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COUNCIL OF THE CITY OF PHILADELPHIA

3

COMMITTEE ON TRANSPORTATION

4

AND PUBLIC UTILITIES

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Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, October 11, 2005
2:10 p.m.

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RESOLUTION 050845

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PRESENT:

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COUNCILMAN MICHAEL A. NUTTER, CHAIRMAN
COUNCILMAN DARRELL L. CLARKE
COUNCILMAN FRANK RIZZO
COUNCILWOMAN DONNA REED MILLER
COUNCILMAN JACK KELLY
COUNCILMAN BRIAN O'NEILL
COUNCILWOMAN JANNIE BLACKWELL

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Resolution No. 050845, Resolution authorizing
City Council's Transportation and Public
Utilities Committee to hold public hearings to
discuss the impact of the proposed PGW 19.4
percent rate hike on the citizens...

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COUNCILMAN NUTTER: Good

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afternoon, Ladies and Gentlemen. This is

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the Committee on Transportation and

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Public Utilities. We're going to take

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testimony regarding Resolution No.

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050845. This is a resolution authorizing

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City Council's Transportation and Public

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Utilities Committee to hold public

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hearings to discuss the impact of the

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proposed PGW 19.4 percent rate hike on

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the citizens of Philadelphia and explore

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methods of providing resources and relief

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to those most severely affected by such a

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dramatic increase.

16

I am Councilman Michael Nutter,

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Chair of the committee. Councilman

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Darrell Clarke is a member of the

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committee and is the sponsor of this

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resolution, which was introduced in

21

Council on September 29, 2005.

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Participating and in attendance

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at today's hearing is Councilman Frank

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Rizzo.

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Councilman Clarke may have an

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2 opening comment, and I may wish to make
3 one comment myself, and then we will
4 proceed with the testimony.

5 Councilman Clarke.

6 COUNCILMAN CLARKE: Thank you,
7 Mr. Chairman.

8 Good afternoon. Mr. Chairman,
9 first, I'd like to thank you for
10 expediting this public hearing. We
11 previously had scheduled to have it on
12 Thursday, but because of the untimely
13 demise of our colleague, we postponed it
14 until today. This is actually a cause
15 that I know where he's still with us. He
16 will be right here asking some tough
17 questions.

18 COUNCILMAN NUTTER: Absolutely.

19 COUNCILMAN CLARKE: Councilman,
20 one of the things that I was interested
21 in today was, first of all, talking to
22 representatives from PGW to talk about
23 the basis for what I call, and I think
24 most call, the dramatic increase in rates
25 that subsequently was approved. We

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2 anticipate that they will put on
3 information that justifies that increase,
4 but we will feel more comfortable having
5 it in this particular public forum.

6 Second, we have to figure out,
7 I think, on a local basis. Although City
8 Council has limited or no jurisdiction as
9 it relates to rate increases, I think we
10 have a responsibility to the citizens
11 that we represent to talk about the
12 impact and to come up with some solutions
13 that help those of us in this
14 ever-increasing or larger group of those
15 of us who cannot afford to pay some of
16 those exorbitant rates that are being
17 thrust upon us, not only by PGW but some
18 of the other utilities, some of the
19 electric, some of the gas costs
20 associated with vehicular situations.

21 So we want to talk about some
22 solutions today, and I think we have a
23 pretty good group of people that can come
24 up with some creative ideas.

25 So with that, Mr. Chair, I pass

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2 the mic back to you, sir.

3 COUNCILMAN NUTTER: Thank you,
4 Councilman.

5 My only opening comment is,
6 there has certainly been a significant
7 amount of attention, as appropriate, to
8 the then-proposed and now approved 19.4
9 percent increase for PGW.

10 I'm going to ask the first
11 witnesses to come up to the table. I
12 know there's what may have been a
13 PowerPoint presentation.

14 Mr. Hershey and Mr. Knudsen, is
15 there written testimony? It's a part of
16 the -- okay. Why don't you come up to
17 the table.

18 One of the issues I'm going to
19 ask you to address in the course of your
20 comments are to at least explain not
21 only, as the Councilman's resolution
22 points out, why the significant size of
23 increase, but also there have been press
24 reports that indicate that at least one
25 other utility, commonly known as PECO,

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2 has proposed a gas cost hike but, at
3 least as reported in the news accounts,
4 of a significantly lesser amount,
5 possibly I think I've read 3 percent.

6 If you could please, in the
7 course of your testimony, explain to us
8 why PECO's proposed increase would be so
9 much less than what PGW is proposing, in
10 addition to everything else you want to
11 tell us, that would be helpful.

12 Please identify yourselves for
13 the record.

14 MR. KNUDSEN: Good afternoon,
15 Councilmen. I'm Tom Knudsen. I'm
16 President and CEO of the Philadelphia Gas
17 Works, and we're pleased to be here today
18 to testify before you as to our actions
19 and why we felt they were necessary.

20 I've passed out a set of charts
21 and slides. I don't have prepared
22 testimony in terms of written form, but
23 we will talk to these slides, and I hope
24 that will complete the picture for you.
25 And to the point that you raised, we will

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2 address the PECO question, as well as the
3 fact that we have a substantial program
4 at the ready, in fact starting this week,
5 to address these concerns that we share
6 with you about our customers' ability to
7 pay.

8 On Page 1 of the handout, what
9 we show there is the increase in the cost
10 of gas as the commodity of gas, not our
11 rates, but as the commodity of gas. And
12 understand that this is a pass-through
13 charge for us. We make no money. We
14 make no profit on these amounts.

15 But what this shows is that as
16 little ago as August the 7th of 2002, we
17 were paying \$3.33 for a thousand cubic
18 feet of gas, an MCF.

19 Understand that the average
20 home consumes about 100 MCF a year. So
21 multiply that by 100. And the gas
22 portion of someone's bill on average is
23 about \$333.

24 Over the course of the last
25 three years, this is how the commodity

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2 charges that PGW is confronted with and
3 has had to finance, this is the
4 progression of those charges over this
5 period of time.

6 COUNCILMAN NUTTER:

7 Mr. Knudsen, let me mention one thing to
8 you. And let me also take this moment to
9 recognize another member of this
10 committee, Councilwoman Donna Reed
11 Miller.

12 I don't mean to interrupt your
13 testimony, but I think you're kind of
14 doing it from a PowerPoint.

15 And we're also joined by
16 Councilman Jack Kelly.

17 I have heard you in public and
18 private sessions on any number of
19 occasions try to explain that PGW does
20 not make money from selling gas, and as
21 much as I would certainly want to believe
22 you and have no reason to doubt
23 otherwise, you must understand that that
24 could be a very difficult concept for any
25 of the customers to understand. Since

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2 you are Philadelphia Gas Works, the
3 assumption is that you sell gas, and
4 while you're a public utility, you may
5 not, quote/unquote, make money, but
6 certainly generate some additional
7 revenues from it. So you don't
8 necessarily need to explain it at the
9 moment, but it would probably be helpful
10 if we understood the businesses that
11 you're in, what you actually make money
12 from and what you don't, and why is it
13 that you don't make any money from
14 selling gas, because you must make some
15 money from doing something.

16 MR. KNUDSEN: We do. The
17 reference to our not making money is with
18 regard to the commodity portion of our
19 bill. We have two pieces to the bill,
20 the gas that flows through the pipes to
21 the burner tip in everyone's home and
22 then there is a series of charges that we
23 have in our bills that pay for salaries,
24 for interest on the debt, for supplies.
25 That portion of the bill is essentially

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2 then given a profit margin for most
3 utilities. It is only on that portion of
4 the bill that we essentially have a
5 markup or a profit element.

6 For these costs -- and that's
7 why we have what's called a gas cost rate
8 quarterly adjustment. These costs are
9 essentially treated separately from all
10 of our other charges, and it is on these
11 costs that there is no markup, there is
12 no profit made. So we're talking only
13 about the gas flowing through the pipes.

14 COUNCILMAN NUTTER: Okay.

15 MR. KNUDSEN: So just to finish
16 the thought on Page 1, what we see is a
17 progression of charges to us by the
18 pipelines by our suppliers for gas, and
19 what we have is as late as September
20 28th, the cost per MCF, per thousand
21 cubic feet, is \$12.70. Now, these are
22 wholesale natural gas prices in New York.
23 What we have seen now is almost a 300
24 percent increase in the commodity charge
25 that we are faced with.

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2 Now, it's a very -- and I know
3 we have Sonny Popowsky, who is from the
4 Office of Consumer Advocate, is a
5 recognized expert on these issues for
6 Pennsylvania, having been in his position
7 for many years, and I know he's going to
8 speak to some of this, and there may be a
9 slight amount of redundancy, but what I
10 want to emphasize is that this is not a
11 Philadelphia issue. This is not a
12 Pennsylvania issue. This is a national
13 issue. And what you see in the
14 developments of particularly the last
15 three bars on this chart are the
16 consequences from the hurricanes of the
17 last month or so.

18 COUNCILMAN CLARKE:

19 Mr. Knudsen, hold on. I'm going to
20 interrupt you.

21 With respect to this being a
22 national phenomenon, in terms of your
23 purchase of commodities -- I want to ask
24 the question as a lay person, because
25 some of this I truly am in fact a lay

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2 person -- are you saying that the cost of
3 commodities is uniform across the board?
4 Is there a process that allows PGW or
5 other municipalities to purchase
6 commodities at different levels, or are
7 you saying the cost is regardless of
8 whether there's spot purchasing or --

9 MR. KNUDSEN: There are various
10 ways that one can buy gas. This is not
11 to suggest that the prices are uniform
12 across the country, but the basic
13 commodity cost, it is monitored at
14 various places, and it is from a pool of
15 gas that we buy our gas, and that basic
16 cost is essentially the same.

17 Now, if we buy gas more
18 effectively, we may take advantage of a
19 slight movement in prices if we purchase
20 at that point versus another point. We
21 take full advantage of whatever slight
22 market conditions exist. But my point in
23 this testimony is that the basic
24 underlying cost of gas has been going up,
25 and as best as we can, we have tried to

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2 anticipate that and buy as effectively as
3 we can, but ultimately we have to pay
4 what the market is charging us.

5 Now, one of the things I'd like
6 to emphasize is that PGW has one of the
7 best reputations of the eight local
8 distribution companies in this state. We
9 do one of the best jobs and have
10 historically done one of the best jobs of
11 buying gas economically.

12 So these costs represent and
13 these charges represent our very best
14 effort, and amongst the best efforts in
15 the state, to purchase gas.

16 COUNCILMAN CLARKE: Okay. And
17 I only asked that question because you
18 brought it to a national perspective.
19 You're saying that PGW, and at least as
20 it relates to the state in terms of
21 comparables of your ability to purchase
22 at a most effective rate, far surpass or
23 is better than other municipalities or
24 the eight -- what did you say?

25 MR. KNUDSEN: Local

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2 distribution companies.

3 COUNCILMAN CLARKE: Local
4 distribution. What about on a tristate
5 or multi-state area, or do you only
6 compare with what's in Pennsylvania?

7 MR. KNUDSEN: We only compare
8 directly with our sister utilities in the
9 State of Pennsylvania, because that's how
10 we're regulated by the PUC. But I will
11 assure you that we are quite competitive
12 in terms of our purchasing around the
13 area as well. I mean, we know generally
14 what other people are paying for gas, and
15 we're quite comfortable that we're doing
16 a good job on that basis.

17 COUNCILMAN CLARKE: How do we
18 as Councilmembers get that information?

19 MR. KNUDSEN: I can get that
20 information for you.

21 COUNCILMAN CLARKE: For the
22 other states in the region?

23 MR. KNUDSEN: We can give you
24 some comparative statistics on other
25 utilities.

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2 COUNCILMAN CLARKE: Okay.

3 Thank you. I'm sorry. Please proceed.

4 MR. KNUDSEN: The national
5 aspect of this, there are a number of
6 reasons. Certainly the spike since
7 August of this year when we were
8 purchasing gas on the wholesale basis at
9 something close to \$8.61, the spike from
10 \$8 to \$13 is a direct result of the
11 supply interruption that came about as a
12 result of both Katrina and Rita.

13 There was a great deal of
14 destruction of gas infrastructure in the
15 Gulf region, and that is what we are now
16 gradually -- and we'll see this over the
17 next several months, prices will come
18 down slowly as that infrastructure is
19 repaired. So that spike from August
20 until now is a direct result of those
21 problems in the Gulf region.

22 Prior to that, there is and has
23 been a supply and demand imbalance over
24 the last four, five years, since 2001
25 when prices really started to move up.

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2 Let me be very brief about that and we'll
3 go on to talk about the solution.

4 The supply problem is that
5 there are whole sections of the country
6 that have gas reserves that are off
7 limits for exploration and development,
8 and those include both coasts, California
9 and the Atlantic coast, the west coast of
10 Florida, the Colorado Rockies or the
11 Rocky Mountains and Alaska National
12 Wildlife Reserve. It represents about 90
13 percent, I'm told, of what we think are
14 available reserves in North America.

15 Those fields are not being
16 explored now for reasons of laws that
17 were created and passed back in the '70s
18 and '80s dealing with environmental
19 issues. So we have a problem on the
20 supply side with so much gas not being
21 exploitable and not being explorable.

22 On the demand side, what we
23 have is an artificial, I believe,
24 problem, and, that is, that in the 1990s,
25 environmental laws were passed that

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2 restricted the amount of pollution from
3 electric generation. Well, the effect
4 was that the utilities, the electric
5 utilities, acting rationally could only
6 use one source of fuel to meet the bulk
7 of those requirements, and that was
8 natural gas.

9 So what you have is, since 1996
10 or '97, all of the incremental, the
11 additional generation that's come on
12 stream to supply electricity, has, by and
13 large, been a gas requirement as opposed
14 to oil or nuclear or anything else.

15 That supply and demand problem
16 is what has constrained the market,
17 driven the prices up, and then we had
18 Katrina and Rita on top of that. And I
19 think Mr. Popowsky and other witnesses
20 may address some of that.

21 On Page 2, you asked for some
22 comparatives, and let me address the PECO
23 issue, Councilman Nutter. Utilities
24 update their GCR's, their gas cost
25 recovery, at various times during the

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2 year. It happens to be that there are
3 several of us in October, and you have
4 the comparison of the filed-for rates in
5 front of you there, PGW at \$12.56 up to
6 Equitable, which is \$13.72. By the way,
7 these four utilities represent Pittsburgh
8 and Philadelphia.

9 Now, to answer your question
10 about PECO, PECO will file, I believe,
11 next month or December 1st -- December
12 1st they will file for a substantial
13 increase. They are on public record as
14 saying so. So they will wait now until
15 the 1st of December and then they will
16 file. It happens to be that we are in
17 the cycle where we are.

