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COUNCIL OF THE CITY OF PHILADELPHIA

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COMMITTEE ON FINANCE

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Room 400, City Hall
Philadelphia, Pennsylvania
Monday, October 24, 2005
2:35 p.m.

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PRESENT:

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COUNCILWOMAN JANNIE BLACKWELL, CHAIRWOMAN
COUNCIL PRESIDENT ANNA VERNA
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN JUAN RAMOS
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILWOMAN MARIAN B. TASCIO

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BILL 050792 - An ordinance approving the
Fiscal Year 2006 Capital Budget providing for
expenditures for the capital purposes of the
Philadelphia Gas Works...

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COUNCILWOMAN BLACKWELL: Good afternoon. Thank you for your patience. We are now ready to begin, and we'll call into session our Finance hearing with regard to Bill No. 050792.

The Chair will ask the Clerk to read the title of the bill.

Madam President, we note a quorum is here.

We pulled the President from her meeting and just got a quorum. Thank you very much.

We have President Anna Verna. To my left, Councilman Juan Ramos, Councilwoman Marian Tasco. To my right, Councilwoman Blondell Reynolds Brown, Vice-Chair. To her right, W. Wilson Goode. So a quorum is noted.

Clerk.

(Council President Verna left the Council Chambers.)

THE CLERK: Yes, ma'am. An ordinance approving the Fiscal Year 2006 Capital Budget providing for expenditures

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2 for the capital purposes of the
3 Philadelphia Gas Works (including the
4 supplying of funds in connection
5 therewith) subject to certain constraints
6 and conditions, and acknowledging receipt
7 of the Forecast of Capital Budgets for
8 Fiscal Years 2007 through 2011, Bill No.
9 050792.

10 COUNCILWOMAN BLACKWELL: Thank
11 you very much.

12 The Chair will ask those
13 representing PGW, Craig White, COO is
14 present, we thank all of you who are
15 present, and we welcome you and ask you
16 to begin your testimony.

17 MR. WHITE: Thank you, Madam
18 Chairwoman.

19 COUNCILWOMAN BLACKWELL: Thank
20 you.

21 MR. WHITE: My name is Craig
22 White. I'm the acting Chief Operating
23 Officer at Philadelphia Gas Works, and
24 I'm here before you today in reference to
25 Philadelphia Gas Works' Capital Budget.

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2 We have submitted again a
3 budget that is focused on meeting the
4 core issues of capital in the company,
5 which is particularly the areas of our
6 distribution, our field services and our
7 gas processing or gas management area.

8 As has been the case in the
9 past years, the majority of the dollars
10 associated with this Capital Budget do
11 pertain to safety reliability. And
12 beyond that, I would say that there is
13 one additional item. We had initially
14 received a denial of two aspects of the
15 Capital Budget, and after further review
16 by the Gas Commission, we have asked for
17 reconsideration of that, and I believe
18 that is to be addressed today, if I'm not
19 mistaken, and that would be in the area
20 of our data warehouse and our document
21 management.

22 Aside from that, I've submitted
23 written testimony. I'm not going to read
24 that. I'm sure you don't want me to do
25 that, and I'm here to answer whatever

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2 questions you may have.

3 COUNCILWOMAN BLACKWELL: Thank
4 you very much.

5 Would you address the efforts
6 made by PGW to help customers pay their
7 gas bills in light of recent increases in
8 gas rates?

9 MR. WHITE: Okay. I'll do my
10 best on that front. We had a City
11 Council briefing a week or so back, and
12 at that briefing, we discussed both the
13 very high price of natural gas and what
14 we believe will be a continuance of
15 higher prices, particularly through this
16 winter period.

17 We also talked about providing,
18 at the request of many of the
19 Councilmembers, a tool-kit of
20 information, which would support both the
21 Councilperson and their staff in
22 addressing constituent issues pertaining
23 to the high cost of gas and what our
24 customers and your constituents can do to
25 help support them during this very

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2 difficult time.

3 Obviously, we have both
4 low-income programs that are discussed in
5 that tool-kit, as well as conservation
6 measures that are hopefully easily
7 understandable things that people can do,
8 extending from things such as just
9 turning your thermostat down to weather
10 stripping and things that will enable you
11 to keep air infiltration from the house.

12 With respect to the low-income
13 programs, we stressed our CRP program,
14 ways in which to acquire LIHEAP and
15 Crisis grants and things of that nature.

16 I have with me up here
17 Mr. Hershey, and Mr. Hershey has focused
18 on this particular issue, and I would ask
19 at this point if he has any further
20 comments that would be beneficial, he can
21 certainly make them.

