



**PIKE COUNTY LIGHT & POWER COMPANY
LEATHERSTOCKING GAS COMPANY LLC**

MANAGEMENT AND OPERATIONS AUDIT

Pennsylvania Public Utility Commission

Bureau of Audits

Issued June 2025

Docket Nos. D-2024-3050338

and D-2024-3050339

**PIKE COUNTY LIGHT & POWER COMPANY
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MANAGEMENT AND OPERATIONS AUDIT**

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I – INTRODUCTION

Pennsylvania law grants the Pennsylvania Public Utility Commission (PUC or Commission) the general administrative power and authority to supervise and regulate public utilities within the Commonwealth of Pennsylvania per 66 Pa. C.S. § 501(b). Management and operational audits are required of certain Pennsylvania-based utility companies pursuant to 66 Pa. C.S. § 516(a). Specifically, the Commission can investigate and examine the condition and management of any public utility, 66 Pa. C.S. § 331(a).

In accordance with the PUC's ongoing program to identify improvements in the management and operations of fixed utilities under its jurisdiction, it was determined that a management and operations audit should be conducted concurrently of Pike County Light & Power Company (PCLP) and Leatherstocking Gas Company LLC (LGC) as the entities share a common parent.

This report summarizes the PUC's Management Audit Division's audit work and outlines its conclusions. The findings presented in the report identify areas and aspects where weaknesses or deficiencies exist. In all cases, recommendations are offered to improve, correct, or eliminate these conditions. The final, and most important step, in the management audit process is to initiate actions toward implementation of the recommendations.

A. Objectives and Scope

The objectives of this management and operations audit were:

- To provide the Commission, PCLP, LGC, and the public with an assessment of the efficiency and effectiveness of the company's operations, management methods, organization, practices, and procedures
- To identify opportunities for improvement and develop recommendations to address those opportunities
- To provide an information base for future regulatory and other inquiries into the management and operations of PCLP and LGC

The scope of this audit was limited to certain areas of the company as explained in Section B. Audit Approach.

B. Audit Approach

The management and operations audit was performed by the Management Audit Division of the PUC's Bureau of Audits (PUC Auditors or Audit Staff). The audit process began with a pre-fieldwork analysis as outlined below:

- Input was solicited from PUC bureaus and offices and certain external parties regarding concerns or issues they would like addressed during our review.
- Prior management and operations audits, follow-up management efficiency investigations, implementation plans, implementation plan progress reports, other Commission-conducted audits, annual diversity reports, and other available documents were reviewed.

This information was used to focus the PUC auditors' work efforts. Specifically, the listed functional areas were selected for an in-depth analysis and are included in this report:

- Executive Management, Organizational Structure, and Safety
- Corporate Governance
- Cost Allocations and Affiliated Interests
- Financial Management
- Electric Operations
- Gas Operations
- Emergency Preparedness
- Customer Service

The pre-fieldwork analysis should not be construed as a comprehensive evaluation of the management or operations in the functional areas not selected for in-depth examination. Had we conducted a thorough review of those areas, weaknesses or deficiencies may have come to our attention that were not identified in the limited pre-fieldwork review.

Fieldwork began on October 16, 2024 and continued intermittently through February 26, 2025. The principal components of the fact gathering process included:

- Interviews with company personnel as well as other Commission Bureaus
- Analysis of records, documents, and reports of a financial and operational nature focused primarily on the period 2019-2024
- Visits to select company facilities and observation of work practices

C. Functional Area Ratings

For the functional areas selected for in-depth examination, the PUC auditors rated the operating or performance level relative to the expected performance level at the time of the audit. This expected performance level is the state at which each functional area should be operating given the company’s resources and general operating environment. Expected performance is not a “cutting edge” operating condition; rather, it is management of a functional area such that it produces reasonably expected operating results.

Listed below are the evaluative categories used to rate each functional area’s operating or performance level:

- Meets Expected Performance Level
- Minor Improvement Necessary
- Moderate Improvement Necessary
- Significant Improvement Necessary
- Major Improvement Necessary

Our ratings for each reviewed functional area can be found in Exhibit I-1.

**Exhibit I-1
Pike County Light & Power Company
Leatherstocking Gas Company LLC
Management and Operations Audit
Functional Rating Summary**

Functional Area	Meets Expected Performance Level	Minor Improvement Necessary	Moderate Improvement Necessary	Significant Improvement Necessary	Major Improvement Necessary
Executive Management, Organizational Structure, and Safety			X		
Corporate Governance		X			
Cost Allocations and Affiliated Interests				X	
Financial Management		X			
Electric Operations		X			
Gas Operations		X			
Emergency Preparedness			X		
Customer Service		X			

D. Benefits

For most recommendations, it was impractical to estimate quantitative benefits as the benefits are of a qualitative nature, or insufficient data was available to quantify the impact. For example, it is difficult to estimate the actual benefit where new management practices or procedures are recommended where such did not previously exist or were not fully functional. Similarly, changes in workflow or implementation of good business practices could result in improved effectiveness and efficiency of a function but cannot be easily quantified.

The companies will have options to implement the recommendations and, as a result, the PUC auditors have not estimated the cost of implementation for recommendations where no savings were quantified. However, it should be noted that the cost of implementing some recommendations could be significant.

E. Recommendation Summary

Chapters III through X provide findings, conclusions, and recommendations for each function or area reviewed in-depth during this audit. Exhibit I-3 summarizes the recommendations with the following priority assessments for implementation:

- INITIATION TIME FRAME – Estimated time frame on how quickly the company should be able to initiate its implementation efforts given the company’s resources and general operating environment. The time necessary to complete implementation is expected to vary depending on the nature of the recommendation and the scope of the efforts necessary and resources available to effectively implement the recommendation.
- BENEFITS – Net quantifiable benefits have been provided where they could be estimated as discussed in Section D. Benefits. Our overall rankings are not solely based on quantifiable dollars but rather our assessment of the potential overall impact of the recommendation on the efficiency and/or effectiveness of the company and/or the services it provides.
 - HIGH BENEFITS – Implementation of the recommendation would result in major service improvements, substantial improvements in management practices and performance, and/or significant cost savings.
 - MEDIUM BENEFITS – Implementation of the recommendation would result in important service improvements, meaningful improvements in management practices and performance, and/or meaningful cost savings.
 - LOW BENEFITS – Implementation of the recommendation is likely to result in service improvements, management practices and performances, and/or enhance cost controls.

**Pike County Light & Power Company
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Summary of Recommendations**

Rec. No.	Recommendation	Page No.	Initiation Time Frame	Benefits
Chapter III – Executive Management, Organizational Structure, and Safety				
III-1	Expand the succession planning process to include short-term contingency plans for the PCLP General Manager, and all key employees.	15	6 Months	High
III-2	Formally document procedures for all human resources filing and reporting activities to ensure compliance.	16	3-6 Months	Low
III-3	Implement a system to govern oversight of the review, update and documentation of all policies, and create a policy for centralized management of the system.	17	6-12 Months	Medium
III-4	Expand staffing at PCLP to ensure optimal electric operations.	18	12 Months	High
Chapter IV – Corporate Governance				
IV-1	Establish an overarching internal control policy.	22	3 Months	Medium
Chapter V – Cost Allocations and Affiliated Interests				
V-1	File an updated AIA which accurately reflects the intercompany transactions occurring between PCLP, LGC, and their affiliates.	25	6-12 Months	Medium
V-2	Conduct routine periodic testing of intercompany transactions to ensure shared costs are distributed in accordance with approved methodologies.	26	12 Months	High
V-3	Compare total actual costs for internally performed shared services and the cost of outside services to ensure cost effectiveness for all entities regularly.	27	12 Months	Medium
V-4	Establish internal controls over intercompany transactions and cost allocations processes and comply with all aspects of the approved AIA.	27	6-12 Months	High
Chapter VI – Financial Management				
VI-1	Establish a process to routinely review and update financial management policies and procedures and ensure version control is in place.	31	3-6 Months	Low
VI-2	Document an internal dividend policy that provides advance notice and written explanation to the Commission for each dividend payment PCLP and LGC make in excess of 85% of net income.	31	3-6 Months	Low

**Pike County Light & Power Company
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Summary of Recommendations**

Rec. No.	Recommendation	Page No.	Initiation Time Frame	Benefits
Chapter VI – Financial Management (continued)				
VI-3	Document cash management procedures and establish guidelines for assessment of cash positions.	32	3-6 Months	Medium
VI-4	Develop and document guidelines and policies for budget creation and management including the regular reporting of significant budget variance explanations.	33	3-6 Months	Low
Chapter VII – Electric Operations				
VII-1	Develop and maintain a comprehensive damage prevention manual that details appropriate excavating procedures for PCLP's electric utility infrastructure and assets.	36	6 Months	Medium
VII-2	Update PCLP's storm response plan after a storm-related event or at least annually.	37	3 Months	Low
Chapter VIII – Gas Operations				
VIII-1	Establish and maintain a collection system for excavation damages and increase public awareness efforts for all involved parties about their responsibilities under PA One Call.	44	3-6 Months	Low
VIII-2	Review the UFG calculation, including the adjustment factor, and document all steps to ensure accuracy of reporting.	45	6-12 Months	Low
Chapter IX – Emergency Preparedness				
IX-1	Correct minor physical security deficiencies at PCLP and LGC and perform periodic physical security reviews of all facilities.	48	0-3 Months	High
IX-2	Develop comprehensive business continuity plans for PCLP and LGC and review, test, and update them annually.	49	6-12 Months	Medium
IX-3	Develop and maintain physical security plans for PCLP and LGC and review, update, and test annually.	49	3-6 Months	Medium
IX-4	Annually review, test, and update emergency response plans for PCLP and LGC, and update PCLP's emergency response plan to detail company response to non-storm related emergencies.	50	3-6 Months	High
Chapter X – Customer Service				
X-1	Formally document customer service policies and procedures to govern customer service practices.	55	6-12 Months	Medium

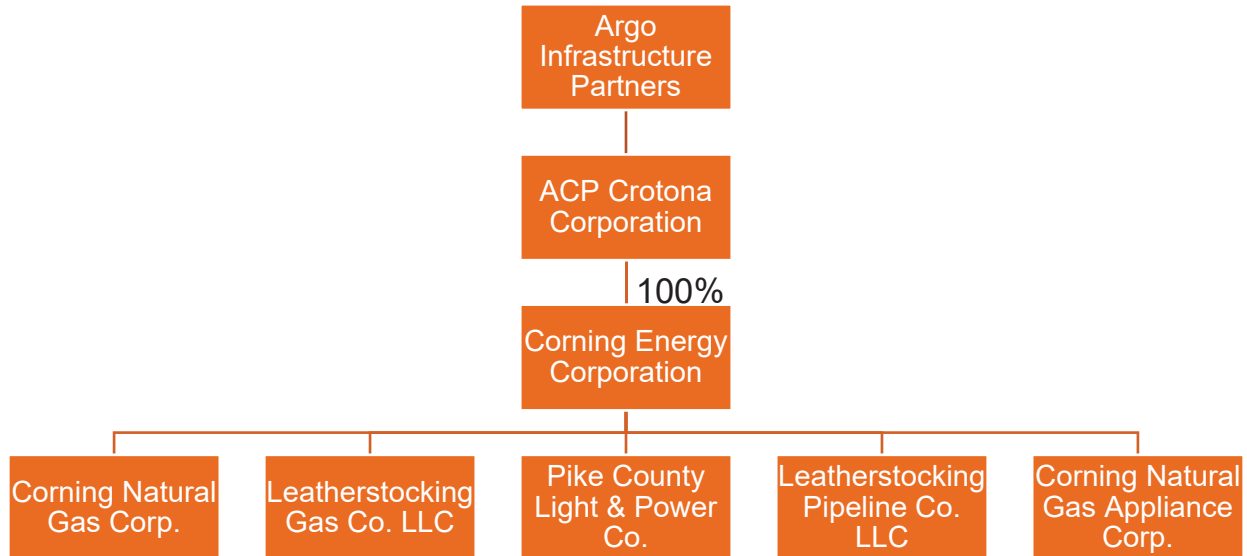
**Pike County Light & Power Company
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Summary of Recommendations**

Rec. No.	Recommendation	Page No.	Initiation Time Frame	Benefits
Chapter X – Customer Service (continued)				
X-2	Revise the tariff and other customer-facing documentation to accurately reflect PCLP's and LGC's budget billing processes.	56	3-6 Months	Low
X-3	Explore eliminating manual meter reading at LGC to streamline operations, reduce errors, and efficiently use staff.	57	12 Months+	Medium
X-4	Improve the customer experience by expanding payment options and eliminating the manual process for budget billing.	57	12 Months+	Medium

II – BACKGROUND

As mentioned in Chapter I – Introduction, both Pike County Light & Power Company (PCLP) and Leatherstocking Gas Company LLC (LGC) are fully owned subsidiaries of a common parent company. The parent company, Corning Natural Gas Holding Corporation, changed its name to Corning Energy Corporation on August 16, 2022. Exhibit II-1 depicts the corporate structure of the companies.

**Exhibit II-1
Corning Energy Corporation
Corporate Entity Organization Chart
As of October 2024**



Source: Data Request CA-1

A brief history of events concerning the parent company and its subsidiaries is summarized below.

- In 2010, a 50/50 joint venture between the parent company and Mirabito Regulated Industries, LLC (MRI) resulted in the formation of two companies: Leatherstocking Pipeline Company LLC and LGC.¹
- Under joint ownership, LGC began serving its first customer in Pennsylvania in 2013.

¹ See Docket No. A-2011-2275595

- In August 2016, the parent company acquired PCLP from Orange and Rockland Utilities, Inc.²
- On July 1, 2020, the parent company purchased 100% of all Pennsylvania assets of Leatherstocking Pipeline Company LLC and LGC from MRI.³
- On July 6, 2022, the parent company was acquired by ACP Crotona Corporation, a subsidiary of Argo Infrastructure Partners, which is a private investment firm.⁴
- In August 2022, the parent company's name was changed to Corning Energy Corporation (CEC).

Pike County Light & Power Company

PCLP is an electric and natural gas distribution company which provides electric service to approximately 5,200 customers located in the townships of Westfall, Milford, and Dingman and the boroughs of Matamoras and Milford in Pike County, Pennsylvania. Additionally, PCLP provides natural gas service to approximately 1,300 customers in the township of Westfall and the borough of Matamoras in Pike County, Pennsylvania. Exhibit II-2 summarizes PCLP's customer statistics as of December 31, 2023.

Exhibit II-2 Pike County Light & Power Company Customer Statistics As of December 31, 2023

Electric Customer Class	# of Customers	% of Customers	Volume of Usage (kWh)	% of Sales	Revenues	% of Revenues
Residential	4,250	82.4%	26,647,810	40.8%	\$6,079,788	45.5%
Commercial	898	17.4%	38,184,790	58.4%	7,099,342	53.0%
Public	11	0.2%	493,714	0.8%	205,795	1.5%
Total	5,159	100.0%	65,326,314	100.0%	\$13,384,925	100.0%

Gas Customer Class	# of Customers	% of Customers	Volume of Usage (CCF)	% of Sales	Revenues	% of Revenues
Residential	1,276	93.8%	94,429	72.5%	\$1,773,269	76.2%
Commercial	84	6.2%	35,787	27.5%	552,603	23.8%
Total	1,360	100.0%	130,216	100.0%	\$2,325,872	100.0%

Source: PCLP's 2023/2024 Annual Reports to the PUC

² See Docket Nos. A-2015-2517036, A-2015-2517111, G-2015-2517113, G-2015-2517114, S-2015-2517115, and S-2015-2517116

³ MRI became the sole owner of all NY assets and formed Leatherstocking Gas Company, New York in January 2021.