18 COUNCILMAN NUTTER: Can you
19 explain then what the press reports mean
20 when they say that PECO was only
21 anticipating a 3 percent increase?

22 MR. KNUDSEN: I don't know what
23 press reports those are.

24 COUNCILMAN NUTTER: In most of
25 the same stories that PGW was being

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2 reported.

3 MR. KNUDSEN: They filed on
4 September 1st and that was a 3 percent
5 increase.

6 COUNCILMAN NUTTER: Is that the
7 same as the 4 percent you filed?

8 MR. KNUDSEN: Yes. And the
9 problem that we faced that PECO doesn't
10 is that we don't have a deep pocket.
11 What we were confronted with was looking
12 ahead for our cash flow purposes and
13 saying, We don't have the money to buy
14 the gas to deliver to the customer before
15 the customer pays.

16 PECO has substantial resources
17 in Exelon and they can absorb this kind
18 of delay. We could not. That's why I
19 made the decision to seek this interim
20 rate relief that the PUC has approved.

21 COUNCILMAN NUTTER: The 19.4
22 percent, that is an accurate number?

23 MR. KNUDSEN: That is correct.

24 COUNCILMAN NUTTER: How does
25 that relate to same Page 2, Peoples,

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2 Columbia and Equitable? What would they
3 be showing in their jurisdictions in
4 terms of overall --

5 MR. KNUDSEN: As I recall the
6 numbers, they're in the 20 to 30 percent
7 increase as well.

8 COUNCILMAN NUTTER: If you
9 could get that information, that would be
10 helpful.

11 MR. KNUDSEN: We can supply
12 that information for you as well.
13 Absolutely.

14 So the point on Page 2 is that
15 when you compare us to the other
16 utilities in the state that are filing in
17 the same context, in the same time frame,
18 we're right up there with them. In fact,
19 we happen to be the lowest at this point.

20 Page 3 we basically talked
21 about in terms of gas costs not being a
22 pass-through. Let me assure you,
23 Councilmen and Councilwoman, that were
24 prices to break and come down, we will
25 file as quickly as we can to pass that

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2 benefit along. We have no interest in
3 sustaining these rates at these levels
4 for any period of time.

5 Understand, we don't want these
6 rates at these levels because of the fact
7 that at these levels, people are
8 challenged to pay and we're assuredly
9 going to have folks who can't pay their
10 bill and we will have an increase of bad
11 debt associated with these incremental
12 and larger bills. We don't want them.
13 So the faster we can bring them down, the
14 better.

15 And I think the other issues
16 there or the other points we've already
17 made. The PUC did review this filing and
18 they do scrutinize our gas costs on a
19 regular basis, and as I say, we will make
20 that adjustment.

21 On Page 4, I included some
22 comments from the PUC proceeding that
23 approved our order just to give you a
24 sense of how Vice-Chairman Cawley at that
25 time as he looked at our filing was

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2 responding. I think the important point
3 is in the middle quotation, "Delay would
4 only serve to magnify the price increase
5 that will otherwise occur on December
6 1st, 2005."

7 We sought the interim increase
8 in order to help the company for sure,
9 because we needed the additional cash
10 flow to buy the gas in November and
11 December that we're going to deliver and
12 then charge for in January and February,
13 but it is also, we feel, a benefit to the
14 customer. Although it's an increase, it
15 is not the sizable increase that we would
16 have anticipated bringing to you and
17 bringing to the customers on December
18 1st. It's kind of a gradual slide into
19 the problem as opposed to leaving it
20 where it was and then a huge spike.

21 The other problem that we have
22 is, I have no working capital other than
23 that which we get from our customers, and
24 we needed to get an additional \$20 or \$30
25 million, which this rate increase will

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2 provide to us in the next six to eight
3 weeks, in order to have the money to buy
4 the gas. We have no working capital in
5 the same sense that an investor-owned
6 utility has.

7 On Page 5 --

8 COUNCILMAN NUTTER:

9 Mr. Knudsen, I'm sorry, before you go
10 into that, I will need to leave these
11 chambers to take care of another
12 Council-related matter. In my absence,
13 as it is Councilman Clarke's resolution,
14 I will leave him in the Chair to conduct
15 the rest of the hearing. I will return.
16 So please continue. Thank you.

17 MR. KNUDSEN: Mr. Chairman, you
18 had asked for a discussion about what we
19 were doing. We have a number of major
20 initiatives underway, and I'm going to
21 ask Steve Hershey, who previously is with
22 Community Legal Services and served in
23 that capacity and is now our
24 Vice-President of Community Initiatives.

25 COUNCILMAN CLARKE: Thank you.

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2 MR. HERSHEY: Thank you.

3 COUNCILMAN CLARKE: Excuse me.

4 Before we proceed, we had a couple of
5 questions of you.

6 MR. KNUDSEN: Oh, please.

7 COUNCILMAN CLARKE:

8 Councilwoman Miller and then Councilman
9 Rizzo.

10 COUNCILWOMAN MILLER: Thank
11 you.

12 This is just a very quick
13 question. Do you have to go back to the
14 PUC to do a price reduction?

15 MR. KNUDSEN: Yes, we will. We
16 have to file formally and get their
17 approval to reduce our rates. I assure
18 you that it will not be a problem.

19 COUNCILWOMAN MILLER: Okay.
20 All right. Thanks.

21 COUNCILMAN CLARKE: Councilman
22 Rizzo.

23 COUNCILMAN RIZZO: Thank you.

24 Hello, sir. You said something
25 that's very interesting. You referred to

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2 the PECO situation, deep pockets, Exelon
3 Corporation. You indicated that you
4 don't have that luxury.

5 MR. KNUDSEN: That's correct,
6 sir.

7 COUNCILMAN RIZZO: So are you
8 saying that a municipally-owned company
9 will never be in a good financial
10 situation? Are you telling me as a
11 member of City Council that this may not
12 be the best for the City of Philadelphia,
13 being municipally owned, and you did
14 refer to publicly owned?

15 So could you just go over that
16 with me one more time, because I think I
17 heard something that interests me.

18 MR. KNUDSEN: Well, as Council
19 is aware, and I met with many of you
20 personally and presented the company's
21 position, over the last few years, we
22 have made a substantial turnaround in
23 both the operations of the company and in
24 the financial outlook for the company.
25 And when we could buy a thousand cubic

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2 feet at \$5, \$6, \$7 and we looked forward
3 in time, we had the wherewithal to run
4 the company, have the cash we needed at
5 the appropriate time during the year, and
6 we were looking forward to both paying
7 the \$45 million loan back, which Council
8 was gracious enough in 2001 to grant us,
9 as well as the reinstatement of the \$18
10 million City payment in 2008.

11 What I am saying to you is that
12 when the price of the commodity shoots up
13 from \$6 or \$7 or \$8 in MCF to \$13 or \$14,
14 that we do not have as much financial
15 flexibility in that circumstance as we
16 need. All right? And that was one of
17 the reasons that I filed for the interim
18 increase, was in order to essentially
19 more closely match our purchasing and our
20 collection for the gas.

21 Now, to answer the spirit, I
22 think, of your question, there is no
23 question that this kind of an increase in
24 the cost of gas represents a threat to
25 this municipality, because PGW must

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2 collect from its customers or we will
3 have to come back to the City Council for
4 financial help sometime during the
5 winter. That's why this conversation,
6 that is why my seeking the interim rate
7 relief, that is why what you're about to
8 hear in terms of our efforts to both
9 reach out to our customers to help them
10 pay their bills and as well as advertise
11 for conservation, why that is important
12 and then, most importantly, why the
13 recent statement by the Governor last
14 Thursday that he is actively considering
15 a state contribution to LIHEAP. All of
16 those elements are extraordinarily
17 important now for the future of PGW. And
18 I am doing nothing with my time other
19 than to manage our efforts toward the end
20 of collecting enough money and getting
21 enough money in our coffers this winter
22 to make sure that PGW remains financially
23 viable.

24 COUNCILMAN RIZZO: I don't see
25 that situation honestly changing

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2 drastically.

3 MR. KNUDSEN: It will change.

4 If the price of gas comes back down, and
5 it very well may -- we see some softening
6 now, and there's no doubt that as these
7 rigs in the Gulf of Mexico come back on,
8 you'll see a readjustment in the price of
9 gas. If we can get it back down to the
10 point where in our own forecasts, again
11 gas in the \$5, \$6, \$7, \$8 range, we can
12 be okay. We will be all right. It's
13 just that we have this spike in gas costs
14 that PGW as a municipal utility doesn't
15 have the reserves to underwrite.

16 COUNCILMAN RIZZO: I know this
17 is a difficult question for you to
18 answer, but I'm going to ask it anyway.
19 For years we've been hearing based on
20 what you just described today, that this
21 company is on the block, that there are
22 people interested. Is there an active
23 effort right now? Do you have people
24 looking at the purchase of PGW, of the
25 utilities, Exelon and others?

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2 MR. KNUDSEN: I am not aware of
3 any utility at the present time actively
4 thinking about acquiring PGW.

5 COUNCILMAN RIZZO: Thank you.

6 COUNCILMAN CLARKE: Thank you.

7 Councilman O'Neill.

8 COUNCILMAN O'NEILL: Yes. Just
9 a quick question. I was listening to
10 news the other day and the Governor
11 apparently was calling on PUC to
12 reconsider its decision. I think I heard
13 that. And I was just wondering, can
14 they?

15 MR. KNUDSEN: I'm sorry?

16 COUNCILMAN O'NEILL: They've
17 made a decision approving the rate
18 increase.

19 MR. KNUDSEN: Yes. And the
20 Governor --

21 COUNCILMAN O'NEILL: Can they
22 reverse themselves?

23 MR. KNUDSEN: Can the PUC
24 reserve itself? It can, but it would be
25 very unusual and very unlikely at this

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2 point.

3 COUNCILMAN O'NEILL: But they
4 can?

5 MR. KNUDSEN: My lawyer
6 expert here will --

7 COUNCILMAN O'NEILL: That's all
8 I want to know. I heard it and I said,
9 Whoa. They make a decision and they --
10 is there a time period --

11 MR. KNUDSEN: What the Governor
12 said was that he kind of wanted a
13 moratorium on the PUC taking any further
14 action with any other utilities,
15 exempting us at the time, with any other
16 utilities. It was more of a general
17 statement.

18 COUNCILMAN O'NEILL: So he
19 wasn't referring to you in his statement?

20 MR. KNUDSEN: It appears not,
21 because we took the action of putting the
22 rates in place, and the Governor
23 understood that that was something we had
24 to do. But the spirit of what he said
25 was, before utilities ask for more money

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2 from the customers, let me, Governor,
3 think about and propose to you ways of
4 mitigating that impact before we raise
5 rates. That's really the sum and
6 substance. So I think there's --

7 COUNCILMAN O'NEILL: That's a
8 good clarification, actually.

9 MR. KNUDSEN: But I think the
10 Governor has a press conference or some
11 sort of a conversation this week and
12 there will be some further information
13 coming forward.

14 COUNCILMAN O'NEILL: I guess
15 there's two questions, then. Since this
16 is a pass-through, if you did not get the
17 increase -- I'm sure you testified
18 somewhat in this way at the PUC
19 hearings -- would you be able to make it
20 as a going concern without City help?

21 MR. KNUDSEN: The answer is, it
22 would be more difficult. We think right
23 now with this increase and with some
24 funds that are available as we sort of
25 timed our cash flow, we think we'll be

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2 all right, but it's going to be very
3 tight, and the reason --

4 COUNCILMAN O'NEILL: Even with
5 the increase?

6 MR. KNUDSEN: Even with the
7 increase.

8 COUNCILMAN O'NEILL: So without
9 the increase, you don't want to really
10 discuss?

11 MR. KNUDSEN: If prices move
12 further away from us, then I'm going to
13 come back and talk to you, but right now,
14 we think with the increase with the funds
15 flows the way we're anticipating, I think
16 we can get through the winter okay.

17 COUNCILMAN O'NEILL: But you'd
18 be in very dire straits without the
19 increase?

20 MR. KNUDSEN: I would feel very
21 nervous without the increase, very
22 nervous.

23 COUNCILMAN O'NEILL: Thank you.

24 COUNCILMAN CLARKE: Councilman
25 Kelly.

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2 COUNCILMAN KELLY: Mr. Knudsen,
3 I just want to go back to what my
4 colleague, Councilman Rizzo, was alluding
5 to, and, that is, the comparison between,
6 of course, a public utility and a
7 privately-owned firm, such as PECO.

8 I know this Council many years
9 ago has put restrictions on your
10 business. I just want to level out the
11 playing field, if I might use that term.
12 We put on a moratorium on shut-offs,
13 which you had to live with for many
14 years. We also have, of course, a 20
15 percent senior citizen discount, which is
16 still active today, and I don't think
17 that PECO has those same restrictions. I
18 don't think they have the same problems
19 that you had in running that PGW.

20 I just wanted to go on record
21 as saying that there should be a level
22 playing field somewhere along the line,
23 if you're going to compare private versus
24 public, and that's one of the things that
25 we have to look at in this Council.

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2 I was just wondering, if the
3 price of gas goes down maybe more so than
4 what you're contemplating over the next
5 year or two years, whatever, would this
6 perhaps give you the freedom or the level
7 of at least thinking about putting
8 decreases in rather than increases in
9 your rates?

10 MR. KNUDSEN: Oh, it will be
11 more immediate than that, Councilman. I
12 mean, if we see a break in the cost of
13 gas that we think will apply for the next
14 six or eight or 12 months, we will file
15 for a rate reduction immediately. I
16 mean -- and I don't think I would get any
17 objection from any of the regulators in
18 doing that.

19 To your other point of a longer
20 term reduction, we will bring the
21 price -- we will bring our rates down as
22 the commodity comes down over time as
23 well. This is not just this winter.

24 COUNCILMAN KELLY: It doesn't
25 happen too often, that's for sure.

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2 MR. KNUDSEN: I'm sorry?

3 COUNCILMAN KELLY: It doesn't
4 happen too often, when you see prices
5 going down.

6 MR. KNUDSEN: No. We can only
7 hope that that's the case.

8 Let me just respond to one
9 thing you did say. Yes, when PGW was
10 overseen by the Gas Commission and the
11 City Council, we did have a moratorium
12 put in. You should understand that the
13 moratorium still applies, and it applies
14 to all of the utilities in the state, not
15 just us. So it is a part of what we call
16 Chapter 56, which are the customer
17 service regulations.

