the reasonable price for furnishing the services provided.<sup>1</sup>

As our Bureau of Audits states, without periodic assessment of market rates for shared services, the regulated utilities cannot ensure they are not overpaying for services received, nor undercharging for services rendered.<sup>2</sup> Therefore, I ask all utilities to benchmark their expenses incurred and revenues received pursuant to their relevant AIAs and encourage Pike and Leatherstocking to reconsider their rejection of this important recommendation.

**Date: July 10, 2025**

  
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**Stephen M. DeFrank**  
**Chairman**

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<sup>1</sup> 66 Pa C.S. § 2102(c)

<sup>2</sup> Page 26 of the instant Management and Operations Audit