⁴ See Docket Nos. A-2021-3025659 and A-2021-3025662.

Leatherstocking Gas Company

LGC is a natural gas distribution company which provides natural gas service to approximately 500 customers in Susquehanna County, Pennsylvania. Exhibit II-3 summarizes LGC's customer statistics as of December 31, 2023.

Exhibit II-3 Leatherstocking Gas Company Customer Statistics As of December 31, 2023

Customer Class	# of Customers	% of Total Customers	Volume of Usage (CCF)	% of Sales	Revenues	% of Revenues
Residential	334	70.0%	26,777	7.3%	\$573,567	29.5%
Commercial	142	29.8%	67,323	18.4%	1,104,277	56.8%
Industrial	1	0.2%	272,114	74.3%	265,410	13.7%
Totals	477	100.0%	366,214	100.00%	\$1,943,253	100.0%

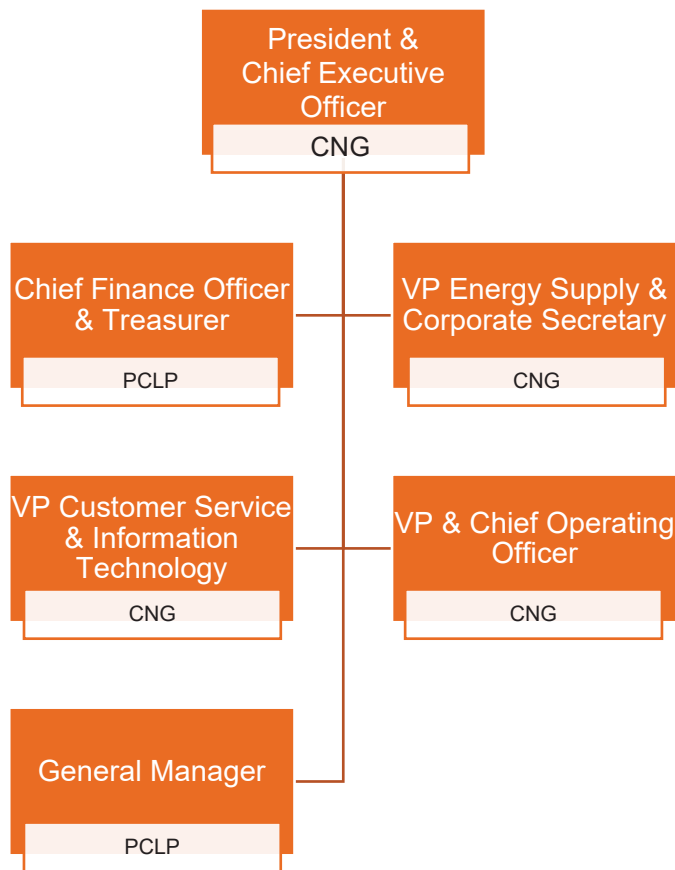
Source: LGC's 2023 Annual Report to the PUC

III – EXECUTIVE MANAGEMENT, ORGANIZATIONAL STRUCTURE, AND SAFETY

Background

As discussed in Chapter II – Background, PCLP and LGC share a parent company, Corning Energy Corporation (CEC). In addition to PCLP and LGC, CEC is also the parent company of a New York regulated utility, Corning Natural Gas Corporation (CNG). CEC leverages staff from both PCLP and CNG to provide executive management and oversight of its subsidiaries, including LGC and PCLP. Exhibit III-1 illustrates CEC’s executive management structure, as led by the President & Chief Executive Officer (CEO).

**Exhibit III-1
Corning Energy Corporation
Executive Level Organization Chart
As of October 16, 2024**



Note: The General Manager and Chief Finance Officer & Treasurer are employees of PCLP, all other executive staff are employees of CNG
Source: Data Request EM-2

Overall, CEC leverages a matrix reporting structure with indirect and direct reporting relationships for shared services occurring between the staff of PCLP, LGC, and CNG. Generally, the CEC executive leadership team provides oversight of their respective functions for all three CEC subsidiary utilities (PCLP, LGC, and CNG). The Chief Finance Officer & Treasurer (CFO) has oversight of financial management⁵ and human resources. The Vice President Energy Supply and Corporate Secretary (VP Energy Supply) has responsibility for energy procurement and corporate reporting. The Vice President Customer Service & Information Technology (VP CS & IT) has oversight of the company-wide customer service⁶ and information technology functions. The Vice President & Chief Operating Officer (VP & COO) has oversight of gas operations⁷ and safety (discussed later in this chapter). However, PCLP General Manager's (PCLP GM) responsibilities are exclusive to PCLP.

CEC's succession plan is reviewed annually by the CEO and CEC's Board of Directors. CEC's 2024 succession plan included all members of the executive leadership (officers and key employees) of CEC, as reflected in Exhibit III-1. For the CEO position, strategies for unplanned sudden separation and planned phased-in retirement measures were also addressed. For all positions core responsibilities, requirements, and internal and external resources for candidates are provided. During fieldwork, the CEO announced an intent to retire. Therefore, the succession planning for the phased-in retirement included a transition period to allow for time for the new CEO to familiarize with CEC. During the upcoming transition, the current CEO would retain a part-time involvement prior to their retirement, with the initial target timeframe of departure by year-end 2024. However, at the close of fieldwork, no change in the CEO's role had occurred. Additional information regarding the succession plan for PCLP is discussed in Finding III-1.

CEC's safety program is centralized under the VP & COO, with safety meetings and trainings conducted monthly for all gas operation staff (including PCLP and LGC's employees). Corporate-wide safety goals for 2023 and 2024 included OSHA metrics. OSHA goals⁸ for 2024 were set at 2.5 reportable events for OSHA reportable events and 2.5 days for DART (Days Away Reassigned or Transferred). Between 2020 and 2024, both PCLP and LGC met the 2024 company goals, with both DART rates and OSHA reportable events at zero for the duration of the audit period. Additional information related to OSHA reporting for PCLP and LGC is presented in Finding III-2.

Pike County Light & Power Company (PCLP)

As discussed previously, PCLP is managed under a matrix structure reporting to CNG's CEO where PCLP is supported through a combination of internal shared support staff and PCLP's direct employees. The PCLP GM is responsible for all day-to-day

⁵ See Chapter VI – Financial Management for additional details on the CFO's role and responsibilities including PCLP and LGC's Financial Management function

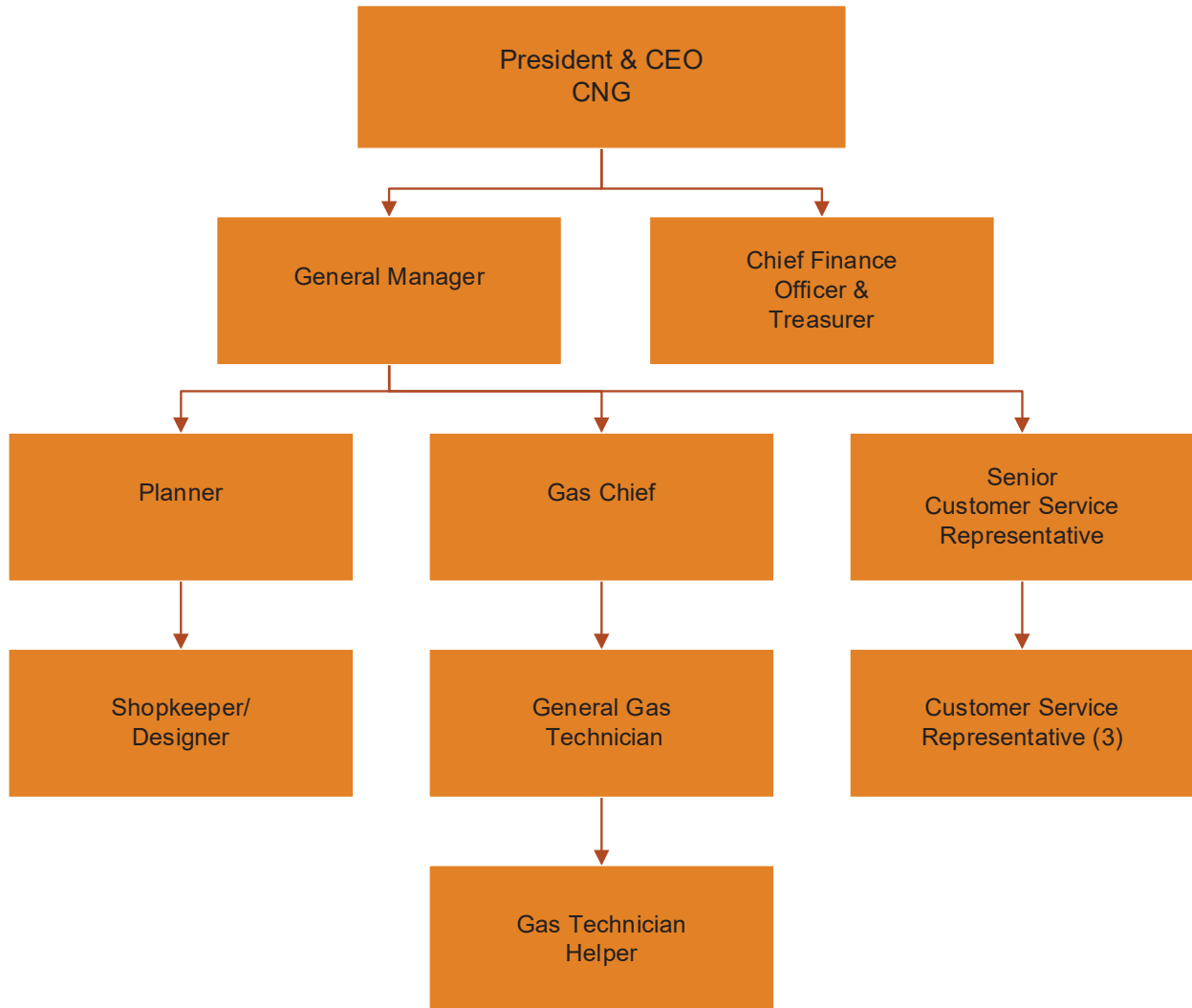
⁶ See Chapter X – Customer Service for additional details on the VP CS & IT's role and responsibilities for PCLP and LGC's customer service function

⁷ See Chapter VIII – Gas Operations for additional details on the VP COO's role and responsibilities for PCLP and LGC's Gas Operations function.

⁸ OSHA goals are measured by incident/DART per 100 employees.

administrative and operational functions at PCLP, including oversight of three direct reports. PCLP’s employee organizational structure is depicted in Exhibit III-2.

**Exhibit III-2
Pike County Light & Power Company
Organization Chart
As of October 16, 2024**



Note: PCLP’s CFO’s direct reports are not employees of PCLP.
Source: Data Request EM-1 and EM-2

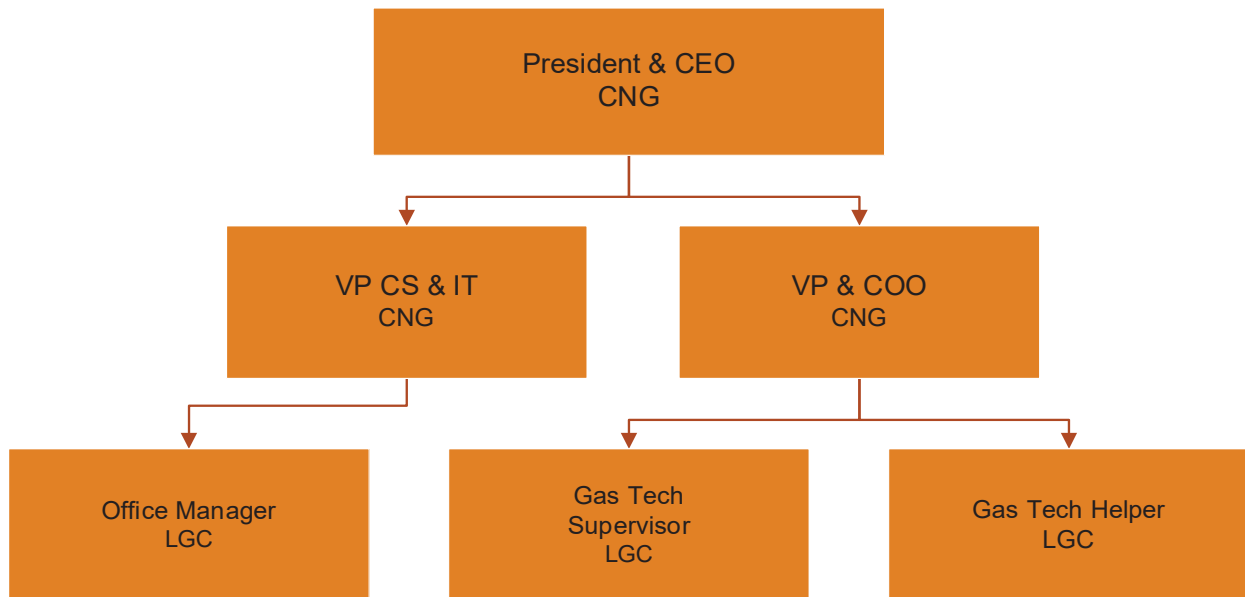
PCLP’s Planner is responsible for providing estimates for new services, planning projects, and coordinating contractors. PCLP’s Senior Customer Service Representative (CSR) provides general office administration for PCLP and oversees PCLP’s three CSRs. PCLP’s Gas Chief is responsible for all gas operations-related activities for PCLP, as well as its meter reading functions. In addition, the Gas Chief

has oversight of two gas technicians. PCLP relies upon contractors to fulfill its electric operations function⁹.

Leatherstocking Gas Company (LGC)

Similarly, LGC's organization functions under a matrix structure. As shown in Exhibit III-3, LGC is composed of three internal employees who report to members of CNG's executive team. CEC's CEO also serves as LGC's GM, with its employees reporting directly to CNG's VP CS & IT or CNG's VP & COO.

**Exhibit III-3
Leatherstocking Gas Company
Organization Chart
As of October 16, 2024**



Source: Data Requests EM-1 and EM-2

LGC's Office Manager is responsible for LGC's administrative functions, including general office duties and customer services, (see Chapter X – Customer Service for additional information regarding LGC's customer service activities). LGC's Gas Tech Supervisor and Gas Tech Helper are responsible for LGC's gas distribution and operation activities (discussed in more detail in Chapter VIII – Gas Operations) as well as LGC's meter reading processes (see also Chapter X – Customer Service).

⁹ See Chapter VII – Electric Operations for additional information.