18 COUNCILMAN KELLY: Thank you.

19 COUNCILMAN CLARKE: Councilman
20 Rizzo.

21 COUNCILMAN RIZZO: I just want
22 to follow up on something again that you
23 said earlier. You talked about some of
24 the restrictions on exploration, the
25 hurricanes. Do you believe that this is

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2 all real or do you believe that there is
3 some gouging going on in the industry? I
4 mean, we've seen the price of gasoline,
5 diesel fuel, and there was a lot of
6 speculation that it was not real. In
7 your industry, do you believe that some
8 of that may exist also in this?

9 MR. KNUDSEN: To your point, do
10 I believe that these price increases are
11 legitimately supply and demand driven? I
12 have to believe. In the large majority
13 of cases, there may be some manipulation.
14 I can't go there, because I don't know,
15 but the answer is yes.

16 I've just come back from a
17 meeting of the American Gas Association
18 on which I sit as a Board member and we
19 explored across the country what these
20 issues are. For example, we had a
21 lecture speaker from Dow Chemical and
22 they are talking about what's known as
23 demand destruction, which is to say that
24 the price of gas has risen and has stayed
25 so high that you have companies

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2 essentially leaving the United States and
3 starting chemical plants in places where
4 natural gas is more affordable.

5 Those are the issues that are
6 very real and those aren't issues of
7 price manipulation. Those are basic
8 issues of supply and demand setting a
9 price and that price being too high.

10 COUNCILMAN RIZZ0: That's
11 happened in the electric utility industry
12 also where companies that are heavy
13 electric users have located to regions
14 where power is cheaper.

15 MR. KNUDSEN: That's correct.

16 COUNCILMAN RIZZ0: But, again,
17 not to belabor this, but I don't believe
18 the gas industry is just going to charge
19 Philadelphia more. If they're going to
20 pull some kind of a scam on the United
21 States, they're going to do it
22 everywhere.

23 So you as a professional, you
24 believe that the reason that gas is so
25 expensive right now, what you're paying

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2 from, what did you say, 8 to 13 --

3 MR. KNUDSEN: We're paying \$13
4 plus right now, yeah.

5 COUNCILMAN RIZZ0: -- is
6 really -- the production in the Gulf
7 wasn't affected that long, but you
8 believe that that short interruption --
9 because I read a report recently that
10 said it's all back, the natural gas
11 production. It's still affected?

12 MR. KNUDSEN: Very much. We do
13 not have our sources of supply back to
14 pre-hurricane levels. In other words, we
15 cannot transport on the pipelines what we
16 were bringing before.

17 COUNCILMAN RIZZ0: So if that
18 issue is fixed, that would be relief in
19 itself?

20 MR. KNUDSEN: Yes. I think
21 that's what we're looking at. We're
22 looking at forecasts that suggest
23 somewhere by January, February, March, a
24 lot of the destruction, the rigs that
25 were affected, the gathering fields that

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2 were affected, those will start to be
3 corrected and we'll see the price come
4 down.

5 Now, let me make another plug
6 here. What we have and what we're
7 sensitive to as a nation is the
8 concentration of all of this
9 infrastructure and these resources in a
10 very small and very highly
11 vulnerable-to-weather area of the
12 country; namely, the Gulf Coast and
13 Texas.

14 One of the reasons why we are
15 proposing the liquefied natural gas
16 project for Philadelphia, and I'll get my
17 plug in --

18 COUNCILMAN CLARKE: I was going
19 to go there eventually.

20 MR. KNUDSEN: -- is to
21 diversify the ports of entry and ways of
22 getting gas into the Northeast, and one
23 of the lovely things about the LNG
24 project is that were we to get that gas
25 here, Philadelphia has first claim on the

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2 gas. We would not have some of these
3 supply uncertainty issues going into a
4 winter period particularly. We would
5 have a source of supply that we could
6 count on.

7 COUNCILMAN RIZZO: Thank you.
8 Thank you, Mr. Chairman.

9 COUNCILMAN CLARKE:
10 Councilwoman Miller, and then I want to
11 follow up on the LNG issue. I was
12 actually going to wait for a while to
13 bring it up, but since you voluntarily
14 brought it up, I'd like to go there.

15 MR. KNUDSEN: Fine.

16 COUNCILWOMAN MILLER: Just a
17 follow-up to the question Councilman
18 Rizzo raised. You said that there are
19 still moratoriums. You have a
20 moratorium. Can you tell me exactly what
21 it is? I thought actually they stopped
22 the moratoriums.

23 MR. KNUDSEN: No. No. Under
24 the rules of servicing our customers,
25 it's called Chapter 56 under the public

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2 utility regulations, there are rules that
3 deal with the winter period, from
4 December 1st to March 31st. Essentially,
5 we don't shut our customers off, except
6 under the new modifications to those
7 rules last year, we can shut people off
8 for non-payment, but under very highly
9 controlled circumstances. So a lot of it
10 would require our going back to the PUC
11 in some instances, and we would have to
12 be very careful how that was done.

13 But, by and large, the
14 moratorium is in place to protect
15 customers from having their gas
16 discontinued for non-payment during the
17 winter period.

18 COUNCILWOMAN MILLER: Okay.
19 But I did hear you say --

20 MR. KNUDSEN: But there are --

21 COUNCILWOMAN MILLER: -- there
22 was a change last year?

23 MR. KNUDSEN: There was a
24 change, and it gave us some additional
25 flexibility for those people who can

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2 afford to pay and don't pay, we're able
3 to take some action. And if you recall,
4 a year and a half ago, I sat in this body
5 and I asked for that right, and I was
6 told very clearly that I had to go after
7 the people who could afford to pay and
8 make them pay. And that's what this law
9 does for PGW. We will be very careful
10 and very judicious in how we use those
11 powers. We are not interested in having
12 problems with our customers in that
13 regard.

14 COUNCILWOMAN MILLER: So
15 basically it's based on income and
16 ability to pay?

17 MR. KNUDSEN: That's correct.

18 COUNCILWOMAN MILLER: And
19 that's --

20 MR. KNUDSEN: There are various
21 parts of the rules that apply depending
22 upon whether you're 150 percent of
23 poverty or less, 150 to 250 percent of
24 poverty, 250 percent or more. There are
25 different aspects of the law that apply.

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2 COUNCILWOMAN MILLER: All
3 right. I just wanted to be clear that I
4 heard you say that there's still a
5 moratorium, because I actually thought
6 that the moratorium no longer existed.

7 MR. KNUDSEN: No. It is very
8 much with us, and we're very respectful
9 of the need for it and the value of it.
10 What we were concerned about last year
11 was that people did take advantage of it,
12 and we wanted to have the option to go
13 after the folks who we knew could afford
14 to pay and weren't and were essentially
15 gaming the system, gaming PGW.

16 COUNCILWOMAN MILLER: I have
17 more questions around the low-income
18 customers on Page 5 that you haven't
19 gotten to yet, but I'll wait, because I
20 think the Councilman wants to --

21 MR. KNUDSEN: Mr. Hershey, I
22 would like him to go through our program
23 so that you understand what we have in
24 mind to help our folks who are having
25 trouble paying these huge bills. He's

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2 our expert on the low-income program, so
3 let him speak to that.

4 COUNCILWOMAN MILLER: Okay.

5 COUNCILMAN CLARKE:

6 Mr. Hershey, I understand you wanted to
7 discuss your portion of the presentation.
8 What I do want to get to to have a little
9 time to think about it is, you talked
10 about a somewhat limited geographical
11 area where you're able to access this
12 natural gas, and what I'm going to want
13 to hear you talk to us about is what
14 strategies that you have in place to give
15 you other options.

16 You talked about LNG that could
17 potentially provide some additional
18 support for your company, but I really
19 would like to see you get a little
20 creative in terms of where you're going
21 to go as opposed to simply when there's a
22 crisis, you raise the rates on the
23 citizens to deal with the short-term
24 need, and if in fact that crisis reduces,
25 you decrease the rates. I'd like to see

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2 us have a little more creativity, and you
3 may have in fact had some discussions
4 about that, and I can wait until after
5 Mr. Hershey --

6 MR. KNUDSEN: Well, let me just
7 answer that, because you asked the
8 question. The most direct opportunity
9 PGW has to affect supply in this area is
10 the LNG project. I mean, it can't be
11 more direct than bringing the gas to our
12 LNG tanks on the Delaware and immediately
13 vaporizing that gas and putting it into
14 our system. That's essentially what
15 we're after.

16 COUNCILMAN CLARKE: For those
17 of us who don't know the details, because
18 we weren't privy to the presentation at
19 the level that we would like to
20 ultimately have, I know there were some
21 meetings up in the Northeast. Can you
22 just briefly go through the specifics of
23 the proposal?

24 MR. KNUDSEN: Well, it's built
25 on the fact that we have two facilities

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2 on the Delaware in Richmond, at Richmond
3 Point. These are two tanks that hold two
4 billion cubic feet of gas each in
5 liquefied form, and they have been there
6 for the last 35 years. And having those
7 plants there in that form has allowed us
8 to essentially buy less expensive gas in
9 the summer, liquify it, which is to say
10 freeze it, and it goes from a gaseous
11 state to a liquid form at 325 degrees --

12 COUNCILMAN CLARKE: How have we
13 transported that gas to that location?

14 MR. KNUDSEN: We bring it by
15 pipeline to the facility. It then gets
16 essentially frozen, it gets liquefied,
17 and put into the tanks. And then we
18 maintain it in the tanks until the
19 winter, and then when the gas coming from
20 the Gulf from our pipelines is the most
21 expensive because there's the most demand
22 for it, we then have less expensive gas
23 in our tanks that we then vaporize, put
24 into our pipes, and the customers have a
25 financial benefit. And we have

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2 quantified that benefit that since that
3 plant went in 1970, it's been well over
4 \$2 billion of savings for our customers
5 over that 30-plus-year period.

6 What we're looking about with
7 the LNG now is rather than bringing the
8 gas up by pipeline and liquifying it,
9 freezing it, super-cooling it, we will
10 bring ships who already contain the gas
11 in this liquefied form, and it might come
12 from the Caribbean, it might come from
13 Norway, it can come from a variety of
14 places. The ship is then essentially
15 emptied into our tanks, and then from the
16 tanks, it again is just like it is now,
17 it gets vaporized and put into our pipes.

18 COUNCILMAN CLARKE: So is the
19 savings associated with the --

20 MR. KNUDSEN: With this new
21 process?

22 COUNCILMAN CLARKE: Yes. Do
23 you now not have to liquify the gas on
24 site? Is that where the cost savings
25 come in?

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2 MR. KNUDSEN: No. The cost
3 savings -- yes, we will not have to
4 liquify ourselves on site. We'll only
5 vaporize on site. The savings come from
6 the fact that right now we can only use
7 the contents of the tanks once a year,
8 because it's a very slow process for us
9 to liquify our own gas and put it into
10 the tanks.

11 What the shipping will allow us
12 to do is, twice or maybe three times a
13 month, the ship will come, we will have
14 emptied the tanks in the meantime, and
15 what we essentially have now is a toll,
16 that we will get money simply for sitting
17 there with our tanks ready to receive
18 liquefied natural gas several times a
19 month. In other words, the value of the
20 tanks is multiplied because we're going
21 to be using them --

22 COUNCILMAN CLARKE: So you
23 continue to replenish throughout the
24 year?

25 MR. KNUDSEN: Continually

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2 replenishing and using. And it's the
3 gift that keeps on giving for us. It's a
4 wonderful asset. And I would be remiss
5 as the Chief Executive Officer for not
6 bringing it to the attention of the Mayor
7 and to the City Council to say this is an
8 answer for Philadelphia going forward.
9 This is a possibility for avoiding just
10 the situation we have right now, where
11 you have a substantial supply
12 interruption because of all of the
13 concentration of the infrastructure in
14 the Gulf and we have the ability to
15 answer part of that question right here
16 in Philadelphia.

17 COUNCILMAN CLARKE: So the
18 downside of this is what? Security?
19 Volatile nature of the liquefied gas? I
20 mean, why haven't we done this?

21 MR. KNUDSEN: Why have not we
22 done this over the years?

23 COUNCILMAN CLARKE: You said
24 for 30 years we've had these tanks.

25 MR. KNUDSEN: Right. What's

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2 interesting is that the LNG facility at
3 Richmond Point was designed as a terminal
4 to receive liquefied natural gas from
5 ships. It was never used in that way,
6 because the price of natural gas in this
7 country was less than \$4 a thousand cubic
8 feet. That is what's known in economic
9 terms as the clearing price. It had to
10 get above that \$4 in order to be
11 economic. At \$13, this is a very
12 economic project. At \$8 or \$7 or \$6,
13 it's a very attractive project for us.

14 COUNCILMAN CLARKE: Okay. What
15 about the security issues, the safety
16 issues? I mean, I don't live in the
17 Northeast, but I've heard from some of
18 the representatives and some of the
19 people that don't feel that this
20 particular process creates an environment
21 that's conducive to living adjacent to.

22 MR. KNUDSEN: Well, I think
23 it's very important and we're reaching
24 out to the folks who live along the river
25 in that area particularly to say, We have

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2 been there for 35 years, we have
3 successfully operated this plant, there
4 has never been an incident, and we have
5 saved \$2 billion for the City of
6 Philadelphia. Isn't that a fairly good
7 track record to look to in terms of this
8 project?

9 Now, the issue that's more
10 relevant, I think, in the discussion is
11 the new aspect of this, which are the
12 ships coming up the river. Understand
13 that we are only now at the beginning of
14 a very detailed and somewhat lengthy
15 process over the next year and a half
16 wherein this project will be fully
17 reviewed by the Federal Energy Regulatory
18 Commission. There will be public
19 hearings. You will have your opportunity
20 for public hearings, we hope, in the
21 early spring or late winter. There will
22 be lots of opportunities to explore this
23 project.

24 What I'm concerned about is
25 that there is a sense of rejection

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2 building when the facts of this aren't
3 even known yet. We are in the process of
4 negotiating this deal. We don't even
5 have something to present to you yet, and
6 yet those who would kill this project are
7 already out talking about it as something
8 terrible.

9 And the issue is that liquefied
10 natural gas has been transported around
11 the world for 50 years without incident
12 and that many countries and several
13 cities of this country, Boston being one,
14 receive very regular shipments of LNG.
15 Japan Harbor has something on the order
16 of 15 of these facilities.

17 I don't mean to go on about
18 this.

19 COUNCILMAN CLARKE: That's why
20 I wanted to wait. Councilman Rizzo had a
21 quick follow-up question on that and then
22 we'll proceed.

23 COUNCILMAN RIZZO: When the
24 plant was built -- I think I remember
25 when it was -- I think it was the '70s.

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2 MR. KNUDSEN: It was late '60s
3 and it came active in the '70s.