22 COUNCILWOMAN BLACKWELL: Thank
23 you.

24 MR. HERSHEY: Thank you. As
25 we've --

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2 COUNCILWOMAN BLACKWELL: Please
3 identify yourself for the record.

4 MR. HERSHEY: I'm sorry. My
5 name is Steve Hershey. I'm
6 Vice-President, Community Initiatives, at
7 PGW.

8 Mr. White is exactly correct.
9 We have a number of programs in place
10 that have been described and have been in
11 place for some years.

12 In addition, last year we
13 worked with the City, with the Mayor's
14 office, to create a special grant program
15 that would be used to assist customers
16 whose service was off to restore service.
17 This year we've worked with the Mayor's
18 office to dramatically increase the size
19 of that program and begin it much
20 earlier, and our hope is to begin it
21 coincident with the LIHEAP program, which
22 starts on November 7th.

23 Just this morning, I believe
24 that I got a commitment from the Mayor's
25 office to increase the size of the grant,

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2 as well as the funding for the program.

3 Beyond that particular program,
4 we are also expanding the weatherization
5 workshops, which we began last winter.
6 Last winter we held six workshops in
7 low-income communities. This year our
8 intention is to hold approximately 20.

9 The purpose of those workshops
10 would be to explain the benefits of
11 weatherization, then provide hands-on
12 instruction on how to use caulk, how to
13 use plastic window covering, weather
14 stripping, the kind of materials that
15 people can use themselves, and it is our
16 plan at the end of the workshop to
17 distribute that material for free.

18 Last year we were able to
19 obtain donations from the manufacturers
20 of caulk and weather stripping and things
21 like that. This year, perhaps because of
22 Katrina, we've been pretty roundly
23 dismissed and we have not gotten the
24 donations that we asked for, and we have
25 a tentative commitment from the Mayor's

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2 office to assist in funding material that
3 we would distribute for free.

4 Beyond that, we are
5 dramatically increasing our Public
6 Education Campaign through the media to
7 get the word out to turn down the
8 thermostat, tell people about the
9 benefits of weatherization, explain the
10 availability of our low-income programs,
11 as well as budget billing, explain the
12 availability of LIHEAP, make sure that
13 everyone understands the availability of
14 the various resources.

15 We are trying to raise the
16 visibility of our efforts in this area to
17 bring in members, for example, of the
18 Eagles, other celebrities, just to help
19 get the word out. And we're also
20 coordinating with the Mayor's office.
21 There was a meeting this morning with
22 various advocates, social service
23 agencies and City agencies to discuss
24 this problem and how we can all work
25 together to get the message out and make

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2 sure that people stay warm this winter.

3 COUNCILWOMAN BLACKWELL: Thank
4 you very much.

5 Would you please address the
6 LNG plant, what that budget is and any
7 security concerns that may be related
8 therein?

9 MR. WHITE: I'll do my best on
10 that front. As far as the budget, at
11 present, we spent somewhere around \$2
12 million in the development of our LNG
13 initiative. The purpose of that is
14 obviously to bring a very large volume of
15 gas into the Midatlantic region, and, of
16 course, our hope and our expectation with
17 that amount of supply coming into the
18 region, it certainly will have an impact,
19 a downward pressure on price, and that's
20 what our expectation is.

21 With respect to the security
22 issues, as we have said on a number of
23 occasions and we will continue to say, we
24 are working with a yet-to-be-named
25 developer. When I say "yet to be named,"

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2 we are still in an environment of
3 confidentiality. This party will be
4 experts in, obviously, the ship channel
5 aspects of the project. And from a
6 security standpoint, there will be a
7 Coast Guard review. There will be a
8 Federal Energy Regulatory Commission
9 review.

10 As part of that review, there
11 will be interaction with the Police and
12 Fire from the City of Philadelphia, and
13 obviously the community will be involved
14 in the FERC process as well.

15 We haven't yet gotten to that
16 stage in our process. Where we are at
17 the present time is, we're dealing with a
18 very sophisticated, very complicated
19 negotiation, but we are at the point now
20 where we are exchanging contractual
21 drafts and we are expecting marked-up
22 red-lined copies of agreements that we
23 have submitted to the potential
24 developer.

25 COUNCILWOMAN BLACKWELL: Would

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2 you please respond to concerns with
3 regard to a PECO merger and how that
4 could affect rates in Philadelphia?

5 MR. WHITE: Well, with respect
6 to a PECO merger, I think PGW has been
7 party to conversations that discuss the
8 notion of combining PECO's gas division
9 with PGW's gas division.