Findings and Conclusions

Our examination of PCLP and LGC's organizational structure and staffing included a review of their short- and long-term goals and objectives, the effectiveness of their organizational structure to support these objectives, the ongoing strategic and operational planning processes, and succession planning. Based on our review of PCLP, LGC, and their supporting organizations, additional efforts should be devoted to improving efficiency and/or effectiveness by addressing the following:

- **Finding III-1: PCLP does not have short-term internal contingency plans in place to address emergency departures of its General Manager.**
- **Finding III-2: The human resources department lacks documentation to support certain responsibilities.**
- **Finding III-3: PCLP and LGC lack a coordinated procedures review and control process.**
- **Finding III-4: PCLP has inadequate staffing for oversight of its electric operations.**

Discussion

Finding III-1: PCLP does not have short-term internal contingency plans in place to address emergency departures of its General Manager.

As discussed in this chapter's background, CEC's succession plan includes PCLP's GM position. However, PCLP's GM is the only internal position in the succession plan that requires electric operations expertise. Further, because PCLP relies on the use of outside contractors to support its electric operations, PCLP's limited staff does not have the electric operations expertise to fill in for PCLP's GM. PCLP filed rate cases with the PA PUC that included a proposal to expand its internal workforce. However, to date, PCLP has not made any moves to increase electric operations staff. Moreover, prior to the close of audit fieldwork, in January 2025, PCLP's GM left the company. To support oversight of PCLP, the CEO and the previously retired PCLP GM stepped in to fulfill PCLP's GM's duties.

Notwithstanding, PCLP does not maintain formal contingency plans nor has PCLP created formal documentation of PCLP GM's responsibilities. Contingency plans should be developed to ensure efficient and effective continuation of operations. PCLP's limited company-size and staffing puts it at an increased operational risk to its electric operations process because of the dependency on one employee with electric operations expertise. Therefore, PCLP should implement additional measures to ensure continuity of all critical functions.

Recommendation III-1: Expand the succession planning process to include short-term contingency plans for the PCLP General Manager, and all key employees.

Finding III-2: The human resources department lacks documentation to support certain responsibilities.

As discussed in this chapter's background, OSHA reporting for PCLP and LGC between 2019 and 2023 reflected zero incidences for OSHA reportable events and DART. However, OSHA filings were only submitted for PCLP and LGC for 2021 and 2023. Data provided from the companies reflected only CNG in the OSHA reports filed for 2019 and 2020. For 2022, an OSHA report was submitted for CEC (CNG, PCLP, and LGC) as a consolidated filing. Per OSHA's recordkeeping guidance, all companies are required to submit reports to OSHA, even when their numbers are zero.

Due to recent changes in staffing and the lack of documentation for certain key processes, the OSHA filings were inconsistently administered for PCLP and LGC during the audit period. As a best practice, procedures should include adequate detail to serve as a foundation to allow for uniformity in performance of all critical functions, including filing of mandatory regulatory reporting. However, lean staffing requires employees to focus on day-to-day duties and does not provide ample opportunities to fully document all department responsibilities and functions. As such, the companies are at an increased risk for errors or omissions, particularly for infrequent compliance filings and reporting. See Finding III-3 for additional information regarding the management and oversight of formal documentation for key processes.

Recommendation III-2: Formally document procedures for all human resources filing and reporting activities to ensure compliance.

Finding III-3: PCLP and LGC lack a coordinated procedures review and control process.

According to the CFO, the company documents its policies and procedures in two ways, companywide (via the Employee Handbook) and department driven (each department is responsible for maintaining its own policies and procedures). However, pervasive instances of outdated or missing documentation for foundational policies and procedures were noted by Audit Staff throughout the audit. It is noteworthy that the companies have undergone recent changes such as Corning Natural Gas Holding Corporation's acquisition by ACP Crotona Corporation described in Chapter II – Background. However, these types of significant changes increase the need for documentation of policies and procedures to reduce uncertainty and ambiguity.

In the absence of up-to-date documentation, the company relies upon key employees to govern and manage critical processes and activities. However, a lack of resources and limited staff sizes reduce the opportunities for staff to establish a uniform system to document fundamental processes and procedures. Best practices for maintaining accurate and reliable policies and procedures include:

- Retaining policies and procedures in a centralized location for ease of development, review, and maintenance
- Standardizing policy format to achieve consistency (templates)
- Creating a policy for drafting, tracking, reviewing, and approving all organizational policies
- Tracking all changes to policies and procedures (who made each change, when it was made, and why)
- Automatically notifying the appropriate individuals when policies are up for review and archiving previous versions (version control)

Ambiguous, outdated, or undocumented processes make the execution of duties unclear for employees. Additionally, undocumented or outdated processes increase the risk for inaccuracies, inefficiencies, and confusion among staff, which may result in performance that is misaligned with management’s vision or out of compliance with regulations. These conditions also led the PUC auditors to generate numerous findings and recommendations within other chapters of this report¹⁰ regarding short-term contingency plans, emergency plans, manuals, policies, and procedures.

Recommendation III-3: Implement a system to govern oversight of the review, update and documentation of all policies, and create a policy for centralized management of the system.

Finding III-4: PCLP has inadequate staffing for oversight of its electric operations.

As discussed previously in Finding III-1, PCLP lacks short-term contingency plans for PCLP’s GM role and is not sufficiently staffed to provide redundancy in all critical operations. As noted previously, PCLP and its affiliates have only one position that requires electric operations expertise and generally relies on external resources to perform work on the electric system. While PCLP has submitted two active rate cases¹¹ proposing additional staff, as of January 2025, PCLP was without any full-time internal staff to manage its electric operations function.

Outsourcing work is best when it leverages increased expertise for short duration needs. However, internal resources, although more costly in some situations, often provide more flexibility, accountability, and ownership in the system. In addition, staffing redundancies for critical functions, like electric operations, are necessary to ensure

¹⁰ See Chapter IV – Corporate Governance, Chapter VI – Financial Management, Chapter VII – Electric Operations, Chapter IX – Emergency Preparedness, and Chapter X – Customer Service for relevant findings and conclusions.

¹¹ Docket No. R-2024-3052357 (PCLP-Gas) and Docket No. R-2024-3052359 (PCLP-Electric)

continuing operations. Audit Staff notes that overall staffing at PCLP as well as the staffing of its affiliates is limited (numerous critical functions remain undocumented due to other duties prioritized above establishing foundational guidance for internal staff, see Findings III-2 and III-3 as well as supporting findings in Chapters IV – Corporate Governance, VI – Financial Management, VII – Electric Operations, IX – Emergency Preparedness, and X – Customer Service for additional examples). It is noteworthy that PCLP’s affiliate CNG proposed expanding its accounting staff in its April 2022 rate case which was challenged by the NY Public Service Commission (see the Staff Accounting Panel’s recommendation proposing the removal of CNG’s requested personnel in Case 21-G-0394). Nonetheless, given the criticality of electric operations, Audit Staff encourages PCLP to expand its staff to provide optimal internal resources for electric operations.

Recommendation III-4: Expand staffing at PCLP to ensure optimal electric operations.

IV – CORPORATE GOVERNANCE

Background

As discussed in Chapter II – Background, prior to July 2022, Pike County Light & Power Company (PCLP), Corning Natural Gas Corporation (CNG), and Leatherstocking Gas Company LLC (LGC) were subsidiaries of Corning Natural Gas Holding Corporation (CNGHC). CNGHC was publicly traded under OTCQX Best Marketplace. However, on July 2022, CNGHC was fully acquired by ACP Crotona Corporation, a subsidiary of Argo Infrastructure Partners, a private investment firm. Subsequently, CNGHC changed its name to Corning Energy Corporation (CEC) in August 2022.

Thus, CEC and its subsidiaries are no longer subject to the corporate governance requirements contained in the Sarbanes-Oxley Act of 2002 and other Security and Exchange Commission (SEC) regulations. Although no longer required, CEC continues to follow the spirit of several governance practices established for public companies.

The CEC Board of Directors (Board or BOD) is comprised of seven members, which include the President and Chief Executive Officer (CEO) and six independent directors. Under the new ownership structure, Argo Infrastructure Partners appointed Board members, who were selected based on their utility, related industry experience and financial expertise. The Board is responsible for providing oversight and direction for CEC and its subsidiaries. Additionally, as discussed in Chapter III – Executive Management, Organizational Structure, and Safety, CEC and its subsidiaries have six executive officers appointed by the Board to oversee the daily operational and financial activities of the companies.

Although most matters are addressed by the full Board, the Board utilizes its only committee (Audit Committee) to provide financial oversight of CEC, including interactions with CEC's external audit firm. The Audit Committee's three independent Board members are appointed based on the recommendation of the Board. Although all Audit Committee directors are financially literate, one is considered a financial expert per the requirements of SOX Section 407. The Audit Committee oversees CEC's independent external auditor, including appointment, retention, compensation, and performance. The Audit Committee reviews all financial statements and required financial disclosures; oversees CEC management's implementation of financial controls and processes and procedures; ensures the firm's independence; ensures there is regular rotation of the leading audit partners; and reviews and approves all services performed by the external audit firm.

Under the new ownership of ACP Cortona Corporation, CEC switched from its prior external audit firm of eight years in 2023. The newly engaged external auditors were required to fulfill their responsibility as stated in the engagement letter dated September 27, 2023, which included auditing the design, implementation and maintenance of internal controls, which are relevant to the preparation and fair presentation of the consolidated financial statements.

In addition to the CEC Board, the PCLP Board of Directors (PCLP Board) is comprised of seven members who are employees of CEC and its subsidiaries, including: the President and CEO and six executive officers including the Chief Financial Officer & Treasurer, General Manager, VP Customer Service & IT, Chief Operating Officer, VP Operations & Engineering, and VP Energy Supply & Corporate Secretary. The PCLP Board primarily focuses on operational issues, hiring and staffing, budgeting, strategic planning, and the overall direction of operations. At each PCLP Board meeting, the company's financial position, operating results, and pending issues are reported for informational purposes or approval depending on subject matter. The PCLP Board does not have any committees and met 14 times between 2018 and 2024.

Similarly, the LGC Board of Directors (LGC Board) is comprised of six members of CEC executive management which include the President and CEO and five executive officers including the CFO & Treasurer, VP Operations & Engineering, Chief Operating Officer, VP of Customer Service & IT, and VP Energy Supply and Corporate Secretary. LGC Board responsibilities include oversight of day-to-day company operations and financial activities. The LGC Board does not have any active committees and met 13 times between 2018 and 2024.

CEC's documented Code of Business Conduct and Ethics policy was updated January 30, 2023. This policy outlines business practices and is applicable to all directors and employees. The policy addresses the underlisted topics:

- Compliance with laws, rules and regulations
- Conflict of interest
- Confidential information
- Corporate opportunities
- Competition and fair dealings
- Discrimination and harassment
- Record keeping
- Health and safety
- Confidentiality
- Protection and proper use of company assets
- Payment to governmental personnel
- Reporting any illegal or unethical behavior/whistleblower protection

Diversity

The PUC has encouraged utilities to proactively improve diversity in their workforce and purchasing efforts for more than two decades. In March of 1992, the PUC issued a Secretarial letter directing all jurisdictional utilities affected by Section 516 of the Public Utility Code (i.e., utilities whose plant-in-service exceeds \$10 million) to file quarterly diversity status reports with the PUC. In May of 1994, the PUC issued an Order directing Section 516 utilities to file diversity status reports semi-annually rather than quarterly, to submit EEO plans annually, and to file specified diversity procurement data. In February 1995, the PUC adopted Chapter 69 regulations that encouraged

utilities to include diversity efforts as a part of their business strategy. Later, in March 1997, the PUC changed its diversity filing requirements from semi-annual to annual. After reviewing its diversity requirements, the Commission issued its final rulemaking order at Docket No. L-2020-3017284 at its April 14, 2022 Public Meeting.

Both PCLP and LGC comply with annual diversity filings, as encouraged by the PUC, providing details on the aspects of diversity efforts for both internal workforce and procurement areas of their operations. Both companies have established diversity, equity, and inclusion policies with internal efforts spanning recruitment, training, promotion, and retention. Due to the limited size and scope of their respective businesses, no filings for the Office of Federal Contract Compliance Program were required for PCLP or LGC during the audit period. Furthermore, both companies have established formalized tracking and reporting of their diverse procurement expenditures in accordance with PUC guidelines.

Findings and Conclusions

Our examination of the corporate governance function included a review of the CEC, PCLP, and LGC Boards of Directors' organization, including: committee structure and charters, Board fee structure, director independence, documents related to principles of corporate governance and oversight, relationships with the external auditor, performance of non-audit services by the external auditor, and policies related to rotation of audit firms, code of ethics, annual reports to shareholders, etc. Based on our review, PCLP and LGC should initiate or devote additional efforts to improving the efficiency and/or effectiveness of their corporate governance functions by addressing the below:

- **Finding IV-1: Limited narratives and matrices on internal control activities have been documented, but no overarching internal control policy nor regular testing of internal controls are in place.**

Discussion

Finding IV-1: Limited internal control activities have been documented, but no overarching internal control policy nor regular testing of internal controls are in place.

The Audit Committee Charter assigns CEC management with the responsibility to establish effective internal controls and procedures that ensure compliance with accounting standards, financial reporting procedures, and applicable laws and regulations. On a regular basis, the external auditors review the internal control system of CEC, PCLP and LGC, and these reports are sent to the Audit Committee for review and evaluation. However, due to its size, CEC does not have its own internal audit staff nor does it use an external firm to conduct internal audits of existing internal controls. Instead, the companies rely on normal operations and regular external audits to determine if internal controls are working properly.

Additionally, the Audit Staff found that CEC's Code of Business Conduct and Ethics Policy does not address nepotism in the workplace. Nepotism creates an increased risk for a business where relationships between certain individuals may lead to undue influence or unethical behavior for a variety of reasons. Thus, the company is missing an opportunity to define internal controls surrounding nepotism to mitigate such risks.

The companies have instituted or documented some internal controls. For instance, there is a daily review of cash by the Regulatory Accountant, which is then reviewed and signed off by the CFO and then captured in monthly and quarterly reports. In addition, Audit Staff observed that the CEC maintains both narratives and control matrices for specific activities, including entity level controls, financial reporting controls, investments control, payroll controls, purchasing and payables control, revenue and receivables control, accounts payable customer deposits, and cash and cash equivalents. However, the narratives and control matrices were not supported by an overarching internal control policy. In fact, in 2023 CEC's external auditor sent a letter communicating control deficiencies in internal control over financial reporting that specifically mentioned a lack of formally documented policies and procedures. An overarching policy should serve as a foundation for defining risk assessment practices, establishing communication channels between relevant stakeholders, and assigning testing intervals for internal controls.

It is worth noting that an established internal control department or policy would help the companies align with regulatory mandates (e.g. SOX), adopt frameworks like COSO, and reflect organizational size and industry risks. While CEC's size may not warrant a dedicated internal audit department or dedicated resources aimed at testing internal controls, the companies can still improve internal controls by adopting an internal control policy. The overarching internal control policy should provide a foundation for internal control to ensure alignment, communication, etc. and should include:

- Control environment – overall culture of compliance and responsibility of the Board, executives, and employees
- Risk assessment – identification of potential risks and internal controls to mitigate identified risks
- Control activities – policies, procedures, controls
- Information and communication – establish communication channels between appropriate parties
- Monitoring – assessment of the internal controls for appropriateness, viability, etc.