4 COUNCILMAN RIZZO: Right. Is
5 there a way to get gas to that facility
6 other than actually bringing the ship to
7 the facility? Is there a pipeline
8 further down river that that gas could
9 come through to get to the plant?

10 MR. KNUDSEN: There's nothing
11 that's economic.

12 COUNCILMAN RIZZO: No?

13 MR. KNUDSEN: No. It's either
14 by ship or we don't do it.

15 COUNCILMAN RIZZO: Because of
16 the bulk?

17 MR. KNUDSEN: Well, because of
18 the cost.

19 COUNCILMAN RIZZO: Right. My
20 other question, you're going to get a lot
21 of community opposition, but I read a
22 book recently that was talking about
23 landfills, that people that live in the
24 area of a landfill, there's something in
25 it for them. They get tax breaks, they

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2 get all kinds of things because they live
3 near a landfill. There's one community
4 that doesn't pay any real estate tax.
5 The company pays the real estate tax.

6 Could one of the concepts be
7 that there is something in it for the
8 people that would be near that facility
9 or within an area?

10 I know what's going to happen,
11 the area is going to keep getting bigger
12 and bigger, but could there be something
13 in the plan that's in it for people that
14 would have to live in an environment near
15 that facility?

16 MR. KNUDSEN: Well, there's
17 certainly room in any negotiation to make
18 something like that happen. I mean, this
19 remains essentially our facility, and in
20 terms of tax policy, you would be
21 determining that anyhow, but in terms of
22 creating some kind of amenity or
23 something else for those folks --

24 COUNCILMAN RIZZIO: Gas.

25 MR. KNUDSEN: -- that's very

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2 much and can be very much a part of the
3 conversation about this project.

4 COUNCILMAN RIZZO: It's been
5 there for all these years. If you wanted
6 to bring a ship up river tomorrow,
7 legally can you do that today?

8 MR. KNUDSEN: No.

9 COUNCILMAN RIZZO: Why? What
10 happened that changed? In other words,
11 how was gas getting to that facility when
12 it was designed and ever operational, or
13 was it never operational?

14 MR. KNUDSEN: As a terminal, it
15 was never operational, and in the
16 intervening 35 years, you have a whole
17 layering of federal and state laws and
18 regulations that were not in place in
19 1970 that are in place now that we would
20 have to work our way through in order to
21 bring --

22 COUNCILMAN RIZZO: If you had
23 zero community opposition, how long would
24 it take you to have a ship at the
25 terminal?

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2 MR. KNUDSEN: Well, we're
3 looking right now, assuming you all
4 approved it, and I'm counting on that, in
5 the spring we would look to bring ships
6 in the 2009 period.

7 COUNCILMAN RIZZO: But
8 obviously Council approved this place a
9 long time ago.

10 MR. KNUDSEN: Right.

11 COUNCILMAN RIZZO: What
12 happened in 30 years? Did we let
13 something slip? Is there a time line
14 associated with it? What happened in 30
15 years that you need to do all this again
16 if you were planning to basically operate
17 it the same way it was designed? Unless
18 you've changed something, I'm not getting
19 it.

20 MR. KNUDSEN: It was designed
21 to be a terminal. It was never completed
22 as a terminal. So there are lines that
23 have to go underground, there has to be
24 port facilities that have to be built,
25 and there has to be a federal approval

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2 process.

3 COUNCILMAN RIZZ0: So for all
4 these years, it's been just dormant, it's
5 been mothballed, or whatever word you
6 want to use?

7 MR. KNUDSEN: But the economics
8 weren't there. It made no economic sense
9 to build it, because gas at \$2 a thousand
10 cubic feet didn't make it an economically
11 viable project. It's only now that this
12 makes sense economically. We would have
13 been paying to have this facility as
14 opposed to reaping the benefit.

15 COUNCILMAN RIZZ0: Thank you.

16 MR. HERSHEY: Let me just
17 clarify that point, if I may.

18 The facility has been used to
19 take gas from the pipelines, liquify that
20 gas, store it and then return it to a gas
21 state and send it to our customers since
22 1970. The only portion that has not been
23 used as designed is the terminal portion,
24 and that's the portion that we're seeking
25 to utilize now, with your approval, with

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2 the approval of FERC. And the FERC
3 approval will also be a key piece,
4 because that involves the regulation of
5 shipping up the Delaware.

6 So that's the difference. The
7 plant has been used, used effectively and
8 safely since 1970.

9 COUNCILMAN RIZZ0: So basically
10 what you're telling me is that if back in
11 the '70s we completed the project, on
12 occasion had a ship come up river once or
13 twice a year, we would have been able to
14 use it as a terminal?

15 MR. KNUDSEN: No.

16 COUNCILMAN RIZZ0: I'm taking
17 too much time with this. I'll ask you
18 these questions maybe at a later time.

19 MR. KNUDSEN: Councilman, it
20 was never a terminal. It was designed to
21 potentially be a terminal. We never
22 completed that portion of the project,
23 because it made no sense to do that.

24 COUNCILMAN RIZZ0: Okay.

25 COUNCILMAN CLARKE: Mr.

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2 Hershey, I know you've been waiting.

3 One last question, is the PUC
4 the final arbiter of this rate increase
5 request?

6 MR. KNUDSEN: Yes.

7 COUNCILMAN CLARKE: No options
8 for appeal to any entity whatsoever?

9 MR. KNUDSEN: Not really, no.
10 I mean, they are the decider in this
11 situation.

12 COUNCILMAN CLARKE: You say
13 "not really."

14 MR. KNUDSEN: I mean, if you
15 wanted to appeal this to the courts as a
16 citizen, one could do that, but you're
17 not going to prevail, because as an
18 administrative agency, they have enormous
19 latitude in making their determinations
20 and it's highly unlikely that anybody
21 would be able to overturn this. And I'm
22 standing here and sitting here saying to
23 you, I will turn it around myself as soon
24 as I can.

25 COUNCILMAN CLARKE: Okay. I

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2 just want to know the process.

3 Thank you.

4 MR. HERSHEY: I want to go back
5 to one point first. The bar graph on
6 Page 1, which Mr. Knudsen referred to,
7 you'll see at the bottom there's a tag
8 that says "Pennsylvania Office of
9 Consumer Advocate." I want to be very
10 clear that that graph was produced by the
11 Office of Consumer Advocate, except for
12 the last bar dated September 28th. The
13 graph was produced before September 28th.
14 We received it, looked at it, then saw
15 that the prices continued to increase.

16 So the only portion -- we added
17 the last line, and you can certainly ask
18 Mr. Popowsky if he believes that it's
19 accurate based on his position in our GCR
20 filing. I believe that he'll concur, but
21 I want to be very precise that he didn't
22 do that last graph even though we've
23 tagged it as his production.

24 COUNCILMAN CLARKE: Okay.

25 MR. HERSHEY: Now, Mr. Knudsen

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2 said earlier that gas prices at current
3 levels hurt PGW and hurt our customers.
4 We know that. And even at lower levels,
5 the same was true.

6 We have tried very hard to find
7 ways to mitigate the impact of gas prices
8 and to make sure that in particular that
9 vulnerable customers are as well
10 protected as we can manage. We can't
11 solve all the problems of poverty. We
12 can't solve all the problems of those of
13 our customers who are vulnerable, but we
14 can work very hard to do our best and put
15 in place some protection. And let me
16 begin to address some of what we have
17 done already.

18 First, you've read in the
19 papers that PGW does not want customers
20 on our CRP program, which is our
21 low-income program. We are the only
22 utility in the state that has a
23 low-income program approved by the PUC
24 which does not have a maximum number of
25 participants. That's the way it was when

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2 I helped design that program in 1989.

3 That's the way it remains today.

4 It has been PGW policy to make
5 sure that every customer who qualifies
6 for CRP participates in that program. A
7 year ago we went to DPW with assistance
8 from Community Legal Services and we
9 asked DPW to provide us with a list of
10 every family in Pennsylvania -- I'm
11 sorry; in Philadelphia who is receiving
12 welfare benefits, and they provided us
13 with an electronic listing of all of
14 those families, and we matched that list
15 against our own list of customers, and
16 when we found a family that was receiving
17 welfare benefits that was not in our CRP
18 program, we reached out to them and said,
19 There's a better deal for you. If you're
20 not in CRP, you're struggling and you may
21 not be paying your bill, if you get into
22 CRP, you will do better.

23 This Council has to understand
24 that PGW is making every effort possible
25 trying to be creative to make sure that

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2 every eligible customer is in CRP. It's
3 in their interest. It's in the interest
4 of PGW. It's in the interest of this
5 City. And that has been the company
6 policy, and that policy has filtered down
7 very directly in terms of articulation of
8 policy, in terms of training our Customer
9 Service Representatives to make sure that
10 any time a customer contacts PGW, the
11 Customer Service Representative is
12 trained to ask when there's a payment
13 problem, when there's a shut-off notice,
14 what is your income? Because the PUC
15 requires that we ask that question. And
16 when there's an indication that that
17 customer might be eligible for CRP, we
18 pursue it and we tell them about CRP,
19 because that is our policy.

20 You may hear, you may already
21 have heard anecdotally of stories of
22 customers who they claim were not told
23 about CRP. It's very important to
24 understand that for some customers
25 because of prior payment arrangements

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2 that they entered into with us or because
3 of what they've told us, we knew that
4 they were not eligible for CRP, or maybe
5 we did tell them and they forgot about it
6 when they retold the story later on. But
7 it is our policy, it is our intent to
8 make sure that every customer who is
9 eligible for CRP is in the program.

10 And in addition to going to
11 DPW, in addition to training our Customer
12 Service Representatives to do that, we
13 have distributed literature, pamphlets
14 all over the City, in the School
15 District, in every public agency, in
16 every City agency, at shopping centers,
17 every place we could think of to provide
18 literature and information about CRP and
19 other programs that I'm going to tell you
20 about. We've tried to get the word out.

21 We have gone to the City's
22 Department of Human Services. We have
23 helped to train their social workers to
24 understand the CRP program, because their
25 clients are almost certainly eligible for

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2 CRP. We have given them materials to
3 train them, and we tell them, If you have
4 customers who are non-CRP, please help
5 them get into CRP, contact us, and we
6 will get them in, if they are indeed
7 eligible.

8 COUNCILMAN KELLY: Excuse me.
9 I just have one quick question. How many
10 of your customers are in this CRP
11 program?

12 MR. HERSHEY: Right now there
13 are approximately 65,000 families.

14 COUNCILMAN KELLY: And what's
15 the percentage overall?

16 MR. HERSHEY: The percentage of
17 those who are eligible?

18 COUNCILMAN KELLY: Of those who
19 are eligible, yes.

20 MR. HERSHEY: It's roughly half
21 of the customers who are eligible for CRP
22 who are actually participating. And that
23 is a statistic that is not a good one.
24 We've been trying to get more people into
25 it, but I'll tell you that in my 29 years

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2 in Legal Services, it was my experience
3 that every public benefits program,
4 federal, state or city, was woefully
5 undersubscribed, that no matter what
6 federal agencies did, state agencies did,
7 city agencies did, advocates did, you
8 couldn't get everybody in those programs
9 who was eligible who deserved to be in,
10 and that goes not only for our CRP
11 program, it goes for the LIHEAP program,
12 it goes for WIC, it goes for Earned
13 Income Tax Credit. Every program you can
14 think of is not fully subscribed with
15 people who are eligible. That's a bad
16 thing.

17 COUNCILMAN KELLY: So presently
18 you --

19 MR. HERSHEY: And you can lay
20 the burden of that at the agency that
21 runs the program, at various social
22 factors. It's a broad and complicated
23 problem. Many factors go into it.

24 COUNCILMAN KELLY: The one
25 question I have is, if you did have 100

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2 percent of the eligible people that
3 should go on to that CRP program, would
4 this be beneficial to PGW? Would it help
5 you in any way? In other words, you have
6 65,000 current customers on the CRP
7 program; is that right?

8 MR. HERSHEY: Correct.

9 COUNCILMAN KELLY: And then
10 there should be about 120,000?

11 MR. HERSHEY: At least.

12 COUNCILMAN KELLY: I just want
13 to know, is it beneficial to you to have
14 all of those people that are eligible to
15 be on that program?

16 MR. HERSHEY: Yes and no. And
17 the reason I answer that way is because
18 it's beneficial to ensure that all
19 customers who are vulnerable, low income,
20 have difficulty paying a higher bill, be
21 in a program that allows them the ability
22 to pay.

23 What everyone must understand
24 is that that comes at a cost to other
25 customers. We have a universal service

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2 surcharge, and one component of that
3 surcharge, which all of the other
4 customers pay, is the difference between
5 our full rate and the CRP rate. The CRP
6 customer pays a percentage of income
7 depending on where they are in the
8 income.

9 COUNCILMAN KELLY: So they make
10 up the difference.

11 MR. HERSHEY: Other customers
12 make up the difference. And that is the
13 primary reason why PGW rates are the
14 highest in the state even though we are
15 very good at buying cheap gas, usually at
16 least as good or better than the other
17 utilities, but the cost of these
18 programs, as well as the cost of
19 maintaining hundred-year-old cast iron
20 mains, roughly 3,000 miles of them --
21 there are numerous factors, but the
22 universal service programs are a key part
23 of that.

24 So you're very perceptive in
25 noting that difference. It benefits us

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2 because people will be able to pay to
3 keep up, but it shifts a burden to other
4 customers. And right now as things stand
5 at current levels, there is roughly \$160
6 million of burden shifted from customers
7 who can't pay the full rate or don't pay
8 it to all other customers.

9 COUNCILMAN KELLY: Thank you.

10 COUNCILMAN RIZZ0: Could I just
11 follow up on that momentarily? The
12 question is, can't at some point you just
13 put people on CRP? If they owe you money
14 and you have these thousands of people
15 that are not in the program, why is it
16 voluntary? Why can't you do what you
17 have to do and put those people that
18 aren't in in?

19 MR. HERSHEY: There are a
20 couple of reasons. One is -- and I think
21 Mr. Popowsky and Mr. Bertocci will agree
22 with me -- that the PUC wouldn't allow us
23 to do it without the customer's
24 permission. And one of the reasons why
25 we wouldn't be allowed to do it is

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2 because there are some people who, while
3 they are eligible for CRP, would not
4 benefit. The formula is complicated, but
5 there are some people who actually pay a
6 lower rate when they pay the normal rate
7 than they would if they were paying a
8 percentage of their income even when
9 they're below 150 percent of poverty, and
10 that's particularly true of customers
11 between roughly 125 and 150 percent of
12 poverty. So as with many other things,
13 it's never as simple as it appears.