10 Maybe I should ask for this
11 clarification. There's the Exelon merger
12 with PSE&G, which we have intervened,
13 along with the City, and then, of course,
14 there's the notion of merging possibly
15 PGW with another entity. Obviously, the
16 two are inextricably tied in a lot of the
17 discussions that are going on, but with
18 respect to the Exelon merger, we've been
19 an intervenor, and we have been in the
20 process from its inception, and we have
21 built our case on expert testimony
22 pertaining to market power and things
23 that would not be in the best interest of
24 the citizens of Philadelphia.

25 COUNCILWOMAN BLACKWELL: The

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2 issues you mentioned with regard to the
3 LNG, do they also relate to overall
4 emergency preparedness?

5 MR. WHITE: With respect to the
6 LNG, we are focusing our business
7 continuity initiatives right now on our
8 gas processing plant, particularly
9 Richmond. What I mean by that is, in
10 this post 9/11 world, you have to be
11 prepared for -- not only do you have to
12 have the proper security, but you also
13 have to be prepared that in the event of
14 any type of incident, you can continue to
15 provide service. And we've taken some
16 steps forward with business continuity,
17 and what that is, it's an overall plan to
18 address how PGW would react to a failure
19 or an interruption of service over at our
20 Richmond facility.

21 So we have been working on that
22 and we will continue to work on that.

23 COUNCILWOMAN BLACKWELL: Thank
24 you very much, Mr. White.

25 Are there questions from

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2 members of the Committee?

3 (No response.)

4 COUNCILWOMAN BLACKWELL: Seeing
5 none, the Chair would like to recognize
6 Councilwoman Tasco, unless we do this in
7 our meeting part. Do you want to do this
8 in the meeting part?

9 You have amendments?

10 COUNCILWOMAN TASCO: Yes. We
11 can do it in the meeting.

12 COUNCILWOMAN BLACKWELL: If
13 there are no other questions, is there
14 anyone else here who would like to
15 testify?

16 (No response.)

17 COUNCILWOMAN BLACKWELL: Seeing
18 none, this will end our hearing part of
19 the Committee. We will enter the stated
20 meeting part of the Committee, and the
21 Chair recognizes Councilwoman Tasco.

22 COUNCILWOMAN TASCO: Madam
23 Chair, I offer amendments to Bill 050792.

24 (Duly seconded.)

25 COUNCILWOMAN BLACKWELL: It has

1 10/24/05 - FINANCE - BILL 050792
2 been moved and seconded that amendments
3 to Bill No. 050792 be adopted. These
4 amendments have been circulated and
5 received by all members of the Committee.

6 Are there any questions?

7 (No response.)

8 COUNCILWOMAN BLACKWELL: All in
9 favor will indicate by saying aye.

10 (Aye.)

11 COUNCILWOMAN BLACKWELL:
12 Opposed?

13 (No response.)

14 COUNCILWOMAN BLACKWELL: The
15 ayes have it, and so the amendments to
16 Bill 050792 will be adopted.

17 The Chair recognizes
18 Councilwoman Tasco with regard to a
19 motion on the bill as amended.

20 COUNCILWOMAN TASCO: Madam
21 Chair, I move that Bill 050792 as amended
22 be reported out of Committee with a
23 favorable recommendation.

24 (Duly seconded.)

25 COUNCILWOMAN TASCO: Do you

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2 want a suspension of the rules?

3 COUNCILWOMAN BLACKWELL: Do you
4 need a bill suspension, Mr. White?

5 MR. WHITE: Yes.

6 COUNCILWOMAN TASC0: With a
7 suspension of the rules.

8 COUNCILWOMAN BLACKWELL:
9 Thanks.

10 (Duly seconded.)

11 COUNCILWOMAN BLACKWELL: All in
12 favor will say aye.

13 (Aye.)

14 COUNCILWOMAN BLACKWELL:
15 Opposed?

16 (No response.)

17 COUNCILWOMAN BLACKWELL: The
18 ayes have it, and so Bill No. 050792,
19 with amendments as adopted, will be
20 reported out of Committee with a
21 favorable recommendation and a
22 recommendation that rules be suspended so
23 as to permit first reading at our next
24 session of Council.

25 COUNCILWOMAN TASC0: Thank you.

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2 MR. HERSHEY: Thank you.

3 COUNCILWOMAN BLACKWELL: Thank
4 you very much. Thank you, everybody.

5 COUNCILWOMAN TASC0: Thank you,
6 Madam Chair.

7 COUNCILWOMAN BLACKWELL:
8 Thanks.

9 (Committee on Finance adjourned
10 at 2:50 p.m.)

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CERTIFICATE

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I HEREBY CERTIFY that the

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contained fully and accurately in the

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stenographic notes taken by me upon the

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foregoing matter on October 24, 2005, and that

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this is a true and correct transcript of same.

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MICHELE L. MURPHY

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RPR-Notary Public

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