Recommendation IV-1: Establish an overarching internal control policy.

V – COST ALLOCATIONS AND AFFILIATED INTERESTS

Background

As discussed in Chapter II – Background, PCLP and LGC are subsidiaries of Corning Energy Corporation (CEC). CEC maintains three operating companies: PCLP, LGC, and Corning Natural Gas Corporation (CNG) and leverages executive management of all affiliates with staff employed by different subsidiaries to perform shared services (see Chapter III – Executive Management, Organizational Structure, and Safety for additional information on the matrix relationship structure). Thus, shared labor costs are allocated between CEC’s subsidiaries. Exhibit V-1 provides a summary of intercompany charges occurring between CEC’s subsidiaries.

Exhibit V-1 Pike County Light & Power Company Leatherstocking Gas Company Summary of Intercompany Transactions 2020 – 2024

Pike County Light & Power

Charges from affiliates to PCLP:

	2020	2021	2022	2023	2024
CNG	\$ 452,247	\$ 1,249,825	\$ 2,435,545	\$ 1,592,360	\$ 2,376,123
LGC	\$ 11,982	\$ 7,201	\$ 451,955	\$ 53,907	\$ 56,043

Charges from PCLP to affiliates:

	2020	2021	2022	2023	2024
CNG	\$ 29,816	\$ 371,129	\$ 601,375	\$ 625,887	\$ 374,609
LGC	\$ 2,934	\$ 18,539	\$ 29,059	\$ 88,998	\$ 97,421

Leatherstocking Gas Company

Charges from affiliates to LGC:

	2020	2021	2022	2023	2024
CNG	\$ 147,249	\$ 1,077,929	\$ 640,022	\$ 390,154	\$ 609,786
PCLP	\$ 2,934	\$ 18,539	\$ 21,868	\$ 88,998	\$ 97,421

Charges from LGC to affiliates:

	2020	2021	2022	2023	2024
CNG	\$ 56,249	\$ 52,142	\$ -	\$ -	\$ 22,027
PCLP	\$ 11,982	\$ 7,201	\$ 451,955	\$ 53,907	\$ 56,043

Note: Due to the shift in fiscal year time periods, 2022 includes 15 months of data.

Source: Data Requests CA-4, CA-5, and CA-13

Generally, intercompany charges from PCLP and LGC are attributable to employees performing duties for multiple companies (i.e., shared labor). Shared labor is proportioned based upon a predetermined time allocation process. Annually, shared

employee duties are reviewed and updated to gauge the approximate percentage of time dedicated to each CEC subsidiary. A memo is distributed to accounting staff based upon the result and allocation rates are adjusted as needed.

Conversely, CNG shared costs are composed of both shared labor and shared corporate resources (e.g., insurance, outside services, etc.). Whenever possible, corporate costs are billed in full to a specified entity when the services are directly related to that entity. However, in most cases, corporate costs are allocated based upon the company's net plant sub-allocation factor. The net plant sub-allocation factor is based upon the proportion of space used by specific parties within CEC's corporate office. In addition to subsidiary employees using office space, CEC leases a portion of their corporate office to a third-party tenant. The remaining percentage¹² is distributed to CEC's operating subsidiaries based upon the square footage of the facilities relative to their use by CEC's subsidiaries' employees and their assigned appropriation of work for each CEC subsidiary.

As required by the PA PUC, both PCLP and LGC have filed affiliated interest agreements (AIAs) with the Commission. These AIAs disclose the methodology leveraged by the affiliated companies concerning the application of intercompany transactions. As discussed in Chapter VI – Financial Management, PCLP and LGC maintain AIAs for their shared financing function.¹³ In addition, PCLP and LGC maintain AIAs governing the allocation of corporate costs and the shared services provided between affiliates¹⁴. Per these shared service AIAs (Shared Service AIAs), where corporate costs and shared services cannot be directly assigned, allocations are based upon various service categories. Allocation factors use either transactional source data (e.g., billing services allocated by the number of bills processed in the preceding calendar year) or a general allocation factor for non-transaction-based services (e.g., executive management salaries allocated by an average of the plant, revenue, and payroll expenses for the preceding calendar year). See Finding V-1 for additional discussion on PCLP and LGC's approved Shared Service AIAs.

Findings and Conclusions

Our examination of PCLP and LGC's cost allocations and affiliated interests function included a review of the PUC approved AIAs, cost allocation manual (CAM), policies and procedures, supporting data for intercompany transactions, etc. Based on our review, PCLP and LGC should initiate or devote additional efforts to improve the efficiency and/or effectiveness of their cost allocations and affiliated interests by addressing the following:

¹² Amounts allocated to the third party are excluded from rate base.

¹³ Corporate financing AIAs are approved under Docket No. G-2024-3049087 and Docket No. G-2024-3049089.

¹⁴ Found under Docket Nos. G 2019 3008821, G 2019 3009610, and G 2019 3009611.

- **Finding V-1: PCLP’s and LGC’s approved AIAs are outdated and no longer represent intercompany transactions occurring between affiliates.**
- **Finding V-2: PCLP and LGC do not perform testing of intercompany transactions.**
- **Finding V-3: PCLP and LGC have not performed any recent market comparisons or cost analyses for shared services.**
- **Finding V-4: Reporting on intercompany transactions is deficient.**

Discussion

Finding V-1: PCLP’s and LGC’s approved AIAs are outdated and no longer represent intercompany transactions occurring between affiliates.

As discussed in this chapter’s background, shared costs are generally distributed by two methods, predetermined time allocations and the net plant sub allocation factor. Shared labor is distributed via the predetermined time allocation process, and most shared corporate costs are allocated via the net plant sub-allocation factor. However, PCLP’s and LGC’s PUC approved Shared Service AIAs do not reflect this practice. Per the approved Shared Service AIAs, shared costs are distributed primarily based upon direct charge, with indirect charges distributed based upon transactional allocation factors or a general allocation factor. Neither the predetermined time allocation process nor the net plant sub allocation factor are disclosed in the PUC approved Shared Service AIAs.

Moreover, the Shared Service AIAs have not been updated to reflect current affiliated relationships nor the current ownership structure, parent company name, etc. Under 66 C.S. §2102, AIAs should reflect the accurate names of the public utilities and affiliates, and detail services provided to and by each affiliated company. Recent corporate restructuring, limited staffing resources, and a lack of documentation of key processes have rendered the PA PUC approved Shared Service AIAs outdated. Review by Audit Staff confirmed that company practices governing shared resources failed to align with the PA PUC approved AIA in accordance with 66 C.S. §2102. Therefore, Audit Staff recommends that PCLP, LGC, and their affiliates file updated Shared Service AIAs that accurately describe all aspects of intercompany relationships, allocation methodologies, and transactions related to shared resources with the PUC for approval as soon as practicable.

Recommendation V-1: File an updated AIA which accurately reflects the intercompany transactions occurring between PCLP, LGC, and their affiliates.

Finding V-2: PCLP and LGC do not perform testing of intercompany transactions.

In response to Audit Staff's request, PCLP and LGC confirmed that no external audit of its cost allocation processes had been conducted during the audit period. As discussed in Finding V-1, the current practices governing intercompany transactions and cost allocations for PCLP and LGC do not align with the PUC approved Shared Service AIAs. Audit Staff's review of the companies' allocation processes confirmed calculations were maintained and updated annually for various allocation factors as prescribed by the approved Shared Service AIAs; however, although percentages tying to these allocation factors could not be successfully traced to any of the intercompany transactions tested by Audit Staff (see Finding V-1).

Testing of financial and operational controls provides insight into an organization's operations; improve operating efficiency; and mitigate the risk of fraud, waste, and abuse. Due to limited resources and a lack of focus on testing of the controls governing intercompany transactions affecting PCLP and LGC, the companies have not implemented routine testing of intercompany transactions. Therefore, the companies have no assurance that their cost allocations processes are functioning as intended.

Recommendation V-2: Conduct routine periodic testing of intercompany transactions to ensure shared costs are distributed in accordance with approved methodologies.

Finding V-3: PCLP and LGC have not performed any recent market comparisons or cost analyses for shared services.

According to the approved Shared Services AIAs, all intercompany transactions will be charged at the lower of cost or market rate for services received by PCLP and LGC. However, neither PCLP nor LGC have conducted any internal or external studies reviewing current market rates for shared services. Due to staffing and time constraints, review of the shared costs allocated between affiliates has not been a focus. For example, in 2024, CEC began acting as administrator for PCLP and LGC's centralized banking, cash and debt management processes (see Finding VI-3 for additional information related to cash management processes), however, no cost comparisons or analyses were conducted to ensure intercompany costs are aligned with market rates.

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. Additionally, it is a best practice to evaluate the level of service available externally to the quality of service provided by internal staff. Ultimately, by not routinely assessing market rates, PCLP and LGC do not know how competitive their services are and could be missing an opportunity to gain efficiencies and cost savings through the outsourcing of shared services.

Recommendation V-3: Compare total actual costs for internally performed shared services and the cost of outside services to ensure cost effectiveness for all entities regularly.

Finding V-4: Reporting on intercompany transactions is deficient.

According to the approved Shared Service AIAs, invoices for all intercompany charges should be rendered monthly and be available upon request. However, multiple attempts by Audit Staff to obtain full intercompany transaction data for the audit period yielded incomplete information and lacked any documentation of monthly invoices reflecting the total intercompany charges as summarized in Exhibit V-1.

Furthermore, as discussed in Finding V-2, the companies do not perform periodic testing of internal controls related to intercompany transactions, which has resulted in the failure to establish routine procedures (i.e., issuance of a monthly invoice of intercompany transactions) in conformance with the approved Shared Service AIAs. Thus, the companies are not complying with their PUC approved Shared Service AIAs. Therefore, the Audit Staff recommend that the companies establish well documented controls over their intercompany transactions and cost allocation processes in alignment with an updated and accurate Commission approved AIA (see Finding V-1) and engage in routine testing of those processes.

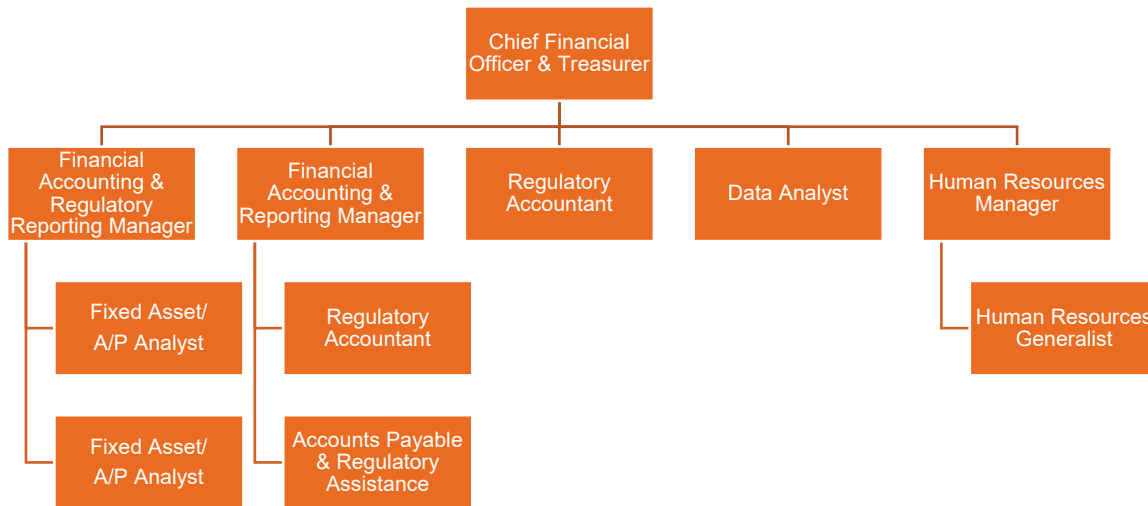
Recommendation V-4: Establish internal controls over intercompany transactions and cost allocations processes and comply with all aspects of the approved AIA.

VI – FINANCIAL MANAGEMENT

Background

Financial management functions for Pike County Light & Power Company (PCLP) and Leatherstocking Gas Company LLC (LGC) are centralized. As discussed in Chapter III – Executive Management, Organizational Structure, and Safety, CEC’s Chief Financial Officer & Treasurer (CFO) is also an employee of PCLP under CEC’s matrix reporting structure. Exhibit VI-1 shows an abbreviated version of CEC’s Financial Management organization, where all but the CFO are employees of CEC’s subsidiary Corning Natural Gas Corporation (CNG). Therefore, CNG provides financial functions (i.e., capital and operating & maintenance (O&M) budgeting, accounting, and financial reporting) for all CEC subsidiaries, including PCLP and LGC.

Exhibit VI-1
Corning Energy Corporation
Financial Management Organization Chart
As of October 16, 2024



Source: Data Request EM-2

At PCLP and LGC, the CFO oversees the entire financial management organization including accounting, tax preparation, budgeting, cash management, financing, etc. The CFO is responsible for reviewing all journal entries, account reconciliations, period-end checklists, quarterly consolidated financial statements, and annual consolidated financial statements. The CFO and CEO approve the consolidated financial statements. The final approved consolidated financial statements are presented to the Board of Directors (Board or BOD). See Chapter IV – Corporate Governance for additional information related to the Board.

Budgeting Process

PCLP's and LGC's budgeting process begins annually in September in preparation for the upcoming year. PCLP's General Manager generates PCLP's capital and O&M budgets, which are reviewed and modified by the CEO and later presented to the PCLP BOD for approval. Similarly, LGC's capital and O&M budgets are generated by the CEO, CFO, and COO and then presented for approval by the LGC BOD. Once approved by their operating company Boards, both PCLP's and LGC's respective capital and O&M budgets are presented for final approval by the CEC BOD, annually, in October. Additional information about budgeting at PCLP and LGC can be found in Finding VI-4 within this chapter.

Cash Management

The CFO oversees the cash management process for all CEC subsidiaries, including PCLP and LGC. The Regulatory Accountant prepares the daily cash forecast, schedules necessary wire transfers, and determines when to pay/borrow from the revolver loan when there is excess/deficit cash. To maintain internal controls, all wire transfers require review and approval by the Financial Accounting & Regulatory Reporting Manager and require final approval by the CFO prior to authorization. Additional information about cash management at PCLP and LGC can be found in Finding VI-3 within this chapter.

Similarly, debt financing for PCLP and LGC is conducted at the corporate level, with CEC responsible for all debt. On June 13, 2024, the PA PUC approved securities certificates¹⁵ allowing CEC to refinance the long-term debt held by PCLP and LGC. At the same time, the PA PUC approved Affiliated Interest Agreements¹⁶ (AIA) concerning the issuance of promissory notes between PCLP and LGC and their corporate parent, CEC¹⁷. This approval allows CEC to lend funds to PCLP and LGC at the same rate of interest as charged to CEC. It also aims to realize synergies and drive long-term growth for CEC and its subsidiaries.