14 COUNCILMAN NUTTER:
15 Councilwoman Miller.

16 COUNCILWOMAN MILLER: Thank
17 you.

18 How many customers do you have?

19 MR. HERSHEY: Approximately
20 510,000, and of that number, roughly
21 485,000 are residential customers.

22 COUNCILWOMAN MILLER: And how
23 many are currently not receiving any gas
24 for heat?

25 MR. HERSHEY: Non-heating

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2 customers who use gas only for cooking,
3 for example?

4 COUNCILWOMAN MILLER: Right.

5 MR. HERSHEY: Or have been shut
6 off completely?

7 COUNCILWOMAN MILLER: Well,
8 both, I guess. Just for cooking and then
9 those that have been shut off. Because
10 if you just use it for cooking, you could
11 be, I guess, heated by electric. You
12 could be making that decision. Some
13 people just heat with kerosene.

14 MR. HERSHEY: Let me try to
15 answer your question. Of the 485,000
16 residential customers, about 425,000, if
17 I'm correct, are heating customers; that
18 is, they use the gas for heating and
19 probably also for cooking and hot water.
20 So there are a number of those customers
21 whose gas has been terminated for
22 non-payment or other reasons.

23 COUNCILWOMAN MILLER: I think
24 the heat has to be on by November 15th?
25 October 15th?

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2 MR. HERSHEY: As Mr. Knudsen
3 said earlier, we're very restricted in
4 our ability to terminate service for
5 non-payment after December 1st. We are
6 also obligated under the PUC rules to do
7 what's called a Winter Survey of
8 customers who have been terminated since
9 April 1st and before the winter season
10 have contact with them, find out if
11 they're still in the building, if they
12 need information about how to restore
13 service, and we do that. PGW workers go
14 out to contact the customers either by
15 mail, telephone or in person by literally
16 knocking on the doors, and we will
17 continue to do that through December
18 15th. And in that process, we try to
19 find out what has happened to those
20 people whose service was shut off. And
21 if they're there, if it looks as though
22 the building is still occupied or if we
23 actually talk to somebody, we give them
24 information that would help them restore
25 service, information about CRP, about

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2 other payment arrangements, about LIHEAP,
3 UESF, things like that.

4 COUNCILWOMAN MILLER: If you're
5 a landlord, you have to provide heat to
6 your tenants by which date is that?

7 MR. HERSHEY: I believe that
8 that's a matter that's regulated under
9 the City Code.

10 COUNCILWOMAN MILLER: Do you
11 know the date, though?

12 COUNCILMAN NUTTER: Isn't it
13 October 15th?

14 COUNCILWOMAN MILLER: Isn't it
15 October 15th?

16 COUNCILMAN NUTTER: October
17 15th, I think.

18 MR. HERSHEY: I don't know off
19 the top of my head.

20 COUNCILMAN NUTTER: It's got to
21 be 68 degrees or something like that.

22 COUNCILWOMAN MILLER: That's
23 what I thought.

24 So how many people don't have
25 heat because they haven't paid? I just

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2 want to get a feel for what you're facing
3 with your Winter Survey. How many
4 people?

5 MR. KNUDSEN: We will -- and
6 this parallels very closely what happened
7 last year. Between April 1st and the end
8 of November, we will have turned off
9 about 37,000 customers. By December 1st,
10 we will most likely be down to 6,000 or
11 7,000 of those still off, and by the
12 middle of January, it will be 3,500 to
13 4,000 customers.

14 The new law, the Act 201, which
15 is a modification of customer service
16 regulations, we feel, has worked very
17 effectively. We have not seen a
18 substantially larger number of customers
19 being shut off, and we anticipate that
20 our experience would be very much as it
21 was in prior years.

22 COUNCILWOMAN MILLER: I'm glad
23 to hear that from 37,000, hopefully it
24 will drop to about 3,500.

25 MR. KNUDSEN: By January.

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2 COUNCILWOMAN MILLER: By
3 January.

4 We have some constituents that
5 just can't seem to get their gas on, and
6 it mainly has to do with the turn-on fee,
7 the cost of getting their gas turned back
8 on. They're not on public assistance.
9 They're a little bit above low income, so
10 they don't qualify for most of these
11 programs, and then they continue to live
12 without heat. I know one that's been
13 like that probably for two years or more.

14 What do we do? I mean, how do
15 we help them, other than to go in and
16 help them personally budget their money?
17 But that's who I'm concerned about.

18 MR. HERSHEY: Councilwoman,
19 first, as you know, and we've worked
20 together on a number of issues, this is
21 not an easy -- there's no easy solution
22 on this, but first let me tell you, of
23 the people we have shut off this year for
24 non-payment, a higher percentage have
25 restored through making the appropriate

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2 payments than restored last year. There
3 are fewer people off at this point than
4 who were off at the same date last year.

5 Having said that, there are too
6 many people who remain without service,
7 will remain without service and don't
8 have the resources to restore service.

9 We have done a number of things
10 to try to get information to them.
11 Communications is never perfect, but as
12 you know, we've tried to deliver that
13 information and have delivered that
14 information not only to every Council
15 office each year, and we're about to
16 deliver packages of that kind of
17 information to you again, but there are
18 some people whom we will not reach, and
19 there are multiple reasons for that.

20 We seek everybody's help in
21 trying to identify those people and
22 provide resources. Just this morning we
23 were talking about not only an improved
24 media campaign to get the word out, but
25 also reaching out to various social

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2 service agencies in a way that we never
3 have before to try to, first of all,
4 train them on these various rules and to
5 help leverage other resources that might
6 be available for people who are, as you
7 said, just above 150 percent of poverty,
8 might not qualify for LIHEAP or similar
9 programs, but would qualify for resources
10 that might be available through these
11 other agencies.

12 You'll see that roll out over
13 the next four to six weeks in a very
14 serious way. And the last page of our
15 presentation gives you a chart that gives
16 you a very rough picture of the
17 components of that, but it doesn't tell
18 you the detail. And whether today or
19 another day, we can certainly go into
20 that detail. And Doug Oliver is here,
21 our Director of Communications, who is
22 taking the lead on a lot of that, but I
23 have to emphasize that Doug, while
24 Director of Communications, don't be
25 misled. This is not just a

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2 communications issue, although that's a
3 very important part of it. There's a lot
4 of substance there, too. Delivering
5 services, leveraging other services from
6 other agencies.

7 On the issue of leveraging
8 other resources, last year we worked with
9 the Mayor's office to create a new
10 program in which the City provided grants
11 of up to \$300 for customers that were
12 low-income customers who didn't have the
13 resources even with a Crisis grant to
14 restore service. What the City grant did
15 was, it allowed that customer to leverage
16 the Crisis grant, and together there
17 would be enough to restore service. And
18 we've talked with the City again this
19 year. The Mayor's office has committed
20 again to making money available for that
21 program, and the hope is that it will be
22 greatly expanded this year.

23 COUNCILWOMAN MILLER: The fees
24 to get the gas service turned back on is
25 different now from what it used to be in

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2 the past; is that not correct? For
3 example, the cost is higher?

4 MR. KNUDSEN: That's correct.

5 COUNCILWOMAN MILLER: Is there
6 some flexibility that could happen there
7 for certain people?

8 MR. KNUDSEN: It's very hard
9 for us, Councilwoman, to make exceptions
10 in some of these situations. We try to
11 be flexible, but by and large, we don't
12 charge what it costs us to disconnect.
13 Particularly in a circumstance where we
14 couldn't get access to the house and we
15 had to dig up that service and replace
16 that service to the curb, we don't charge
17 enough. So that's the conflict that I'm
18 in when we set pricing policy.

19 MR. HERSHEY: Councilwoman, I
20 want to go back to a time when I was the
21 public advocate and Mr. Knudsen was my
22 main consultant. One of our objectives
23 was to make sure that PGW then wasn't
24 overcharging customers, was acting as
25 efficiently as possible, but a part of

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2 our advocacy was to make sure that PGW
3 was there to provide safe and reliable
4 service. We believed that it didn't do
5 our clients any good if PGW couldn't
6 provide safe and reliable service, and
7 that goes to the adequacy of the money
8 available to PGW then and now. And the
9 question you raise, could you lower the
10 fees required to restore service, goes to
11 the very difficult and complicated issue
12 of striking the right balance to make
13 sure that PGW has the revenue it needs to
14 maintain 3,000 miles of cast iron mains,
15 3,000 miles of services, pay the
16 salaries, pay for all the supplies, buy
17 the gas that we send to our customers
18 and, at the same time, keep the rates as
19 low as possible for all of our customers
20 to make sure that they can pay.

21 Now, as we discussed earlier,
22 PGW has no deep pocket. And I did want
23 to get back to the issue of municipal
24 ownership as a factor, but we'll have to
25 do that another day, because I don't

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2 think municipal ownership per se is the
3 problem. But when there is no deep
4 pocket, the only way to run PGW is with
5 the revenues it gets from our customers
6 or through the good graces of this
7 Council to provide us with a \$45 million
8 loan when we get in trouble. That's
9 something you don't like to do. It's
10 something that we don't like to do.

11 So you still have to strike the
12 balance from customer revenue,
13 maintaining a safe and reliable system,
14 and being fair to the customers. And
15 when customers don't pay full freight,
16 some other customer has to pick up the
17 difference.

18 COUNCILWOMAN MILLER: I
19 understand.

20 MR. HERSHEY: And that's not a
21 pleasant choice.

22 COUNCILWOMAN MILLER: I'm not
23 talking about all customers. We're
24 sitting here looking at a whole list of
25 programs that customers can qualify for,

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2 low-income customers. I'm talking more
3 about the customer that's a little bit
4 above and doesn't qualify for LIHEAP,
5 Crisis, the City assistance or any other
6 dollars. I'm just trying to figure out a
7 way that perhaps these people can get
8 back on.

9 COUNCILMAN NUTTER:
10 Mr. Hershey, hold on for a second, if you
11 will. I first want to recognize the
12 presence and participation by
13 Councilwoman Jannie Blackwell. And when
14 Councilwoman Miller concludes, Councilman
15 Kelly has a question. I'm going to be
16 out of the room for a second.

17 Go ahead, Councilwoman.

18 COUNCILWOMAN MILLER: Thank
19 you.

20 I'm just trying to strike some
21 type of way that those people that are a
22 little bit above can get back on. Right
23 now you're not getting anything from
24 them. I'm just trying to figure it out.
25 Maybe this is something you can't answer

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2 today. However, your rules are a little
3 stricter. Your cost is going up. I'm
4 just trying to figure out a way that
5 people that are a little bit above low
6 income can get back on.

7 MR. KNUDSEN: It's the most
8 troublesome problem we have.

9 COUNCILWOMAN MILLER: It is.

10 MR. KNUDSEN: And there's no
11 straight-forward solution, and,
12 Councilwoman, we'd be pleased to continue
13 this conversation with you. I don't
14 think there's a straight-forward answer.
15 It is something that keeps me awake at
16 night.

17 COUNCILWOMAN MILLER: All
18 right. Thank you.

19 COUNCILMAN KELLY: Gentlemen,
20 let me just change the subject for a
21 minute. I know, of course, your efforts
22 are to make PGW at least improve the
23 bottom line, and one of the things you
24 did to do that, you discontinued selling
25 appliances and whatnot quite a few years

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2 ago.

3 Presently you're still in the
4 business of providing yearly maintenance
5 agreements for heating systems and
6 whatnot. Is this a profitable area for
7 PGW to continue?

8 MR. KNUDSEN: It is. It is,
9 and we're monitoring that, and when it's
10 not profitable, we will think to
11 discontinue it, but right now it does pay
12 and contributes to the bottom line.

13 COUNCILMAN KELLY: It does?

14 MR. KNUDSEN: Yes.

15 COUNCILMAN KELLY: Okay. Thank
16 you.

17 MR. HERSHEY: I understand that
18 we need to speed things up a bit. Let me
19 go quickly through the remaining points
20 on Page 5 as quickly as I can.

21 We've mentioned the DPW effort
22 to get people into CRP. There's a Winter
23 Survey, which we've described. The DHS
24 training. CRP is one program that's
25 available specifically for low-income

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2 customers. We also have a Budget Billing
3 program that is available to help smooth
4 out the winter peaks of the bills for
5 people who are not low income, and that
6 is a very effective tool. We have a
7 Low-Income Weatherization program.

8 Last year we also conducted
9 weatherization workshops. We were able
10 to obtain donations of what we'll call
11 do-it-yourself weatherization material,
12 such as caulk, plastic window covering,
13 weather stripping, things like that, from
14 manufacturers and suppliers of that
15 material. We took those donations and
16 conducted six weatherization workshops
17 around the City to teach people the
18 benefits of using that material and then
19 how to do it, and then we gave away the
20 donations for free.

21 The plan is to do that again
22 this winter. This time we're going to do
23 at least ten in various neighborhoods in
24 the City. And if you know any
25 manufacturers or suppliers of that kind

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2 of material, we would welcome the
3 donations. There's enough competition
4 from victims of Katrina that there's a
5 lot of competition for donations right
6 now and we're having trouble getting it.

7 Last year -- two winters in a
8 row, actually, we hired ACORN for the
9 very specific purpose of going out during
10 the cold of the winter to customers who
11 had been shut off and had not restored
12 service. We asked them to knock on
13 doors, to provide information
14 specifically in the cold of winter. It
15 was not intended to be a long-term
16 program, but it was to meet the emergency
17 of that cold weather period.

18 MR. KNUDSEN: On the media
19 campaign, I want to make two points that
20 are very important. One is, you are
21 going to see a lot from PGW about
22 conservation. It is essential that
23 people conserve this winter. If you have
24 a large house, shut down some rooms. If
25 you need to caulk, caulk now, cover

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2 windows.

3 This is going to be terribly
4 expensive for people who are not paying
5 attention, and that first bill, when it
6 comes, is going to be a real shock.

7 So what you'll see on buses and
8 what you'll hear on the radio and what
9 you'll see in the newspapers will be
10 techniques for conservation. My hope
11 would be that we would educate every
12 household in the City as to how to
13 preserve heat within the building so that
14 they're not paying to heat the out of
15 doors. That's point one.

16 Point two, I had a brief
17 conversation with Councilman Kelly before
18 coming in. There is a very important
19 movement of foot in Harrisburg right now
20 that the Governor will be taking the lead
21 on, which is for the first time for the
22 State of Pennsylvania to contribute to
23 LIHEAP funding. We're one of the few
24 Northeast states that does not do this.
25 I would be presumptuous to ask, but I

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2 will, that maybe there could be a sense
3 of the Council to endorse this
4 initiative. I think the Governor would
5 be appreciative of whatever political
6 support could come his way, and I would
7 ask that from your body.