After the acquisition, Argo Infrastructure Partners set an expectation that CEC would make quarterly dividend payments in the amount of \$500,000 per quarter. The income will be derived from its three subsidiaries (including LGC and PCLP) because CEC has no assets other than its stock in the subsidiaries. During the audit period, PCLP issued one dividend to its parent company. In October 2023, PCLP made a dividend payment of \$500,000¹⁸. Additional details related to the dividend process are discussed later in this chapter, see Finding VI-2.

¹⁵ See Docket Nos. S-2024-3048831 and S-2024-3048836.

¹⁶ See Docket Nos. G-2024-3049087 and G-2024-3049089.

¹⁷ See Chapter V – Cost Allocations and Affiliated Interests for more information about AIAs

¹⁸ The total dividend was approximately 35% of PCLP's net income of \$1,442,584 as reported in the companies' Annual Reports to the PUC for PCLP Electric (\$1,421,169) and PCLP Gas (\$21,415).

Findings and Conclusions

Our examination of the financial management function included a review of policies and procedures, budget process, variance reporting, etc. Based on our review, additional efforts should be devoted to improving the efficiency and/or effectiveness of its financial management function by addressing the following:

- **Finding VI-1: Numerous financial management policies and procedures are outdated and some lack version control.**
- **Finding VI-2: Corning Energy Corporation's dividend policy lacks safeguards to ensure that the PA PUC is notified with explanation prior to the issuance of any excessive dividend.**
- **Finding VI-3: Cash management procedures are undocumented.**
- **Finding VI-4: Budget policies and procedures and budget variance explanations have not been fully documented.**

Discussion

Finding VI-1: Numerous financial management policies and procedures are outdated and some lack version control.

Analysis of CEC's financial policies and procedures revealed many informal, undated, and/or out-of-date documents. For example, CEC's Cash Policy stated an automatic payment charge by one of the lenders was due monthly. However, the Cash Policy had not been updated to reflect that the full repayment of that loan had been completed post-acquisition (i.e., monthly payments were no longer needed). As mentioned in Chapter IV – Corporate Governance, CEC was acquired by ACP Crotona Corporation in 2022. However, the Debt Narrative Policy was not updated to reflect the new acquisition of CEC and its subsidiaries. Audit Staff found numerous incidents where the company could benefit through centralization of policy management, see Finding III-1 in Chapter III – Executive Management, Organizational Structure, and Safety for more information.

It is a best practice for utility companies to formally document the policies and procedures of all relevant and fundamental business functions. Such documentation should be reviewed and updated at least every five years or sooner if operational functions change, reorganization occurs, or shorter interval periods are deemed prudent. Outdated policies and procedures increase the risk of inaccurate and inconsistent performance of duties and may lead to employees failing to execute procedures as intended by management.

Recommendation VI-1: Establish a process to routinely review and update financial management policies and procedures and ensure version control is in place.

Finding VI-2: Corning Energy Corporation's dividend policy lacks safeguards to ensure that the PA PUC is notified with explanation prior to the issuance of any excessive dividend.

A documented dividend policy provides guidance and establishes a uniform procedure regarding dividend issuance for management and directors. As a best practice, a dividend policy should provide clarity, align stakeholder expectations and support disciplined financial management. Its absence can lead to investor skepticism, financial inefficiency, and governance challenges, which ultimately harm the company's valuation and strategic agility. Furthermore, the dividend policy should identify responsible parties, contain general guidelines used to determine dividend amounts, outline workflows and approval processes, and ensure the needs of the regulated utility are considered.

As outlined in CEC's dividend policy statement, dividends are to be paid in quarterly installments by CEC to ACP Crotona Corporation. As a holding company, CEC is supported by revenues generated by its three operating subsidiaries (CNG, LGC, and PCLP). Dividend installments are split between two CEC subsidiaries, with CNG making payment for the first two quarters and PCLP covering the remaining annual payments. However, the CEC dividend policy does not provide much guidance to PCLP or LGC. In addition, the PA PUC wants advance notification in instances where a PA PUC regulated utility intends to issue dividends in excess of 85% of net income. The PUC Audit Staff notes that the limited documentation on CEC's dividend policy fails to include any safeguards to ensure that the PUC is notified prior to the issuance of any dividends that exceed 85% of net income percentage. As discussed previously, PCLP issued only one dividend during the audit period, and it did not exceed this level.

Nonetheless, without a documented dividend policy and inevitable turnover, personnel may not follow past practices or may make mistakes. This could result in less financial flexibility and stability for LGC and/or PCLP, ultimately eroding the efficient use of resources. Furthermore, the absence of written procedures advising CEC of PA PUC advance notification for dividends over 85% of net income could result in PCLP and/or LGC failing to comply with PA PUC guidance.

Recommendation VI-2: Document an internal dividend policy that provides advance notice and written explanation to the Commission for each dividend payment PCLP and LGC make in excess of 85% of net income.

Finding VI-3: Cash management procedures are undocumented.

The companies rely on a few key staff members for handling cash management processes. As a result, the companies have not documented their step-by-step process for cash management or established any guidance on handling excess cash. In practice, however, monthly cash flow forecasts are created and discussed at department meetings every other week to ensure optimal cash management (timing outflows) with the CFO required to approve all invoice payments. Cash balances are also reconciled daily by the Regulatory Accountant, reviewed by the Financial Controller, and signed off by the CFO.

Monthly, PCLP and LGC pay interest and optional principal on the total remaining balance of funds borrowed from CEC. When PCLP or LGC have excess cash, the cash is used to pay down the outstanding balance. However, there is no established threshold or guidance for PCLP or LGC to determine whether they are in a net-borrow or net-pay status. Instead, the CFO maintains a spreadsheet that is used to track balances assigned to CEC and its subsidiaries and uses judgement in consultation with other officers of the companies. While the companies' processes are reasonable, the PUC auditors believe additional documentation and guidance on cash management would provide a valuable tool to determine when cash should be used to pay down the principal.

Formally documenting a function's policies and procedures provides guidance to new and existing employees, establishes standardized task performance, and helps to ensure accuracy in the continuity of processes. This will help the company reduce the level of risk of inconsistencies and inaccurate cash handling by employees.

Recommendation VI-3: Document cash management procedures and establish guidelines for assessment of cash positions.

Finding VI-4: Budget policies and procedures and budget variance explanations have not been fully documented.

Budgets are intended to provide a rough framework for the resources, directives, and capabilities of a company. Moreover, in a regulated environment the budget helps to ensure that ratepayers are obtaining effective, reliable, and prudent service consistently, as well as ensuring the utility does not overextend its financial resources.

As discussed previously, CEC and its subsidiaries were acquired in July 2022 by ACP Crotona Corporation. As a result of the acquisition, CEC changed from a fiscal year to a calendar year for accounting and financial reporting. This shift also made comparison of the budget years difficult. While PCLP and LGC provided spreadsheets for the O&M and capital budgets for 2022, they were difficult to reconstruct. Moreover, CEC relies on informal assessment of its budget to actual variances and does not

maintain documented explanations for the causes of fluctuations in spending versus budget. The CEO stated that oversight of the companies' budget occurs bi-weekly at staff meetings.

Occasionally, the companies explained variances between actual spend and budget in a report or would capture this information in other documentation like board minutes, regulatory filings, etc. However, in most cases the company did not produce an explanation for the variances between actual spend and budget amounts. Variances over the years (2019 – 2024 excluding 2022¹⁹) were outside the standard threshold of +/- 10%. Specifically for the O&M budget, LGC's budget variances showed an overspend ranging from 10% to 38%, and PCLP's budget variances ranged from an overspend of 2% to an underspend of 41%. For the capital budget, LGC's budget variances ranged from an overspend of 11% to an underspend of 32%, and PCLP's budget variances ranged from an overspend of 116% to an underspend of 6%.

As noted in Finding VI-1 and Finding VI-2, it is a best practice to document foundational processes like budgeting and budget variance. The failure to establish effective spending controls and guidelines may lead to mismanagement of financial resources or repeated mistakes. In addition, effective documentation helps ensure internal knowledge and experience is retained even when turnover occurs. Therefore, budget variances should be captured regularly during budget meetings and retained for use on future projects or budgets.

Recommendation VI-4: Develop and document guidelines and policies for budget creation and management including the regular reporting of significant budget variance explanations.

¹⁹ Analysis for 2022 was not considered because of the change from fiscal year to calendar year reporting required through the acquisition by Argo Infrastructure Partners.

VII – ELECTRIC OPERATIONS

Background

Pike County Light & Power Company (PCLP or Company), a subsidiary of the Corning Energy Corporation (CEC), serves approximately 5,300 electric customers across Pike County, Pennsylvania. The Company’s electric customer base is comprised of 80% residential and 20% commercial/municipal customers. PCLP’s electric grid is primarily fed by two different 34.5 kV lines originating in New York. One of the lines mainly provides electricity to the Matamoras Borough whereas the other line delivers power to the customers residing in the southwestern portion of the Company’s territory. Additionally, there are three smaller voltage feeds ranging between 2.4 kV and 7.6 kV that support customers living in more rural areas.

PCLP’s General Manager (GM) is responsible for all operational activities at PCLP and oversees the Company’s administrative and operational functions. PCLP’s GM has three direct reports: Gas Chief, Planner, and Senior Customer Service Representative. For PCLP’s electric operations, the GM coordinates with the Company’s Planner and Shopkeeper for project scheduling, maintenance work, contractor selection, etc. See Chapter III – Executive Management, Organizational Structure, and Safety for additional information on the GM’s responsibilities and the reporting structure. Other electrical operations work (e.g., vegetation management, inspections, etc.) is performed by contractors. When needed, PCLP’s gas operations staff will assist with electric operations work (e.g., meter installation, meter reading, etc.). See Chapter VIII – Gas Operations for additional information on PCLP’s gas operations staff.

Reliability indices for an electric utility provide insight into the utility’s performance. Exhibit VII-1 details the reliability benchmarks and standards for PCLP; whereas, Exhibit VII-2 shows PCLP’s actual reliability performance from 2019 to 2023. The reliability metrics in Exhibit VII-2 were highlighted green, yellow, or red if values were below PCLP’s benchmark, between PCLP’s benchmark and the rolling 12-month standard, or above the rolling 12-month standard. From Exhibit VII-2, the Company exceeded both its benchmark and 12-month standard in 2021 and 2023 and exceeded its benchmark in 2019 and 2020. Aside from that, PCLP’s performance fell below its benchmark and 12-month standard throughout the audit period.

Exhibit VII-1 Pike County Light & Power Company Electric Reliability Benchmarks and Standards

	SAIFI ^a	CAIDI ^b	SAIDI ^c
Benchmark	0.61	174	106
Rolling 12-Month Standard	0.82	235	194

a: System Average Interruption Frequency Index

b: Customer Average Interruption Duration Index

c: System Average Interruption Duration Index

Source: Pennsylvania Public Utility Commission’s 2023 Pennsylvania Electric Reliability Report

**Exhibit VII-2
Pike County Light & Power Company
Electric Reliability Performance
2019-2023**

Year	SAIFI	CAIDI	SAIDI	Avg. # of Customers Served	# of Interruptions	Customers Affected	Customer Minutes of Interruption
2019	0.39	177	69	4,819	42	1,870	331,355
2020	0.45	184	83	5,227	55	2,356	432,428
2021	1.40	153	216	4,891	66	6,890	1,058,853
2022	0.50	159	79	5,299	63	2,646	420,975
2023	0.86	95	82	5,333	50	4,584	437,709

Note: Green represents values below PCLP's benchmark, yellow represents values between PCLP's benchmark and rolling 12-month standard, and red represents values above the rolling 12-month standard.

Source: Data Request EO-6, Annual Electric Reliability Reports (2019-2023)²⁰

PCLP maintains its system through several operation and maintenance tasks. In particular, PCLP trims trees on three and five-year vegetation maintenance cycles, based on circuit voltage, and performs spot vegetation management as needed. In addition, the Company's utility poles are inspected on a 12-year cycle, which helps determine if poles could be rehabilitated or should be replaced. Meanwhile, overhead line inspections are conducted every two years by both ground and aerial (via drones) inspections to ensure equipment operates safely and adequately. Additionally, recloser inspections are performed on an annual and three-year basis and inspections of its substation occur monthly. In 2023, PCLP completed an initiative to improve system reliability by identifying and removing dead and at-risk trees in coordination with local municipalities, private residences, and PennDOT.

Findings and Conclusions

Our examination of the electric operations function included a review of policies and procedures, system reliability, inspection and maintenance, damage prevention, tree trimming, etc. Based on our review, Audit Staff recommends that PCLP should initiate or devote additional efforts to improving the efficiency and/or effectiveness of its electric distribution operations by addressing the following:

- **Finding VII-1: PCLP's damage prevention manual does not address its underground electric utility infrastructure and assets.**
- **Finding VII-2: PCLP's storm response plan is not updated on a timely basis.**

²⁰ 2023 performance data differs from what was provided in Data Request EO-6 due to a revision to the Company's 2023 Annual Reliability Report.

Discussion

Finding VII-1: PCLP's damage prevention manual does not address its underground electric utility infrastructure and assets.

As of February 2025, a small portion of PCLP's electric infrastructure is underground. Throughout the audit period, the Company's damage prevention performance was commendable and generally recovered costs from damages. While PCLP's data was not separated by electric damages and gas damages. The Company's overall damage prevention efforts are displayed in Chapter VIII – Gas Operations, Exhibit VIII-4. However, PCLP's damage prevention manual focuses on underground gas infrastructure and does not have procedures that address electric infrastructure.

It is a best business practice for a utility to have a document that houses appropriate excavating procedures for all its infrastructure. Additionally, as recommended in Pennsylvania 811's Elements of a Pennsylvania Damage Prevention Program, a regulated utility's damage prevention program should be, "designed to continuously improve damage prevention metrics, reduce the number of damages, minimize excavation damages and promote safety and awareness to all stakeholders." Without addressing its underground electric infrastructure, PCLP is at an increased risk for electric infrastructure damage or confusion among staff. To mitigate this, the Audit Staff recommends incorporating underground electric damage prevention processes into PCLP's damage prevention procedures.

Recommendation VII-1: Develop and maintain a comprehensive damage prevention manual that details appropriate excavating procedures for PCLP's electric utility infrastructure and assets.

Finding VII-2: PCLP's storm response plan is not updated on a timely basis.

The Audit Staff reviewed the Company's storm response plan and found it noteworthy that the provided document also serves as PCLP's emergency response plan (ERP). From a storm response perspective, the document included information relating to contractor contact information, classification of storm events, and storm kit preparation. For more information on the document's emergency response aspects, refer to Chapter IX – Emergency Preparedness.

PCLP's storm response plan was last updated on February 3, 2022; however, some appendices were not updated since 2020. PCLP's staff indicated that the storm response plan is to be reviewed and updated by PCLP's GM and Planner on an annual basis or reviewed after the Company enacts the storm response plan to mitigate storm damage.

However, failure to update the storm response plan on a timely basis has reduced PCLP's ability to benefit from lessons learned from prior storm events. Therefore, PCLP is missing opportunities to improve its response methods for storms. Furthermore, out-of-date contact information could delay needed responsiveness during a storm event. As such, PCLP's emergency response plan, including its storm response plan and all contact information should be updated as soon as practicable.

Recommendation VII-2: Update PCLP's storm response plan after a storm-related event or at least annually.

VIII – GAS OPERATIONS

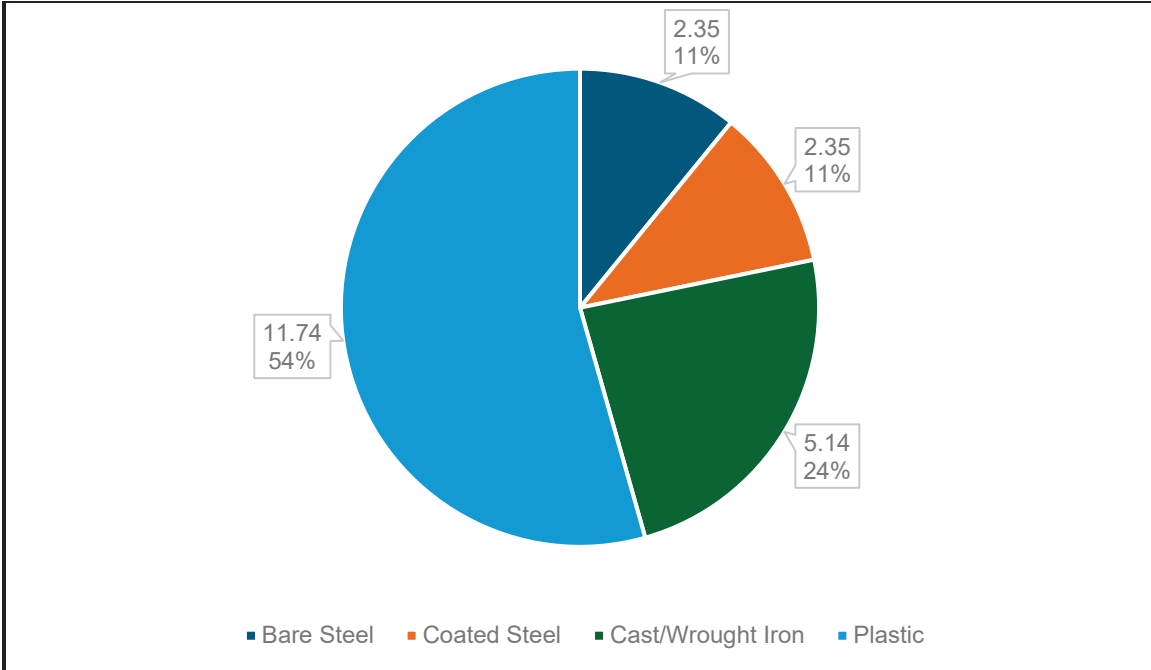
Background

Pike County Light & Power Company

Pike County Light & Power Company (PCLP), provides natural gas to almost 1,400 customers within Pike County, primarily serving the Matamoras Borough and Westfall Township. The majority of PCLP's customers are residential (94%) with the remaining 6% being commercial. As of February 2025, PCLP solely receives gas from a neighboring utility operating in New York. PCLP currently has two operating pressure systems to deliver natural gas safely to customers: a medium-pressure system and a low-pressure system. The maximum allowable operating pressure (MAOP) for each of these respective systems is 60 pounds per square inch gauge (PSIG) and 55 inches water column. In 2019, PCLP began replacing low pressure portions of its system to solely provide natural gas via a medium pressure distribution system, anticipating completion by 2030.

PCLP's General Manager (GM), referenced in Chapter VII – Electric Operations, also oversees PCLP's gas operations. Gas operations are carried out by PCLP's Gas Chief and two gas technicians. In 2021, PCLP's employees formed a union and entered into an agreement with the company. The unionization expanded PCLP job duties and modified position titles to establish more distinction between positions. PCLP's Gas Chief and gas technicians perform most of the operation and maintenance work such as meter installation, meter reading, valve inspection and testing, leak survey, responding to odor/emergency calls, regulatory reporting, etc. Additionally, PCLP utilizes contractors for gas main replacement efforts, engineering, consulting, surveying, etc. Exhibit VIII-1 shows PCLP's 21.6 miles of gas mains by material type. Approximately 64% of PCLP's services are made of plastic, with the remaining services composed of bare unprotected steel (23%) and cathodically protected steel (14%).

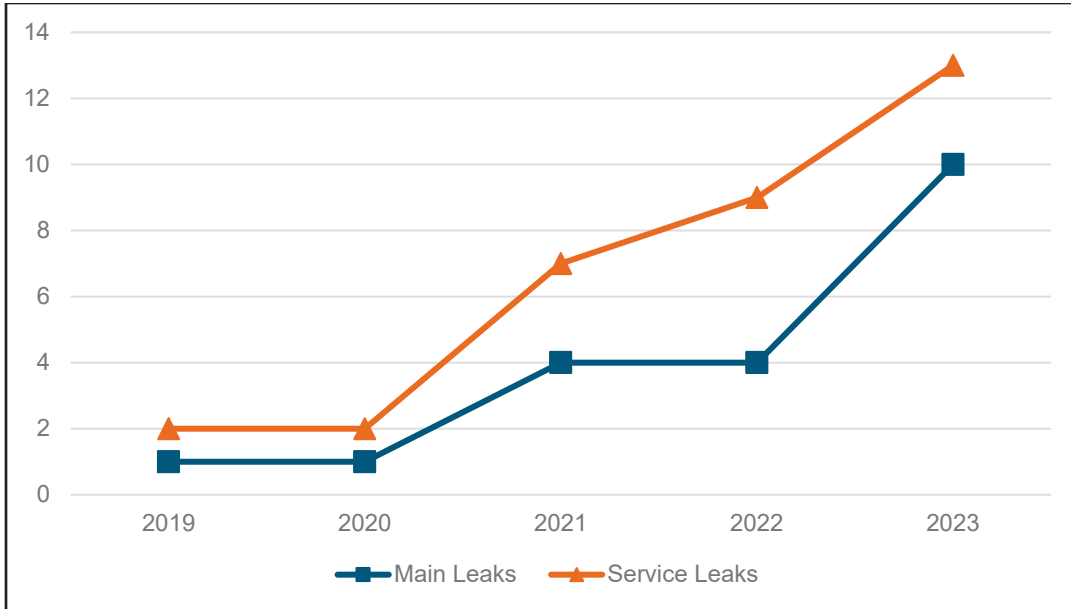
**Exhibit VIII-1
Pike County Light & Power Company
Main Composition by Material Type
As of Year End 2023**



Note: Exhibit values are in miles and percentage of total miles.
Source: Data Request GO-2

PCLP classifies leaks into four categories: Type 1, Type 2A, Type 2, and Type 3. Type 1 leaks pose the most risk whereas Type 3 presents little risk to the distribution system or public. As of December 31, 2023, PCLP had no Type 1, Type 2A, or Type 2 backlogged leaks and 15 backlogged Type 3 leaks which will be repaired within one year after discovery in line with company policy. Annual main and service leaks repaired on PCLP’s distribution system during the audit period are shown in Exhibit VIII-2. The company’s increased leak survey and frost patrol efforts impacted the number of leaks found and subsequently repaired.

**Exhibit VIII-2
Pike County Light & Power Company
Main and Service Leaks Repaired
2019-2023**



Source: Data Request GO-4

Two key metrics for a natural gas distribution company to monitor are dispatch and response times. Dispatch time is quantified as the time an odor/emergency call is received by the distribution company to the time company personnel confirms a response. Response time is measured from the time an odor/emergency call is received by the distribution company to the time company personnel arrives on the requested premises. The Commission’s Gas Safety Division of the Bureau Investigation and Enforcement has adopted the position that gas utilities should have a dispatch time no greater than 15 minutes and a response time no greater than 60 minutes. PCLP’s dispatch and response times throughout the audit period are shown in Exhibit VIII-3. Overall, 98% of dispatches meet the 15-minute timeframe and 100% of responses were within 60 minutes.

**Exhibit VIII-3
Pike County Light & Power Company
Gas Leak Dispatch and Response Times
2019-2023**

Dispatch Times (min.)	2019	2020	2021	2022	2023
0-5	94%	92%	88%	90%	45%
6-10	6%	8%	4%	7%	50%
11-15	-	-	-	3%	-
16-20	-	-	4%	-	-
21-25	-	-	4%	-	-
Response Times (min.)	2019	2020	2021	2022	2023
0-15	81%	73%	71%	63%	81%
16-30	19%	15%	7%	24%	11%
31-45	-	12%	22%	10%	8%
46-60	-	-	-	3%	-

Source: Data Request GO-10

Per PA Act 172 of 1986, PCLP is a required participant in PA One Call, a non-profit corporation established to insulate underground infrastructure from excavation damages. PA One Call is designed to benefit all involved parties by reducing damages to a utility's infrastructure and minimizing costs without interrupting services to the general public. Requests are initially submitted to PA One Call by an interested party (e.g., contractors, other utility personnel, designers, residents, etc.) and thereafter PCLP are notified of requests within its operating territory. PCLP employees locate and mark the location of its infrastructure, if there is any. As reflected in Exhibit VIII-4, during the audit period, PCLP received almost 3,100 locates but only had 2 billable hits to its system. Billable hits occur whenever requestors damage PCLP infrastructure despite PCLP's accurate marking of its property. PCLP fiscally recovered 98% of its costs from those damages.

**Exhibit VIII-4
Pike County Light & Power Company
Third-Party Line Hit Data
2019-2023**

	2019	2020	2021	2022	2023
# of Locates	739	815	988	245	318
Billable Hits	0	0	0	2	0
Unbillable Hits	0	0	0	0	0
\$ Hit Total	\$0	\$0	\$0	\$4,473	\$0
\$ Amount Collected	\$0	\$0	\$0	\$4,373	\$0

Source: Data Request GO-12

Leatherstocking Gas Company

The newest public gas distribution utility in Pennsylvania in over 40 years, Leatherstocking Gas Company (LGC), another PA PUC regulated subsidiary of Corning Energy Corporation, distributes natural gas to approximately 500 customers in Susquehanna County townships and boroughs, such as Montrose Borough, Bridgewater Township, and New Milford Township. LGC's customer base is 71% residential and 29% commercial.

The Corning Natural Gas (CNG) Chief Operating Officer (COO) oversees LGC's gas operations. LGC's Gas Technician Supervisor and Gas Technician ensure safe and adequate operation of the distribution system. These employees perform meter installation, meter services, leak surveys, line locates, etc. LGC uses contractors for heavy construction services, engineering, consulting, surveying, emergency work outside of normal operations, etc.

Overall, LGC's distribution system is comprised of 20 miles of main, with a majority made of plastic; the remainder (< 0.1%) is comprised of coated cathodically protected steel. Approximately 82% of this main is between 2" and 4" in diameter with the remaining 18% between 4" and 8" in diameter. All LGC service lines are made of plastic with 98% of service lines being 1" or less in diameter; the remaining 2% of service lines are between 1" and 2" in diameter. With its infrastructure being less than fifteen years old and being composed mainly of newer plastic, LGC does not maintain a main replacement plan as of February 2025. LGC classifies its system leaks like PCLP (as detailed previously in Exhibit VIII-2). Exhibit VIII-5 shows LGC's leaks by cause throughout the audit period. From 2019 through 2023, third-party hits were the only cause of leaks, and LGC averaged less than one hit per year.

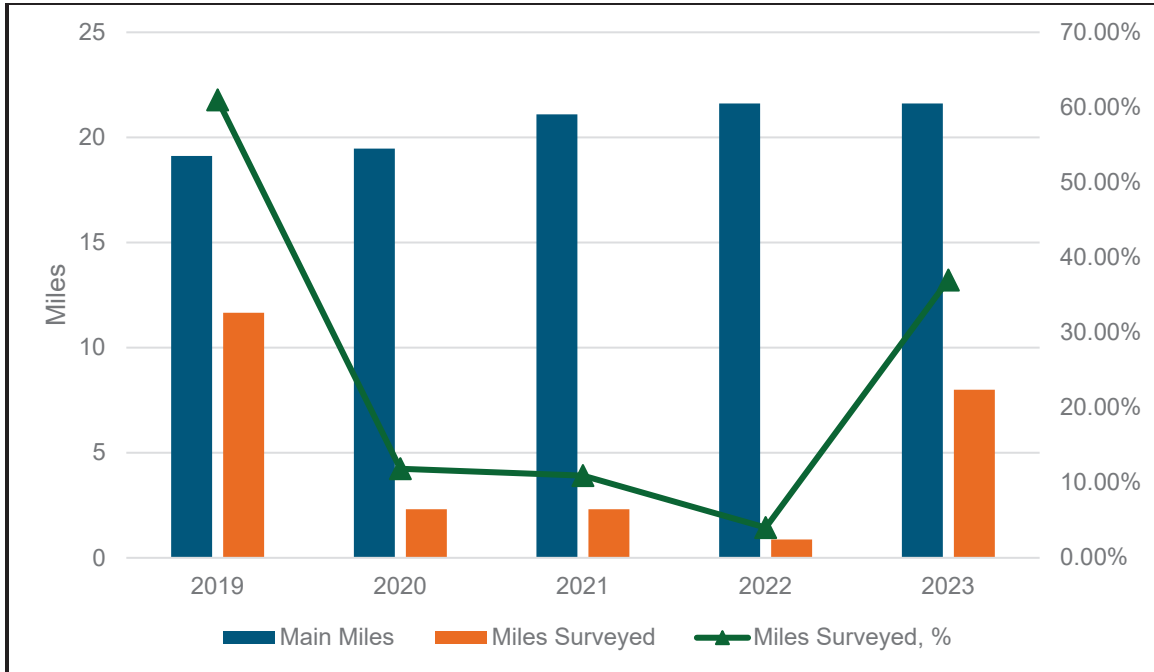
Exhibit VIII-5 Leatherstocking Gas Company Main and Service Leaks by Cause 2019-2023

	2019	2020	2021	2022	2023
Hit	1	0	0	1	2

Source: Data Request GO-4

Natural gas distribution companies conduct leak surveys to identify, locate, and repair leaks to maintain ideal system pressure and to decrease gas losses. LGC will begin its leak survey process by identifying a portion of territory to target for the survey. Then, LGC employees utilize specialized equipment throughout the target area to detect leaks and make repairs based upon classification of the leak. Exhibit VIII-6 details LGC's leak survey efforts during the audit period. On average, LGC surveyed approximately 25% of its territory annually; the entire distribution system would be surveyed within four years based on LGC's current survey rate.

**Exhibit VIII-6
Leatherstocking Gas Company
Leak Survey Activity
2019-2023**



Source: Data Request GO-11

Occasionally, overtime is needed for project scheduling, deadlines, emergency work, etc. Companies that can successfully minimize overtime while completing work reduce cost and ensure employee safety by keeping work within normal working schedules. Exhibit VIII-7 shows LGC's overtime (time and a half) and double time (twice an employee's rate) for the audit period. For the five-year period, both overtime and double time were under 2% when compared with regular time.