8 COUNCILWOMAN MILLER:
9 Councilwoman Tasco and I did a resolution
10 on that matter last session, and all the
11 Councilmembers signed it. We do need
12 that state money from LIHEAP.

13 MR. KNUDSEN: Well, then what
14 we want to do is advertise that you did
15 this, because I think right now the time
16 is --

17 COUNCILWOMAN MILLER: It's time
18 to do it again.

19 MR. KNUDSEN: -- the right
20 time. That's right.

21 COUNCILMAN RIZZO: Could I just
22 jump in here momentarily?

23 I heard something in a media
24 campaign from another utility that really
25 got my attention. Just lowering a

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2 thermostat a few degrees can reduce your
3 gas consumption by ten percent.

4 MR. KNUDSEN: That's true.

5 COUNCILMAN RIZZ0: That's
6 significant, and I hope you're going to
7 get that out there, because I heard that
8 from another utility company. So I hope
9 that's part of your media campaign.

10 MR. KNUDSEN: It is indeed.

11 COUNCILMAN RIZZ0: If that's
12 accurate, just a couple degrees reduction
13 in your temperature can bring it down ten
14 percent, that's a big deal.

15 MR. KNUDSEN: It is a big deal.
16 Those are the kinds of messages that we
17 want out. I mean, this is a time for
18 sweaters and long johns. That's the
19 problem that we have.

20 COUNCILMAN RIZZ0: Another
21 area, like in some of the bigger homes in
22 some of the areas of the City that have
23 fireplaces that aren't used, but if that
24 flue is not shut, the heat goes right out
25 the chimney.

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2 MR. KNUDSEN: That's correct as
3 well. We have a brochure that we're
4 going to identify all of these ways in
5 which the heat leaks from the house and
6 ask people to take the steps that they
7 need in the meantime.

8 COUNCILMAN RIZZO: Good.

9 MR. KNUDSEN: We've taken a lot
10 of your time this afternoon.

11 COUNCILMAN KELLY: Thank you.

12 MR. KNUDSEN: Thank you very
13 much.

14 COUNCILMAN RIZZO: Appreciate
15 it.

16 COUNCILWOMAN MILLER: Thank
17 you.

18 COUNCILMAN KELLY: Janet
19 Parrish.

20 MS. PARRISH: Good afternoon.

21 COUNCILMAN KELLY: Good
22 afternoon. Welcome.

23 MS. PARRISH: Thank you. I'm
24 Janet Parrish, the Executive Director of
25 the Philadelphia Gas Commission, and I

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2 will try to be brief, given the hour and
3 the fact that many of the points that I
4 would have made I think have already been
5 touched on.

6 I would just like to note that
7 Councilwoman Tasco, who, of course, is
8 the Chair of the Gas Commission, could
9 not be present today, but I do thank
10 Councilman Clarke for inviting my
11 participation.

12 Commissioners, of course, share
13 the concerns that have been discussed
14 here today and commend Council for its
15 effort to explore what resources can be
16 brought to bear to deal with what will
17 undoubtedly be a devastating winter.

18 Just so you know, we've talked
19 about the fact that the PUC has the final
20 say with respect to PGW's gas costs. The
21 Gas Commission is currently completing
22 its review of PGW's Operating Budget for
23 Fiscal Year 2006 and does continue to
24 take a careful look at and try to
25 encourage the downward pressure on the

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2 non-fuel operating expenses that, of
3 course, are a significant part of PGW's
4 budget. They're not as significant as
5 they once were.

6 I have not provided written
7 testimony per se, but I have provided
8 some data that actually responds to a
9 number of the questions that you raised
10 earlier. Perhaps I anticipated some of
11 those. And I will not go through these
12 in great detail, but we've talked about
13 the fact that this is not just a
14 Philadelphia or a PGW problem. Clearly,
15 that's the case.

16 Mr. Knudsen talked a little bit
17 about the national trend and
18 Mr. Popowsky's data, and just for your
19 information, I'll give you a sense of
20 some of the benchmarks that folks are
21 looking at every day. Some data from
22 just today's Wall Street Journal that
23 shows you that \$13 plus unit price for
24 gas that's being looked at in the future
25 picture for the market today. And to

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2 Mr. Knudsen's point, it appears that
3 right now, the future projections don't
4 see a significant reduction until April
5 of 2006. Hopefully that situation,
6 however, will improve a little more
7 rapidly.

8 Also, you've talked about PGW
9 in comparison to the other Pennsylvania
10 utilities, and I happen to have included
11 for you the most current comparison that
12 has been prepared by the PUC, which
13 illustrates the gas cost rates for the
14 various PUC-regulated utilities and also
15 some documentation that gets filed with
16 the Gas Commission as part of our
17 monitoring and oversight of PGW that does
18 support the discussion earlier that PGW
19 generally compares quite favorably with
20 the other companies in the rest of the
21 state.

22 And it's a moving target, as we
23 often talk about. It is a dynamic
24 situation where companies' rates are
25 adjusted at different months of the year,

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2 and so you will see a little bit of a
3 lag, but over time they generally should
4 be more or less in the same ballpark.

5 Also, I think this data
6 contains some of the detail you requested
7 earlier about the previous rates in
8 effect for the three Pittsburgh utilities
9 that were discussed, Peoples, Columbia
10 and Equitable, and does demonstrate the
11 similarity of the percentage increase
12 that they've experienced compared to PGW.

13 But we are, of course, still
14 concerned because we're here in
15 Philadelphia and the problem is here, and
16 PGW's rates, as have been discussed, are
17 still the highest in the state,
18 notwithstanding the fact that the gas
19 portion is relatively comparable and the
20 fact that we have such a large population
21 of folks on low and limited incomes, as
22 Councilwoman Miller has also alluded to.

23 I've also included some of the
24 background data that you've been
25 discussing with respect to service

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2 terminations, and it looks to me that
3 looking at the most current data that was
4 filed with the Gas Commission a little
5 bit less than a month ago, that as we sit
6 here today, there's probably about 17,000
7 customers, would be my best estimate, who
8 were terminated since April 1 and still
9 have service off.

10 As was pointed out by, I
11 believe, Mr. Hershey, it is interesting
12 to note that even under the more
13 stringent provisions of the new state
14 law, a higher percentage of customers are
15 having service restored than was the case
16 last year at the same time.

17 So I think we all know what the
18 issues are. I don't think we've talked
19 about, but everyone recognizes, the need
20 for a vastly increased federal LIHEAP
21 appropriation, and we have put on the
22 record previously the fact that it would
23 take approximately three and a half
24 billion dollars today to equate to the
25 level of assistance available in this

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2 program in its heyday, which was 20 years
3 ago, at the \$2 billion level, and we just
4 don't seem to be able to crack \$2 billion
5 again. You've talked pretty extensively
6 about the need for a state supplemental
7 appropriation.

8 I'd just like to make one last
9 point about the increasing participation
10 in the low-income CRP program and I think
11 underscore Mr. Hershey's acknowledgment
12 that this is really a double-edged sword,
13 because the more and more and more PGW
14 customers who do participate in this
15 program, the greater the burden on the
16 non-CRP customers.

17 The data about how much of
18 today's rate reflects costs for the
19 various universal service programs is
20 also included in my materials. It's
21 approaching \$2 a thousand cubic feet.
22 Better than a dollar of that dollar, a
23 dollar and a quarter or so, is CRP
24 related.

25 So, again, back of the

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2 envelope, you're talking \$100, \$150 a
3 year out of that average residential
4 heating bill that is solely subsidizing
5 the cost of the CRP program, and that
6 will only go up as gas prices increase.
7 So that is the problem.

8 One last note. You talked a
9 little bit about the moratorium during
10 the wintertime and winter shut-offs, and
11 I would just like to expand on the record
12 just a little bit. The Gas Commission
13 actually did loosen its rules vis-a-vis
14 the moratorium back in 1994, '95 -- so
15 we're talking ten years ago now -- where
16 a procedure was created that PGW could
17 terminate service to those who were not
18 the lowest income vulnerable households
19 by making a petition to the Gas
20 Commission and receiving permission.
21 Very similar to the PUC process that
22 existed before the changes to the state
23 law recently.

24 That tool was not actually
25 effectively utilized by PGW,

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2 unfortunately, but that was the case ten
3 years ago. The issue, of course, is the
4 shut-offs that occur throughout the rest
5 of the year and, as you've discussed, the
6 need to get people's service restored now
7 as we're going into a winter.

8 So those are just a few more
9 remarks to share with you. If there are
10 any questions, I'd be happy to answer
11 them, or if there's additional data and
12 information that you need, we, of course,
13 would be happy to try to work with you to
14 make that available to you.

15 And, again, I thank Councilman
16 Clarke.

17 COUNCILMAN CLARKE: Thank you,
18 Ms. Parrish.

19 MS. PARRISH: Thank you.

20 COUNCILMAN CLARKE: In the
21 essence of time, we would like to call up
22 a panel, the next three witnesses.
23 Ms. Liz Robinson, the Executive Director
24 of ECA; Mr. Lance Haver, Mayor's Office
25 of Consumer Affairs; and Mr. Irwin

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2 Popowsky from the Office of Consumer
3 Advocate.

4 MS. ROBINSON: Hi.

5 COUNCILMAN CLARKE: How are
6 you?

7 MS. ROBINSON: I'm good.

8 COUNCILMAN CLARKE: I
9 understand you had a little accident.

10 MS. ROBINSON: Yeah. I got
11 creamed by a truck.

12 COUNCILMAN CLARKE: God speed.

13 COUNCILMAN KELLY: Welcome to
14 PGW.

15 MS. ROBINSON: Oh, no, no, no,
16 not a PGW truck.

17 I'm Liz Robinson. I direct the
18 Energy Coordinating Agency of
19 Philadelphia, and thank you for hosting
20 these hearings today. I have copies of
21 my testimony, if you'd like them.

22 I'm going to summarize these
23 written comments for you, and I just will
24 add a little bit to what Mr. Knudsen said
25 about the price of gas and why it's

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2 rising.

3 The news is really not good
4 news. Gas prices had doubled in
5 Philadelphia prior to the hurricanes.
6 They had doubled over the last four
7 years, and the underlying reason that
8 fossil prices are rising, whether it's
9 oil or natural gas, is not in fact
10 weather related. It's not the
11 hurricanes. It is in fact the fact that
12 the world is at what's known as peak oil.

13 So we are at the point in the
14 world's natural resource supply of oil
15 and natural gas where essentially half of
16 the resource is used up, and that's the
17 cheap half. So the era of cheap oil upon
18 which we've all grown accustomed to our
19 life-style and our way of living is
20 really drawing to a close and we're
21 entering the era of expensive fossil
22 fuels. So whether it's oil or natural
23 gas, these prices will continue to rise.

24 World demand for energy has
25 never been higher, and it is rapidly

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2 climbing. So the principal problem that
3 we've got is not a short-term problem,
4 and while there might be a little bit of
5 an easing back on price in the spring as
6 the Gulf refineries are restored to full
7 operation, the basic problem is here to
8 stay. So please don't think of this as a
9 one-year problem or a short-term problem.
10 This is a new era of expensive energy and
11 it is here to stay. So with that, let me
12 just kind of frame the problem in
13 Philadelphia a little bit more.

14 Councilwoman Miller asked some
15 questions about terminations. We have
16 set a new record in Philadelphia this
17 year. We've currently got 105,000
18 utility accounts terminated in the City.
19 38,000 of those are PECO electric
20 accounts, about 36,000 are PGW gas
21 accounts and 31,000 are Water Department
22 accounts. These are new highs for all
23 three utilities.

24 Contrary to what people are
25 implying earlier today, at our

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2 neighborhood energy centers, we are not
3 seeing a lot of people getting restored.
4 We are unable to assist a number of these
5 customers who have very high bills get
6 restored because of the higher fees that
7 are now associated with service
8 restoration. So we expect to see a
9 higher number of people entering the
10 winter without getting their service
11 restored. We expect that number will
12 reach an all-time high. That's a very
13 dangerous situation for Philadelphia.

14 On Page 2 of my testimony, I've
15 tried to summarize for you the available
16 resources that we have in the City to
17 address the energy poverty problem. We
18 have about \$128 million annually going
19 into bill payment assistance that comes
20 from the federal government, from LIHEAP
21 and Crisis, it comes from all three
22 utilities, PECO, PGW and the Water
23 Department, and a tiny bit of it is
24 coming from the private sector.

25 ECA received a grant this year

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2 of half a million dollars from Sunoco,
3 the first time an oil refining company
4 has ever given a gift of that size.
5 That's a half a million dollars in free
6 oil to low-income customers. And there's
7 a little bit of other private money
8 available.

9 So the total for bill payment
10 assistance is \$128 million every year.
11 It's a considerable sum of money.

12 For energy conservation, the
13 amount available is less.

14 COUNCILMAN KELLY: Excuse me.
15 I do have a question on that. The 128
16 million, is that for next year, or you
17 said --

18 MS. ROBINSON: Every year.

19 COUNCILMAN KELLY: Every year?

20 MS. ROBINSON: Yes.

21 COUNCILMAN KELLY: And that's a
22 committed number?

23 MS. ROBINSON: Yes. That
24 number does vary from year to year, but
25 I'm giving you the figures from last

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2 year. So last year in Philadelphia,
3 about \$128.4 million went into fuel
4 assistance, and, again, that is --

5 COUNCILMAN KELLY: And this
6 comes basically from federal, state and
7 city funding?

8 MS. ROBINSON: There is no
9 state money. There's not a dime, not one
10 dime of state money in that mix. This is
11 coming from the federal government in the
12 form of LIHEAP and Crisis grants. It's
13 coming from the utilities, all three,
14 that's PECO, PGW and Water Department,
15 and it is also coming -- there's a tiny
16 bit of City money, which, again --

17 COUNCILMAN KELLY: You
18 mentioned Water Department?

19 MS. ROBINSON: Water
20 Department, right. The Water Department
21 also has a bill payment assistance
22 program they called RAP. And there's a
23 little tiny bit of City money, about a
24 half a million dollars of CDBG, community
25 block grant money, goes to UESF, and

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2 that's given in the form of grants to
3 utility customers.

4 So if you'd like more detail,
5 I'd be happy to furnish that to you. But
6 on the conservation side, the total
7 available every year is less than \$10
8 million, and it comes from the same
9 sources. It comes from the federal
10 government and from the utilities.
11 Again, there's not a single dime of state
12 funding that goes to energy conservation,
13 and, unfortunately, there's not a single
14 dime of City funding that goes to energy
15 conservation. So all of the conservation
16 funding is supported either by the
17 federal level or by the local utilities.

18 I'm going to move to
19 recommendations, but before I do, I just
20 want to say that one of the most
21 effective ways to conserve energy is to
22 educate people. Public education and
23 energy education is extraordinarily
24 effective. It's one of the most
25 cost-effective ways to reduce

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2 consumption, and there is no funding for
3 energy education on any large scale. The
4 only energy education that is done in
5 Philadelphia is done as a part of the
6 delivered conservation programs in homes.
7 There is no other funding for it.

8 So let me just kind of move to
9 the recommendations. The most effective
10 thing we can do this winter and every
11 winter moving forward is to reduce
12 demand. If we can cut our consumption,
13 we will immediately reduce bills for
14 customers and we will immediately reduce
15 the pressure, the upward pressure, on
16 rates. So energy conservation is the
17 principal response that we need to take
18 now to permanently reduce the size of
19 this problem.

20 So our recommendations are that
21 the City would launch a City-wide Energy
22 Education Campaign. There is such a
23 campaign that has been very successful in
24 other cities, and it requires a corporate
25 sponsor. It requires the City's

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2 endorsement, but with a single corporate
3 sponsor, it could take off and meet the
4 needs of not only low-income people but,
5 frankly, moderate-income people.

6 Low- and moderate-income people
7 are now finding themselves equally hard
8 hit. They are not protected by any of
9 the universal service programs that we
10 talk about for low-income people. So if
11 your income is 151 percent of the federal
12 poverty level, you qualify for absolutely
13 nothing. And at current prices, working
14 poor and low- and low-moderate income
15 people are very, very much at risk.

16 Commercial customers, small
17 businesses, are very, very much at risk.
18 Terminations have been rising among
19 commercial customers as well.

20 So a public education campaign,
21 which would essentially hit everyone,
22 would be probably the most cost-effective
23 way to address this problem this winter
24 and every winter.

25 Increasing energy efficiency of

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2 all new affordable housing, this is
3 essentially -- Philadelphia has taken the
4 lead in this area, but there are some
5 additional agencies that need to get on
6 board.

7 The Office of Housing and
8 Community Development, OHCD, does require
9 that all new affordable housing meet or
10 exceed the Energy Star Home standard.
11 However, PHDC, the Philadelphia Housing
12 Development Corporation, does not follow
13 that standard. PHA's units, PHA is
14 extremely interested in moving up to that
15 standard, and they need some support to
16 get there. PHFA, Pennsylvania Housing
17 Finance Agency, has been moving toward
18 that standard, but still has not accepted
19 it.

20 So there is -- public standards
21 for energy efficiency, again, are
22 extremely cost effective, and making sure
23 that all new affordable housing is built
24 to high levels of energy efficiency is
25 extremely important.

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2 Likewise, all home repair
3 programs that the City supports should
4 have an energy efficiency standard.
5 Currently none of these programs are
6 paying attention to energy efficiency.
7 Existing energy conservation programs can
8 be redesigned to increase the energy
9 savings that they produce, and these
10 programs need to be evaluated every year.

11 New programs, which can deliver
12 much higher savings, need to be
13 supported. Currently the conservation
14 programs that exist in the City save
15 anywhere from 10 to 20 percent, depending
16 on the program. These programs can be
17 redesigned to save 40 and even 50
18 percent. So conservation programs do
19 need to be redesigned to produce deeper
20 savings in a time of much higher prices,
21 and ECA has developed a couple of
22 different pilot designs that we'd be
23 happy to talk with you about in more
24 detail.

25 Conservation funding does need

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2 to be expanded. The LIHEAP funding at
3 the state level certainly does need to be
4 expanded and, frankly, the funding for
5 the Neighborhood Energy Centers in the
6 City of Philadelphia.

7 The Neighborhood Energy Centers
8 are the front line of service to the
9 low-income community. Those agencies
10 were cut last year by the Office of
11 Housing and Community Development in CDBG
12 cuts. That cannot happen again. Those
13 funds need to be restored and, frankly,
14 increased.

15 The Neighborhood Energy Centers
16 are the best defense against the kinds of
17 problems that we're facing. They are in
18 a position to directly serve and deliver
19 service at an unbelievably cost-effective
20 level in low-income communities
21 City-wide.

22 So thank you very much for your
23 attention. If you have any questions,
24 I'd be happy to answer them.

25 COUNCILMAN CLARKE: Thank you.

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2 Very good presentation.

3 Prior to your presentation, I
4 was actually thinking about asking a
5 question as it relates to the
6 coordination of all of these various
7 services, conservation programs that
8 support low-income individuals in terms
9 of paying some of the utility bills.
10 There are a broad number of things that I
11 know about prior to this hearing and
12 during the course of this hearing, and
13 I'm not really sure who or if there is
14 anyone's responsibility to kind of
15 coordinate all of those activities.

16 I mean, personally I'd like to
17 see like some sort of book or something
18 that you can just go pick up at the
19 library at one of the energy centers that
20 talks about all the various things that
21 are provided that people just don't know
22 about and take advantage of.

23 MS. ROBINSON: We do produce an
24 Energy Services Directory every year and
25 we do send them to all the Councilpeople.

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2 COUNCILMAN CLARKE: So we have
3 one?

4 MS. ROBINSON: Somewhere in
5 your office there is one, or five. We
6 usually send several of them. And we do
7 support a conference, an Energy Services
8 Conference, which is coming up on
9 November 4th, and a lot of Council staff
10 attend every year.

11 The Energy Coordinating Agency
12 is the agency that coordinates all these
13 programs, and we deliver them through the
14 Neighborhood Energy Centers. So every
15 district has one.

16 COUNCILMAN CLARKE: Okay. So
17 the Neighborhood Energy Centers, that
18 runs through OHCD?

19 MS. ROBINSON: Yes. They are
20 funded by OHCD. That is, core funding
21 comes from the City, actually.

22 COUNCILMAN CLARKE: The City?
23 I mean, the ones that I know of in my
24 district, they are primarily intake
25 centers.

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2 MS. ROBINSON: Exactly. They
3 are intake centers, yes.

4 COUNCILMAN CLARKE: Should they
5 be more proactive in terms of having
6 forms? Because I'm sitting here
7 thinking, and I was talking to my
8 colleague, Councilman Kelly, and we're
9 reading this kind of like a blueprint to
10 some things that we need to be doing.

11 MS. ROBINSON: Absolutely.
12 More education is in fact the most
13 effective thing to do. This country is
14 very ill-prepared for, frankly, the
15 situation that we're in, and it's going
16 to get worse.

17 So we need to do a very
18 heavy-duty public education at all
19 levels. People don't understand energy.
20 They don't know what's hit them and they
21 are not prepared for it.

22 So public education is
23 desperately needed. And, frankly, our
24 Energy Centers will do a lot more if they
25 had more funding. It's all about the

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2 funding. You know, I know you hear that
3 every day, but we can't do the job.
4 These centers -- we already do twice as
5 much work as we pay for them. So they
6 just can't -- you know, you can't get
7 blood out of a stone.

8 COUNCILMAN KELLY: Ms. Parrish
9 (sic), I'm just intrigued by your
10 presentation here with energy
11 conservation. It seems to me that people
12 can save up to 10 percent of their bills,
13 and this is under the present guidelines
14 of almost not being promoted adequately
15 anyway, and they don't have the public
16 education as what we need. And one of
17 the things that we can do, of course, in
18 this Council and everywhere is try to put
19 out really a notice on how people can
20 conserve energy. And I think if we can
21 get the state to help out in the funding
22 of this, I think it would be a step in
23 the right direction.

24 MS. ROBINSON: Absolutely.

25 COUNCILMAN KELLY: I think your

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2 outline here is very good. It's very
3 enlightening to me anyway and I'm sure to
4 my colleague, Councilman Clarke. But
5 you've given us some things to work on.

6 MS. ROBINSON: Great.

7 COUNCILMAN KELLY: We can go in
8 the right direction. Thank you.

9 MS. ROBINSON: Thank you.

10 COUNCILMAN CLARKE: Thank you,
11 Ms. Robinson.

12 MR. POPOWSKY: Thank you,
13 Councilman Clarke, Councilman Kelly,
14 thank you for inviting me here today, and
15 I appreciate your resolution on this
16 matter. I think it's a very important
17 one.

18 My name is Sonny Popowsky. I'm
19 the Consumer Advocate of Pennsylvania.
20 I've been the Consumer Advocate since
21 1990 and I've worked at the Office of
22 Consumer Advocate since I left
23 Philadelphia in 1979 and moved to
24 Harrisburg.

25 Our office is a state office

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2 and our job is to represent the consumers
3 of Pennsylvania in matters involving
4 their utility service, and for the last
5 few years at least, that has included
6 customers of PGW. Since PGW came under
7 the jurisdiction of the Public Utility
8 Commission, our office has the job of
9 representing those consumers before the
10 PUC.

11 Let me just start by saying I
12 have been doing this for 25 years now,
13 and this really is the worst I've ever
14 seen in terms of -- certainly in terms of
15 natural gas prices and the effect on
16 consumers, particularly low-income
17 consumers.

18 I wish I could say that here we
19 are in Philadelphia and this is something
20 that we can address as a PGW matter, that
21 there was something that I said, Gee, if
22 we could just change something about PGW,
23 we could solve this problem, but I can't
24 say that. This is a national problem.
25 In fact, in my testimony, I say I think

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2 it's a national crisis, the kind of price
3 increases we're seeing at the wholesale
4 level; that is, not the price that the
5 retail consumer necessarily pays to PGW
6 initially but it's the price that PGW and
7 PECO and UGI, Columbia, Equitable, our
8 Pennsylvania utilities, are paying in the
9 wholesale market.

10 On the second page of my
11 testimony -- I think you should have
12 copies of my testimony -- there is that
13 chart that Mr. Knudsen also used, which
14 my office prepared, to give you some idea
15 of what's happened in the wholesale
16 natural gas market. I have some
17 additional copies here if you need that,
18 Councilman Clarke.

19 COUNCILMAN CLARKE: I saw it.
20 I had it.

21 Thank you.

22 MR. POPOWSKY: I was just on
23 the second page of the testimony.

24 When the wholesale gas price
25 goes from \$3.33 in 2002 to \$8.61 in this

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2 past August, that's bad enough. I mean,
3 we would be here, I think, worried about
4 that matter even if it had just gone from
5 3.33 to 8.61.

6 So as Ms. Robinson suggested,
7 we've had an endemic problem here in
8 terms of natural gas prices and oil
9 prices that have occurred over the last
10 few years. But then when the hurricanes
11 hit, it took a terrible situation for
12 consumers and made it much worse, at
13 least for these next few months,
14 increasing the price from \$8.61 to
15 \$11.83, which I think is the reason we
16 had these interim increases, these
17 substantial interim increases.

18 Now, if you look on the next
19 page of my testimony, there's a chart
20 that shows what the impact of these kind
21 of increases have been on PGW customers.
22 In 2002, your constituents, the average
23 PGW customer who uses 100 MCF of gas,
24 that's 100,000 cubic feet of gas per
25 year, was paying \$870 over the course of

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2 a year for gas. By last year for 100
3 MCF, the average price was \$1,628, which
4 is already double the price from just two
5 to three years ago. And this year if the
6 price stays the same as was just filed,
7 we're talking about \$2,046 for natural
8 gas.

9 Now, you know better than I do
10 how difficult it has been for many of
11 your constituents to pay the price of
12 natural gas when it was a thousand
13 dollars a year, 870, but think about a
14 \$2,000 gas bill for someone who is
15 earning, let's say, \$10,000 or \$20,000 a
16 year. You're talking 10 or 20 percent of
17 their total annual family income just to
18 pay the gas bill.

19 And, again, I have to concede
20 that these prices are not out of line,
21 because I see these prices across the
22 state, and the prices for Equitable,
23 Peoples, Columbia all came in at actually
24 a higher level than the gas price that
25 PGW is charging.

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2 Having said that, this is a
3 national problem, but we have to do
4 something. We have to do something, I
5 think, in Philadelphia and we have to do
6 something in Harrisburg. The most
7 important thing, in my mind, in addition
8 to those matters that were addressed by
9 Ms. Robinson, is to get the state and
10 federal government truly awake on these
11 issues.

12 I wrote a letter last week to
13 each member of the Pennsylvania
14 Congressional Delegation asking them to
15 support substantial increases in LIHEAP,
16 the Low-Income Home Energy Assistance
17 Program. We spend about \$2 billion
18 nationally on LIHEAP. That number should
19 at least be doubled.

20 One of the things I said in my
21 letter was that not all of the victims of
22 Hurricane Katrina and Hurricane Rita
23 lived in the Gulf states. Many of them
24 live right here in Philadelphia and
25 across Pennsylvania, because those

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2 victims are being hit by the natural gas
3 price increases that have been caused, in
4 part, by that hurricane.

5 So what I suggested in my
6 letter is at a time when we're as a
7 nation talking about spending tens of
8 billions, even hundreds of billions of
9 dollars, rightfully so, to provide relief
10 for the people in those states that were
11 hit directly by Hurricane Katrina, we
12 should at least put aside \$2 billion out
13 of that \$200 billion perhaps to provide
14 funds for the rest of the nation for
15 low-income customers across the nation to
16 make it possible for them to get through
17 this winter and pay their heating bills.

18 Also, as Mr. Knudsen said, I
19 think for the first time, we are
20 seriously seeing interest in Harrisburg
21 in developing a state LIHEAP supplement,
22 and I can't impress upon you the
23 importance of that.

24 I participated in a press
25 conference with Senator Vincent Hughes

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2 two weeks ago. He was one of several
3 Senators pushing for a state LIHEAP fund,
4 and I think that's just essential.

5 Among the other programs or
6 things that have already been talked
7 about by both Ms. Robinson and by
8 Mr. Hershey, the utility programs. We
9 have good programs. We just need to make
10 sure that everyone who is eligible for
11 those programs finds out about them, both
12 in terms of customer assistance; that is,
13 reduce bills, and in terms of customer
14 weatherization.

15 In my testimony, I say we
16 should also support organizations like
17 the Energy Coordinating Agency and the
18 Utility Emergency Services Fund that
19 provide essential emergency services and
20 consumer education for people here in
21 Philadelphia.

22 We should increase budget
23 billing, and I think we also need to take
24 a look at some of these utility shut-off
25 rules, either in terms of possible

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2 amendments to that bill or at least
3 insisting that our utilities like PGW and
4 PECO enter this season recognizing that
5 this is a catastrophic situation already
6 and we shouldn't make it worse by
7 Draconian enforcement of certain rules
8 regarding shut-offs and reconnections.