**Exhibit VIII-7
Leatherstocking Gas Company
Overtime and Double Time Hours
2019-2023**

	2019	2020	2021	2022	2023
Overtime Hours (OT)	35.5	18.5	15.25	136.8	85.5
Employees	4	4	4	4	5
OT as % of Regular Time	0.4%	0.2%	0.2%	1.6%	1.0%
Double Time Hours (DT)	0	0	8	0	2
Employees	4	4	4	4	5
DT as % of Regular Time	0%	0%	0.1%	0%	< 0.1%

Source: Data Request GO-13

Findings and Conclusions

Our examination of the gas operations function at PCLP and LGC included a review of policies and procedures, main replacement program, leak surveys, leak repair backlogs, damage prevention program, unaccounted-for gas (UFG) levels, staffing levels, contractor utilization, corrosion control, valve inspection, etc. Based on our review, PCLP and LGC should devote additional efforts to improving the effectiveness of their gas operations by addressing the following:

- **Finding VIII-1: LGC has not established a system to collect reimbursement for excavation damages from third parties.**
- **Finding VIII-2: PCLP has reported negative UFG values during the audit period.**

Discussion

Finding VIII-1: LGC has not established a system to collect reimbursement for excavation damages from third parties.

Like PCLP, LGC is required to participate in PA One Call per PA Act 172 of 1986. For its own tracking purposes, LGC has a system that accounts for locate requests received from PA One Call. This system houses both normal and emergency locate requests and documents any communication surrounding each request. Meanwhile, Audit Staff found that LGC incurred third-party hits to its distribution system, with company data showing infrastructure had been marked accurately for each hit (see Exhibit VIII-5 for hits LGC incurred throughout the audit period). However, LGC could not provide data that confirmed successful collection from those damages.

When asked if collections were made on these third-party hits, LGC employees were unsure if collections were attempted. CNG's and LGC's COO indicated some concerns that collection activity may lead to hesitancy to report damages in the future. In addition, the COO also indicated that many hits of LGC infrastructure are from homeowners performing their own excavation.

It is a best practice to secure financial recovery of damages to prevent unfair subsidization by the utilities' ratepayers for costs which should be appropriately assigned to the at-fault party. Furthermore, recovery of damages is an effective way of deterring contractors from hitting underground infrastructure in the future. While the Audit Staff recognize that system integrity is crucial to both an operator and customers, LGC should create a collection system in accordance with the law and take additional efforts to educate the public on damage prevention.

Recommendation VIII-1: Establish and maintain a collection system for excavation damages and increase public awareness efforts for all involved parties about their responsibilities under PA One Call.

Finding VIII-2: PCLP has reported negative UFG values during the audit period.

Unaccounted for gas (UFG) is a metric used by natural gas distribution operators to track system performance. UFG is the difference between the total amount of gas delivered into a natural gas distribution system and the total amount of gas delivered to the system’s residential, commercial, and industrial customers. 52 Pa. Code § 59.111 allows for adjustments to this difference and may include company use, purging, temperature and pressure adjustments, etc. The sole adjustment that PCLP uses in its UFG calculation is an assumption of loss due to gas delivery pressure and elevation changes. Exhibit VIII-8 shows PCLP’s annual UFG amounts and percentages throughout the audit period.

**Exhibit VIII-8
Pike County Light & Power Company
Unaccounted for Gas
2019-2023**

2019	2020	2021	2022	2023
2.33%	1.96%	2.53%	-5.78%	-1.32%

Source: Data Request GO-16

Under 52 Pa. Code § 59.111, every jurisdictional natural gas distribution company (NGDC) has been required to keep UFG levels no greater than 3.0% since August 11, 2018. Although PCLP has been able to consistently fall below this threshold, the company reported negative UFG levels in 2022 and 2023. CEC’s accounting department uses data provided by PCLP’s Operations staff to produce PCLP’s UFG calculations. While the cause of its negative UFG levels was not readily apparent, Audit Staff discovered that PCLP’s UFG adjustment factor contained an incorrect equivalency. However, correction of that error yields lower UFG amounts for the company and is not the root cause for negative UFG. Therefore, the Audit Staff recommends an additional review of PCLP’s UFG calculation and source data.

From the Commission’s Docket No. L-2012-2294746, the PUC understands that negative UFG levels can occur from several different factors, including variations in temperature and pressure, estimated adjustments in billing cycles, and metering inaccuracies. However, the PUC also recognizes that any negative value indicates the presence of controllable variables leading to the negative value. Therefore, jurisdictional NGDCs should attempt to control these variables to eliminate negative UFG levels and produce accurate results. Audit Staff recommends PCLP conduct a review of its UFG calculation and all components of UFG. Furthermore, the Audit Staff advises that PCLP should work to increase coordination between the departments responsible for source data used in UFG reporting.

Recommendation VIII-2: Review the UFG calculation, including the adjustment factor, and document all steps to ensure accuracy of reporting.

IX – EMERGENCY PREPAREDNESS

Background

On June 11, 2005, regulations at 52 Pa. Code § 101 (Chapter 101) went into effect that require jurisdictional utilities to develop and maintain written physical security, cybersecurity, emergency response, and business continuity plans to protect infrastructure within the Commonwealth of Pennsylvania and to ensure safe, continuous, and reliable utility service. A jurisdictional utility is required to maintain these “emergency preparedness” plans and annually file a Self-Certification Form to the Pennsylvania Public Utility Commission (PUC or Commission) documenting compliance with Chapter 101. This form, available on the PUC’s website, is comprised of 13 questions as shown in Exhibit IX-1.

Exhibit IX-1 Pennsylvania Public Utility Commission Public Utility Security Planning and Readiness Self Certification Form

Item No.	Classification	Response (Yes–No–N/A)
1	Does your company have a physical security plan?	
2	Has your physical security plan been reviewed in the last year and updated as needed?	
3	Is your physical security plan tested annually?	
4	Does your company have a cybersecurity plan?	
5	Has your cybersecurity plan been reviewed in the last year and updated as needed?	
6	Is your cybersecurity plan tested annually?	
7	Does your company have an emergency response plan?	
8	Has your emergency response plan been reviewed in the last year and updated as needed?	
9	Is your emergency response plan tested annually?	
10	Does your company have a business continuity plan?	
11	Does your business continuity plan have a section or annex addressing pandemics?	
12	Has your business continuity plan been reviewed in the last year and updated as needed?	
13	Is your business continuity plan tested annually?	

Source: Public Utility Security Planning and Readiness Self-Certification Form, as available on the PUC’s website at https://www.puc.pa.gov/documents/utility-files/279/Security_Planning_Self-Cert_Checklist2021-F.pdf

The PUC Auditors use a NIST (National Institute of Standards and Technology) Cybersecurity Framework-based audit plan, modified to address the needs and capabilities of the PUC and the Pennsylvania utility companies. Our examination of Pike County Light & Power Company’s (PCLP) and Leatherstocking Gas Company’s (LGC) emergency preparedness included requests to review their Physical Security Plan, Cybersecurity Plan, Emergency Response Plan, Business Continuity Plan, and associated security measures. In addition, Audit Staff performed inspections at a sample of PCLP and LGC facilities. Due to the sensitive nature of the information

reviewed, specific information is not revealed in the audit report; instead, the generalities of the information reviewed are discussed.

As discussed in Chapter III – Executive Management, Organizational Structure, and Safety; LGC and PCLP rely upon a matrix management structure, with officers employed by Corning Energy Corporation’s (CEC) subsidiaries, including PCLP, LGC, and Corning Natural Gas Corporation (CNG). Emergency response and physical security for LGC is managed by the CEC’s Vice President and Chief Operations Officer (COO) whereas emergency response and physical security for PCLP is overseen by PCLP’s General Manager. Business continuity at PCLP and LGC is governed by CEC’s officers responsible for operational resiliency. Meanwhile, cybersecurity for both PCLP and LGC is managed by CEC’s VP of Customer Service and IT. While all PCLP and LGC employees have a role in preserving their respective company’s security, Exhibit IX-2 shows the departments that are primarily responsible for key security components and/or plans at the companies.

**Exhibit IX-2
Corning Energy Corporation
Emergency Preparedness Oversight Assignments**

	PCLP	LGC
Emergency Response	General Manager of PCLP	VP and COO for CNG and LGC
Business Continuity	Officers*	Officers*
Physical Security	General Manager of PCLP	VP and COO for CNG and LGC
Cybersecurity	VP of Customer Service and IT for CNG, PCLP, and LGC	VP of Customer Service and IT for CNG, PCLP, and LGC

*: Officers responsible for business continuity are those shown in Chapter III – Executive Management, Organizational Structure, and Safety, Exhibit III-1
Source: Data Request EP-1

The maintenance of the four established emergency preparedness plans should include periodic review and testing. Ideally, testing should include federal, state, and local agencies and authorities in addition to company personnel and be performed via tabletop exercises, simulations, and/or real-life events. In addition, physical and cyber vulnerability tests should be routinely conducted to discover potential deficiencies. Opportunities for improvement should be identified from testing or reviews, evaluated for implementation, and incorporated into emergency preparedness plans as needed.

Findings and Conclusions

Our examination of the emergency preparedness function at PCLP and LGC included a review of physical security plans, cybersecurity plans, emergency response plans, business continuity plans, and all associated security measures. Based on our

review of emergency preparedness efforts at CEC, PCLP, and LGC, the companies should initiate or devote additional efforts to improve their security planning and preparedness procedures by addressing the following:

- **Finding IX-1: Minor security and/or safety deficiencies were identified during inspections of PCLP's and LGC's facilities.**
- **Finding IX-2: PCLP and LGC have not developed business continuity plans.**
- **Finding IX-3: PCLP's physical security plan is not reviewed annually and LGC lacks a physical security plan.**
- **Finding IX-4: PCLP's and LGC's emergency response plans have not been tested or updated annually and the PCLP's emergency response plan fails to address non-storm related emergencies.**

Discussion

Finding IX-1: Minor security and/or safety deficiencies were identified during inspections of PCLP's and LGC's facilities.

Various minor physical security deficiencies were noted during inspection of PCLP's and LGC's facilities. Most of these deficiencies were due to facility age, oversight, neglect, weather, or general wear and tear. These primarily included barbed wire, fencing, and foliage issues.

Physical security should be continuously addressed, and any deficiencies should be remediated in a timely manner. Deficiencies in a layer of security can render that layer ineffective. Therefore, any deficiency should be repaired or mitigated in the interest of maintaining multiple, functional layers of security throughout PCLP's and LGC's facilities.

Recommendation IX-1: Correct minor physical security deficiencies at PCLP and LGC and perform periodic physical security reviews of all facilities.

Finding IX-2: PCLP and LGC have not developed business continuity plans.

Per 52 Pa. Code § 101.3(a)(3), a business continuity plan must, at a minimum, contain the following:

- Guidance on the system restoration for emergencies, disasters, and mobilization
- Comprehensive processes addressing business recovery, business resumption, and contingency planning

- Defined roles and responsibilities by individual or job function
- Procedures for annual review and update
- Documented annual testing schedule of these plans

While neither PCLP nor LGC have a business continuity plan, throughout fieldwork, Audit Staff noted that PCLP and LGC do contain business continuity elements in their day-to-day operations. For example, PCLP's office employees have the ability to work from home if needed. The VP of IT and Customer Service for CNG, PCLP, and LGC indicated that a business continuity plan is currently being developed.

Because PCLP and LGC do not have formal business continuity plans, the companies face an increased risk of delay in service restoration times for customers or unforeseen company costs. To mitigate these risks, PCLP and LGC should develop business continuity plans and establish a process to routinely review, update, and test these plans on an annual basis.

Recommendation IX-2: Develop comprehensive business continuity plans for PCLP and LGC and review, test, and update them annually.

Finding IX-3: PCLP's physical security plan is not reviewed annually, and LGC lacks a physical security plan.

In response to a request to review the physical security plan(s), LGC stated it does not have a physical security plan. Although PCLP did provide a physical security plan, the plan was last reviewed in 2020, indicating that the company has not reviewed it on an annual basis. Additionally, while PCLP's physical security plan addressed the physical security plan purpose, access control measures, and overall physical security measures; the plan was anemic at establishing physical security responsibilities and ranking asset criticality as they relate to physical security. Lastly, Audit Staff noted that PCLP's physical security plan referenced certain example facilities that the company does not own or operate. Instead, physical security plans should at a minimum meet the requirements contained within 52 Pa. Code 101.3(a)(1).

Because LGC does not have a formal physical security plan and PCLP's physical security plan is inadequate at the time of the management audit, both companies should develop physical security plans and establish a process to routinely review, update, and test these plans on an annual basis.

Recommendation IX-3: Develop and maintain physical security plans for PCLP and LGC and review, update, and test annually.

Finding IX-4: PCLP's and LGC's emergency response plans have not been tested or updated annually, and PCLP's emergency response plan fails to address non-storm related emergencies.

PCLP's emergency response plan (ERP) had not been updated since February 3, 2022, whereas LGC's ERP was last updated on July 1, 2020. As for the contents, LGC's ERP is comprehensive, discusses processes in depth, and addresses external and systematic emergencies. Meanwhile, PCLP's ERP only addresses storm-related emergencies, comprehensively. Storms may be the most common reason a company enters emergency operating conditions, but emergencies could also originate from other sources (e.g., flooding, bomb threats, active shooter, fire, etc.).

PCLP's staff indicated that the last time the ERP was tested was prior to 2022. Additionally, CEC's COO mentioned that both PCLP and LGC had issues generating interest from local first responders to test emergency response plans. The COO also stated that no official tabletop testing of the PCLP and LGC emergency response plans has occurred.

Because the ERP for PCLP and LGC are outdated and PCLP's ERP does not include non-storm related emergencies, PCLP and LGC could be less equipped to handle emergencies in the future. Therefore, Audit Staff recommends both companies annually review and update ERP to document current, comprehensive procedures towards managing emergencies. Additionally, both PCLP and LGC should invite local emergency response personnel when testing emergency response plans, but Audit Staff recognizes that they may not attend.

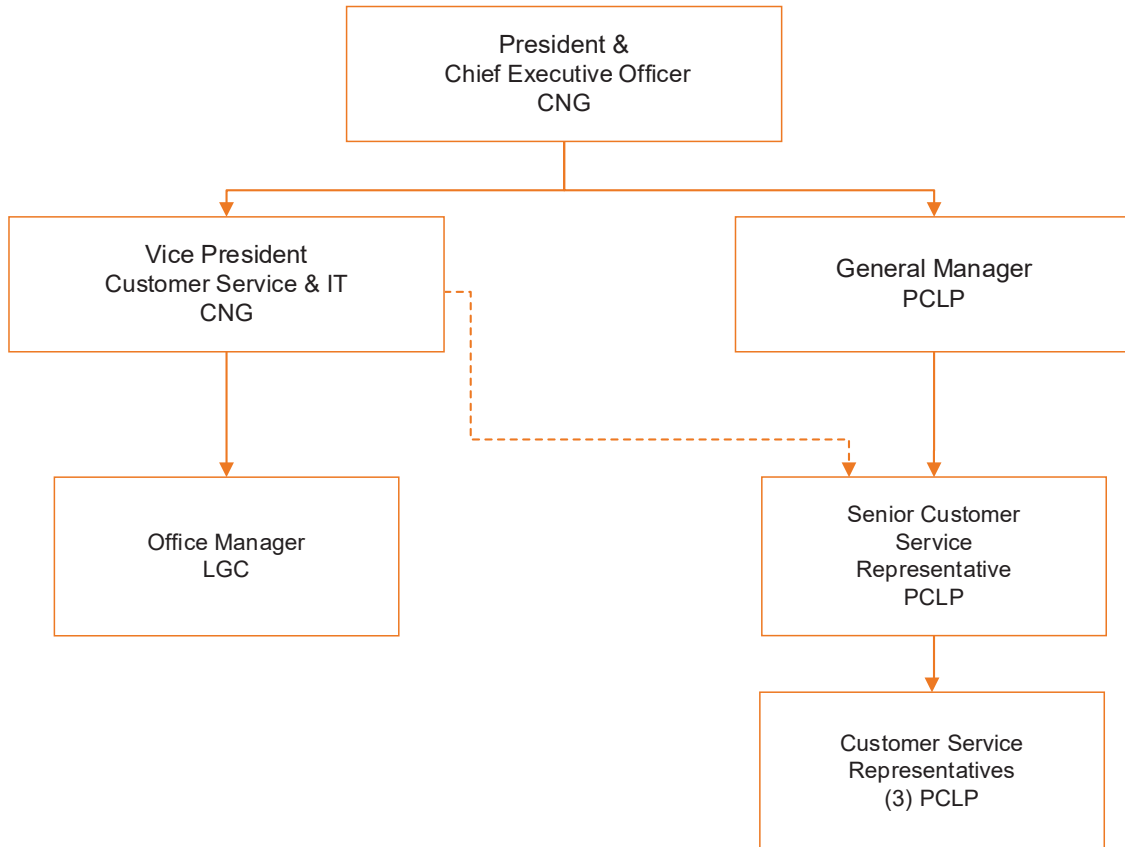
Recommendation IX-4: Annually review, test, and update emergency response plans for PCLP and LGC, and update PCLP's emergency response plan to detail company response to non-storm related emergencies.

X – CUSTOMER SERVICE

Background

Leatherstocking Gas Company LLC (LGC) and Pike County Light & Power Company (PCLP) perform their customer service functions via a matrix structure as reflected in Exhibit X-1. While both LGC and PCLP maintain employees responsible for the provision of customer services internally within their respective organizations, the overall Corning Energy Corporation (CEC) organization²¹ leverages executive staff from all operating company affiliates (PCLP, LGC, and Corning Natural Gas Corporation (CNG)) for oversight.

**Exhibit X-1
Corning Energy Corporation
Customer Service Organization Chart
As of October 16, 2024**



Source: Data Request EM-2

²¹ CEC's executive management team is composed of employees from Corning Natural Gas Company (CNG) and PCLP. The CEO and VP CS & IT are employees of CNG, see Chapter III – Executive Management, Organizational Structure, and Safety for additional information.

CNG's Vice President of Customer Service and Information Technology (VP CS & IT) is responsible for supporting customer service activities at all CEC's subsidiary companies. LGC's Office Manager is the sole customer service representative at LGC that reports to and collaborates with the VP CS & IT. Together, they identify opportunities to improve LGC's technologies and systems as well as coordinate planning and establishing the company's priorities.

Conversely, PCLP's Senior Customer Service Representative (CSR) reports directly to the PCLP General Manager (PCLP GM) and indirectly reports to the VP CS & IT on customer service issues such as billing, rate changes, customer service processes, training, and support. Additionally, PCLP has three CSRs who report to the Senior CSR, who has dual reporting responsibilities. Ultimately, both the PCLP GM and VP CS & IT report directly to CEC's President and Chief Executive Officer (CEO).

Leatherstocking Gas Company

LGC provides natural gas services to approximately 500 customers in Pennsylvania. LGC's office, located in Montrose, Pennsylvania, is open weekdays from 8:00 am until 4:30 pm. LGC's Customer Service (CS) is managed by the Office Manager who handles all customer inquiries (i.e., telephone, walk-in), manually enters meter readings, and processes payments.

The Office Manager provides support for all day-to-day CS activities, including call handling, in-person and email correspondence with customers, and applicants for service. Phone calls are logged into a spreadsheet with the customer's name and nature of call; this log is provided monthly to the VP CS & IT. The Office Manager also updates LGC's customer information system (CIS) with relevant customer data and notes. Furthermore, the Office Manager is responsible for presenting periodic performance reports and metrics to LGC's leadership.

Meter readings are collected manually by LGC's gas technicians (see Chapter VIII – Gas Operations for information related to additional gas operations field activities). Meter readings are transferred to the CIS by the Office Manager. See Finding X-3, for more information about LGC's manual meter reading process. Additionally, the Office Manager is responsible for investigating usage variances and exceptions that are identified by shared services CS billing staff at CNG.

The Office Manager provides intake for new service line applications and schedules installations. Additionally, the Office Manager serves as a liaison to connect customers with various programs including income-based assistance and general incentive programs such as LIHEAP, grants, USDA loans, rebates, etc. The Office Manager also maintains LGC's budget billing program, an option for more levelized, year-round payment consistency. Along with keeping a notary license, the Office Manager assists with the processing and payments of easements and filings at the local courthouse and represents the company with local boards and committees, and at local community events.

Pike County Light & Power

PCLP serves approximately 5,300 electric and 1,300 natural gas customers within the Commonwealth. PCLP's office is located in Milford, Pennsylvania, with walk-in business hours from 8:00 am until 4:30 pm. PCLP's CSRs provide customer service in-person, over the telephone, and through electronic communications (email, social media, company website). Services provided by PCLP's CSRs include responding to billing inquiries, service orders, customer complaints, collections, applications, and general service information. The customer service department has minimal turnover; however, due to the small staff size, CSRs are cross-trained in multiple areas (front desk, back office support, etc.) and refresher trainings are conducted annually (e.g., collections, LIHEAP, etc.).

PCLP's front office receives walk-in customers who make payments in the form of cash, credit, check, or by drop box. Customers can also pay by QR code provided in the customer's bill either online or in-person at participating retailers. These payments are updated in PCLP's CIS in real time. PCLP's CIS allows CSRs to print out small batches of bills onsite, with large batches handled by centralized CS billing staff at CNG. PCLP customer phone calls are supported via a third party and includes after business hours and during high-volume periods (i.e., storm events). Social media is utilized for customer outreach and real time outages posts.

PCLP also provides customer assistance and payment arrangements for low-income and payment troubled customers. Generally, PCLP's customer assistance programs are handled by the Senior CSR. PCLP also publishes information to help connect customers to additional external assistance resources including PA Housing and Finance Agency's Homeowners Energy Efficiency Loan Program, Wayne County Redevelopment Authorities weatherization program, and LIHEAP²². Additionally, PCLP maintains internal customer assistance programs for both bill credits and grants. PCLP's New Start Program is a one-year program that provides assistance to customers by applying credits to accounts for every three months of on-time payments. PCLP's Good Neighbor Fund helps customers with financial hardships pay their utility bills with grants. Good Neighbor grants are specific to service type, where dual service customers qualify for both electric and natural gas grants.

Additional PCLP and LGC Discussion

In July 2022, PCLP and LGC staff began monitoring and reporting on transactional customer service satisfaction results and on customer compliant information. Customer satisfaction surveys measure ratings from customers who have recently contacted the companies, including quality of service, contact reason, method of contact, wait time, safety information, billing, satisfaction of CSRs and field service representatives (if applicable), and rates. Exhibit X-2 illustrates the overall satisfaction customers had with PCLP and LGC regarding their recent service. In addition to

²² LIHEAP (Low Income Home Energy Assistance Program) is a federally funded program that provides supplemental benefits to low-income households.

formally reported metrics, several internally reviewed metrics are monitored monthly by the VP CS & IT, including calls answered within 30 seconds, call abandonment rate, average busy-out rate, etc.

**Exhibit X-2
Pike County Light & Power Company
Leatherstocking Gas Company
Satisfaction with the Overall Quality of Customer Service
2022-2024**

	2022	2023	2024
Pike County Light & Power	75.7%	82.5%	84.4%
Leatherstocking Gas Company	96.9%	93.8%	95.6%

Source: Data Requests CS-6 and CS-18

Findings and Conclusions

Our review of the customer service function included a review of policies and procedures; staffing levels, customer satisfaction surveys; customer service metrics; bad debt levels; meter reading process; and billing, payments and collection cycles. Based on our review, PCLP and/or LGC should initiate or devote additional efforts to improve efficiency and/or effectiveness of their customer service functions by addressing the following:

- **Finding X-1: PCLP and LGC do not maintain customer service manuals.**
- **Finding X-2: Customer facing documentation for the budget billing process is lacking for LGC and PCLP.**
- **Finding X-3: LGC’s manual meter reading is inefficient.**
- **Finding X-4: LGC’s customer information system (CIS) is outdated.**

Discussion

Finding X-1: PCLP and LGC do not maintain customer service manuals.

PCLP and LGC maintain limited documentation to support their respective Customer Service departments. PCLP relies on its gas and electric tariffs along with the PA PUC’s regulations and statutes (e.g., customer rights and responsibilities, billing practices, etc.) to provide guidance for its staff. Similarly, LGC refers to their gas tariff for guidance, and is supported by some additional written documentation (e.g., shut-off procedures, guidance on collections, etc.). The tariffs provide rate schedules, rules, and regulations for electric and natural gas services. However, the tariffs do not

address all the utilities' internal policies and procedures used in executing customer service functions or tasks.

Generally, customer service staff are expected to perform duties in compliance with PA PUC regulations. However, the limited documentation available to staff lacks the information needed to support all aspects of the companies' daily functions (i.e., securing customer data, processing new applications, etc.). Standard, uniform, and up-to-date customer service policies and procedures can be combined to establish a customer service manual (CSM) and should be available to all CSRs to assist with both day-to-day operations and unusual circumstances.

Management indicated that staff lacks the time to dedicate to document policies and procedures due to lean staffing and other priorities. Formal documentation helps to ensure that customer service personnel perform customer service functions in an accurate and consistent manner. Furthermore, PCLP and LGC should leverage the expertise of their employees in the construction of a CSM to retain their institutional knowledge for when employees are promoted, leave the utility, retire, etc. In addition, a CSM would provide new employees with a foundation for how to apply relevant policies and procedures.

Recommendation X-1: Formally document customer service policies and procedures to govern customer service practices.

Finding X-2: LGC and PCLP lack documentation for the budget billing process for customers.

PCLP and LGC provide customers with information via their websites about the budget billing option available to all residential customers. In addition, the two companies' tariffs also provide some information on rules and rates. However, the Audit Staff found that the respective tariffs and websites did not accurately and fully describe details of PCLP and LGC's budget billing program. Both PCLP and LGC tariffs detail the following:

The monthly budget payment will normally be adjusted at the end of the Budget Year to reflect any changes in the Company's charges or the customer's usage during the Budget Year. The Company may also adjust the monthly budget payment during the Budget Year should conditions warrant a change.

In addition, PCLP's website shared that the monthly budget payments will be uniform for 11 months, with a true-up occurring on the twelfth month. LGC's website states that true ups occur at least a couple times a year.

PA PUC's Order M-0051925 states that for a budget billing program to be acceptable, accounts are to be routinely monitored and adjusted at least three times per year to prevent over or under collections to the extent possible. Management stated that there is a quarterly readjustment to all budget billed accounts which serves to reduce overall annual true ups for PCLP. However, the companies' tariffs and customer-facing websites fail to communicate the periodic processes (PCLP's quarterly readjustments or LGC's periodic true ups throughout the year) and thus lack full explanation of the budget billing process.

Incomplete explanation of company practices can contribute to customer confusion and may generate an additional burden on staff to retroactively explain processes in response to inquiries generated from the absence of information. Thus, the companies are missing an opportunity to proactively detail their budget billing programs as effectively as possible. As a best practice, PCLP and LGC should fully describe and disclose the details of its budget billing program to avoid unnecessary confusion and calls from customers.

Recommendation X-2: Revise the tariff and other customer-facing documentation to accurately reflect PCLP's and LGC's budget billing processes.

Finding X-3: LGC's manual meter reading is inefficient.

Due to their limited size, LGC relies on a manual meter reading process. As discussed in this chapter's background, LGC's monthly meter reading is conducted by its two gas technicians. The meter reading route is completed over a four-to-five-day period. The monthly process begins when LGC's Office Manager prints and distributes documents created by their CIS to the gas technicians, who record each meter reading manually. Manually reading meters requires the gas technicians to physically access the meters to verify readings and record the results. The documents are then handed back to the Office Manager to input the data manually into the CIS.

The monthly meter reading process routinely requires use of LGC's entire staff, where the workload is sometimes duplicative such as recording readings in the field and then again into the CIS. With limited staff, additional days are required to complete the process when one technician is redirected for emergent or operational needs. Furthermore, handwritten and manual processes lead to inefficient use of resources and increase the risk of billing errors.

Such inefficiencies exacerbate billing lag, and the increased risk of billing errors can lead to delayed and disputed payments resulting in additional handling/processing expenses and a disruption of cash flows. LGC's conversion to automated meters would allow for greater efficiency and increase overall operational effectiveness. Audit Staff previously recommended similar action in the 2017 Management and Operations

Audit²³ and 2021 Management Efficiency Investigation²⁴. In response, LGC indicated that only full automation would provide any efficiency gain and that such changes were not feasible. Nonetheless, Audit Staff contends that solutions eliminating manual and repetitive entries would allow employees to increase time spent on more value-added activities. While deployment of automated systems can be expensive, LGC may be able to use infrastructure already in place at CNG or PCLP or implement partial deployment to maintain a positive business case.

Recommendation X-3: Explore eliminating manual meter reading at LGC to streamline operations, reduce errors, and efficiently use staff.

Finding X-4: LGC's customer information system (CIS) lacks certain customer friendly capabilities.

Due to the restrictions of LGC's CIS, LGC can only accept limited forms of payment (ACH and checks) from customers. The CIS is not equipped to take credit card payments. Furthermore, LGC does not have access to a local bank for services, thus cash is not accepted. As LGC grows and expands its customer base, the PUC Auditors encourage LGC to review opportunities to expand payment options for customers.

Furthermore, LGC's CIS does not feature automated billing processes. For instance, LGC's customers on payment arrangements must be established and maintained manually. Furthermore, LGC's budget billing process requires staff to manually establish and adjust customer bills to align with budget billing parameters. Upon a budget billing request by a customer, LGC manually performs the budget billing calculation and calls the customer back to inform them of the budget bill amount. While this process works, it is inefficient, labor intensive, and does not lead to an optimal customer experience.

Both points might be addressed by updating LGC's CIS. Ultimately, an updated CIS would allow its staff to be leveraged for more value-added activities, while expanding payment options to meet customer expectations. However, deployment of a new system can be expensive, and the Audit Staff believes LGC could benefit from a system used by its affiliates to provide some of the missing features of its CIS. For instance, both CNG and PCLP accept credit card payments through their systems. Audit Staff cautions that if an affiliate's system is used, that the companies should ensure cross subsidization does not occur. Management indicated that it hopes to replace LGC's CIS with the same system PCLP and CNG use by 2026.

Recommendation X-4: Improve the customer experience by expanding payment options and eliminating the manual process for budget billing.

²³ See Docket Nos. D-2016-2584891 and D-2017-2584892

²⁴ See Docket Nos. D-2020-3022546 and D-2020-3022547



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