9 So in closing, I just say,
10 there's no question that this will be a
11 harsh winter for PGW customers and people
12 across Pennsylvania, and I appreciate the
13 fact that the Council is having this
14 hearing and I look forward to working
15 with you, and I certainly would pledge my
16 office's efforts in working with your
17 office and the City in trying to address
18 this catastrophic issue this year.

19 Thank you.

20 COUNCILMAN CLARKE: Thank you
21 so much for your testimony. Thank you.

22 Mr. Haver.

23 MR. HAVER: Yes. I'll be even
24 briefer. My name is Lance Haver. I'm
25 the Director of Consumer Affairs.

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2 COUNCILMAN KELLY: If I may
3 just interrupt for a minute.

4 MR. HAVER: Of course.

5 COUNCILMAN KELLY:

6 Ms. Robinson, I owe you an apology. I
7 think I addressed you as Parrish before.

8 MS. ROBINSON: That's quite all
9 right.

10 COUNCILMAN KELLY: I just want
11 to correct that for the record. Thank
12 you.

13 Sorry, Mr. Haver.

14 MR. HAVER: That's okay.

15 I'm Lance Haver, Director of
16 Consumer Affairs for the City.

17 I want to add my voice to
18 what's already been said. It's not PGW.
19 It's not Pennsylvania. It's our federal
20 energy policy.

21 Most of the programs have
22 already been spoken about. I do want to
23 call attention to the Council that we
24 have a couple of wonderful low-cost loan
25 programs that should be made available

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2 for people to put in new heaters. The
3 problem is that our programs are not set
4 up for that.

5 So as you start thinking about
6 what we can do, I hope you'll put on your
7 radar screen perhaps we can find a way of
8 using the PHIL Loan program and the
9 Mini-PHIL Loan program to help people
10 replace their heaters and put in new
11 windows and use other weather
12 conservation.

13 Right now the programs are not
14 designed for that. They would have to be
15 streamlined. They would have to be
16 marketed, and we'd have to call attention
17 to it, but we do have lots of money to
18 help people fix up their home at three
19 and five percent, no points, over 20
20 years. This is for middle-class people,
21 not for low income. This should be
22 appropriate for many of your
23 constituents, and we simply have to make
24 sure that people know about it and the
25 program actually works.

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2 COUNCILMAN KELLY: How is the
3 program designed now?

4 MR. HAVER: It's very lengthy.
5 So, for instance, if your heater broke
6 tomorrow, the plumber comes out to your
7 house and the plumber says, Well, you
8 have a choice, you can either go into a
9 predatory loan or you can go through the
10 City's Mini-PHIL Loan program, which
11 means that you have to call a housing
12 counselor and wait about a week and a
13 half for an appointment, and then after
14 that, they'll be sent to somebody else,
15 who will then say whether you should get
16 it or not, and then it will go to the
17 bank. So in about six weeks after you've
18 been sitting here in the freezing cold,
19 we'll give you the money.

20 All we have to do is say that
21 anyone who takes out a loan to weatherize
22 their home could have that loan swapped
23 out for a low-cost Mini-PHIL Loan. That
24 would solve the problem.

25 COUNCILMAN CLARKE: Do we have

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2 the ability locally? Because I know a
3 lot of these programs are federally
4 funded with certain guidelines.

5 MR. HAVER: No. That's us, and
6 that's done through the Greater Urban
7 Affairs Coalition, Greater Philadelphia
8 Urban Affairs Coalition. We're meeting
9 with them sometime next week to try and
10 work out the kinks, but I think there's a
11 recognition of what you've been very
12 generous with your time and calling to
13 everyone's attention what a serious
14 crisis it is. But that as your
15 constituents call you, we do have these
16 programs in place. If we use them, then
17 they will work, but we need your staff
18 time to make sure that the programs are
19 apropos.

20 COUNCILMAN CLARKE: Thank you.
21 Thank you all very much for
22 your testimony. Please expect a phone
23 call for a follow-up.

24 MR. HAVER: Thank you.

25 COUNCILMAN CLARKE: I'd like to

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2 bring up the next panel. Mr. Phil
3 Bertocci and Jonathan Stein from CLS;
4 Brady Russell from ACORN; John Dodds from
5 the Philadelphia Unemployment Project;
6 and we might as well round it out by
7 Ms. Laverne Jones, Executive Director of
8 PCCA.

9 MR. RUSSELL: I don't actually
10 think John is here. I don't see him.

11 COUNCILMAN CLARKE: Thank you.
12 Please state your name for the record and
13 proceed with your testimony.

14 MR. BERTOCCI: I'm Philip
15 Bertocci. I'm the Managing Attorney of
16 the Energy Unit at Community Legal
17 Services. I've given you, I think, a
18 copy of my testimony. Would you like me
19 to proceed right now?

20 COUNCILMAN CLARKE: Pull your
21 mic a little closer, please.

22 MR. BERTOCCI: Sorry. Would
23 you like me to proceed right now?

24 COUNCILMAN CLARKE: Just
25 present your testimony. We'll go down

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2 the line.

3 MR. BERTOCCI: You have my
4 testimony, but I think many of the topics
5 have been covered to some degree, so what
6 I'm going to do is kind of give comments
7 on the testimony as it relates to the
8 testimony that you've already heard.

9 At Community Legal Services, we
10 aren't looking to next year. What we are
11 really concerned about right now is
12 what's happened to the 15,000 or so
13 customers that we know that were
14 terminated for non-payment this year and
15 who haven't got service back on.

16 Every week we see people coming
17 in who essentially have been on the
18 low-income program, who are in default
19 and who are unable to pay the amount that
20 PGW is asking to have service restored.
21 We don't see, just as Ms. Robinson
22 pointed out for the Neighborhood Energy
23 Centers, we don't see very many resources
24 being made available to those customers,
25 and we, frankly, don't know how they're

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2 going to be able to get their service
3 back on again.

4 We anticipate that it won't be
5 another 5,000 people without service as
6 of December 1st. We think it's going to
7 be more like 10,000 people without
8 service as of December 1st, and, frankly,
9 5,000 people without service as of
10 December 1st is really unacceptable.

11 I really don't know how we can
12 talk about people being without service
13 on December 1st and even perhaps getting
14 some service back by the middle of
15 January. How do people get from December
16 1st to January 15th if they don't have
17 any heat?

18 Indubitably they must be
19 sending their children to their
20 grandparents', breaking up their
21 families. It just is not a situation
22 which is acceptable to contemplate.

23 The first topic on my list of
24 topics was really the Customer
25 Responsibility Program, because this is

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2 one of the havens for those customers
3 that are out there right now who may not
4 have been on CRP, the Customer Assistance
5 Program before, but who could get on to
6 CRP now and protect themselves from the
7 spike in rates that everyone is going to
8 experience.

9 PGW has said, Well, we made
10 every reasonable effort to get people on.
11 Unfortunately, I think the key figure is
12 that only about 50 percent of the
13 eligible people actually are on CRP. And
14 if you look at the publications that PGW
15 has put out in the last year, if you look
16 at the bill stuffers, you very rarely
17 will see CRP even mentioned. You very
18 rarely will hear -- in fact, I don't
19 think you will hear on the radio anything
20 that mentions the Customer Responsibility
21 Program and mentions it as a program
22 which will lower your bill, a program in
23 which there are discounts at best. There
24 are kind of "call us if you need
25 assistance," but I think that's not

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2 really a specific enough outreach to
3 qualify as doing everything that you can.

4 So that our view is that, and
5 we recommended, that PGW essentially step
6 up its outreach. We recognize there are
7 problems of outreach always, but, for
8 instance, a shut-off notice should have
9 some mention of CRP and that it can help
10 lower your bills, that eligibility for
11 CRP may get you the shelter that you need
12 from the spikes in energy costs.

13 A bill in default could have a
14 mention of a CRP on it. You won't find
15 any mention of CRP on any of PGW's bills,
16 as far as I know.

17 PGW has said, Well, our
18 Customer Service Representatives are
19 trained to mention CRP to everybody that
20 calls that seems to be in a situation
21 where they need energy assistance, where
22 they need customer assistance, some kind
23 of a lower bill, but the fact of the
24 matter is that PUC's statistics seem to
25 show that there are substantial numbers

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2 of people that PGW knows to be low income
3 who aren't on CRP.

4 And, again, this is a question
5 of are they doing enough, and I think
6 when you look at the statistics and when
7 you just listen to the advertisements
8 that PGW puts out, you're not hearing
9 very much about the program that would
10 probably mean the most to a low-income
11 customer who is not presently on CRP that
12 would really protect that particular
13 customer, get that customer sheltered
14 from the spikes that we're experiencing
15 at this time.

16 COUNCILMAN CLARKE: Do you
17 suggest that -- or maybe you're not
18 suggesting. Let me ask the question. Do
19 you think that beyond PGW adequately
20 informing people of this program there
21 should be some other mechanisms? Because
22 I think I kind of heard PGW say if
23 everyone got involved in that program, it
24 was good and bad. So if that being the
25 case, I would expect that maybe the bad

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2 side of it would encourage them not to be
3 as proactive in terms of their
4 advertisement.

5 MR. BERTOCCI: I would welcome
6 a letter from every Councilman to every
7 constituent talking about CRP, for
8 instance, but I do point out to you that
9 PGW communicates with its customers once
10 a month, sends out a bill, has a platform
11 on which to do more. I think everybody
12 else can do more also, but I don't think
13 that's a substitute for PGW not doing
14 more, because they're the folks that are
15 in the position to -- they already have
16 the system.

17 If we got 5,000 more people on
18 CRP between now and December 1st, that
19 would be a great accomplishment. That
20 would probably get quite a lot of service
21 back on for folks and, at the same time,
22 that would probably prevent some
23 shut-offs in the future.

24 So I think that publicity is
25 very important, electronic media. You

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2 can talk all you want about conservation,
3 but if you don't have your service on,
4 there's really nothing to conserve, and
5 if your service is going to be shut off
6 because you can't afford to pay now, all
7 the conservation in the future is not
8 going to protect you going into this
9 winter.

10 COUNCILMAN CLARKE: I
11 understand.

12 MR. BERTOCCI: We've talked
13 also a little bit about LIHEAP, Crisis,
14 the LIHEAP programs. There are really
15 two parts to the LIHEAP program. One is
16 a cash part and one a crisis part.

17 PGW has made efforts in the
18 past to increase its LIHEAP
19 participation. You hear ads involving
20 LIHEAP. But we've had this experience in
21 Philadelphia the last couple of years
22 where, as you get into November and early
23 December, PGW is refusing to accept
24 Crisis grants from certain customers
25 because they deem it not sufficient to

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2 avoid the crisis. They say this customer
3 owes us a thousand dollars, we're not
4 going to accept \$300, even if it's a
5 low-income customer, to put their service
6 back on. As a result, the customer
7 essentially doesn't get the service back
8 on. Perhaps by scraping together by mid
9 January, in the best of cases, they've
10 got their service back on again.

11 But I think where you have the
12 customer making the effort to get federal
13 funds, to go outside and get federal
14 funds, \$300, a lot for a customer that
15 only has an income of 135 percent of
16 poverty or less, that that should be
17 enough of a sign that the customer has
18 made the effort so that service should be
19 restored, not in mid January but in
20 December. And if shut-off is
21 contemplated in November, that should be
22 enough to cancel the termination. You
23 can't just say, Well, we believe this
24 customer won't pay through the winter
25 months and, therefore, we're not going to

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2 put them on to CRP for the winter months.
3 To my mind, that is a self-defeating kind
4 of policy, and I think that PGW should
5 discontinue it. There are better ways to
6 do things.

7 Thirdly, looking at the effect
8 of -- and this is coming back to, I
9 think, Councilwoman Miller's comments.
10 Basically she was saying, you know, we're
11 experiencing a lot of situations where
12 people are coming to us and where they
13 just simply can't afford the demands that
14 PGW is making in order to restore service
15 or in order to avoid termination of
16 service.

17 Well, what are these demands
18 and why is PGW making them? They're
19 demands for a deposit, at least one
20 monthly bill up front before service is
21 restored, plus the agreement to pay
22 another monthly bill in two installments
23 going forward 30 days and 60 days later.
24 There's a reconnection fee of \$123.23.
25 And PGW is asking for substantial amounts

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2 also up front before service will be
3 restored.

4 If you've broken two payment
5 agreements under the new law, PGW has the
6 right to say, We won't turn you on unless
7 you give us the total outstanding balance
8 that you owe. We don't care whether it's
9 \$2,000 or \$3,000 or \$1,500, a month's
10 income or not. We have the right to
11 demand it. This is for people that in
12 that area are over 150 percent of
13 poverty.

14 Now, PGW does not have to do
15 that. The new law does not require PGW
16 to do it. The effect of the new law,
17 generally speaking, was to give PGW and
18 every utility in this state much more
19 discretion in dealing with customers
20 whose service was turned off or with
21 customers who were threatened with
22 terminations, and the utilities, in
23 particular PGW, have interpreted that as
24 the ability to go for the max, to demand
25 the max before service will be turned on.

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2 This is a matter that's within their
3 discretion.

4 Customers can no longer go to
5 the Bureau of Consumer Services at the
6 PUC and get a substantial adjustment to
7 the demands being made by PGW, and that
8 really is the problem, from the point of
9 view of PGW customers and the kinds of
10 customers now who are shut off or are
11 facing shut-off and are trying to figure
12 out how they possibly are going to get
13 service on by December.

14 We probably can't get into all
15 the details of just exactly what the
16 requirements are for restoral of service
17 or for cancellation of a shut-off notice
18 that you receive at this time of year,
19 but I do want to stress that I think it's
20 appropriate for Council at this point to
21 have brought about these hearings.

22 City Council is part of the
23 government system of PGW. PGW is a
24 municipally-owned utility. That
25 municipally-owned utility is exercising

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2 discretion. The City Council has
3 something to say on how this municipal
4 utility exercises that discretion. I
5 don't think that that's something that
6 should be decided at PGW management, in
7 the PGW Collection Department, in the
8 Mayor's office, in PPMC. City Council
9 has a role to play in looking at this
10 situation and in trying to determine what
11 kind of discretion is reasonable for PGW
12 to exercise given the needs of the
13 citizens of Philadelphia for our service
14 during the winter.

15 Most PGW customers, you've
16 heard it, are heating customers. Most of
17 the gas that they consume is consumed
18 between November 1st and the middle of
19 April. So this is where the rubber hits
20 the road and this is the crisis that
21 we're looking at at this time, and so I'm
22 focused really on the immediate.

23 COUNCILMAN CLARKE: Thank you.

24 Sir, are the specifics of your
25 statements referenced in your written

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2 testimony?

3 MR. BERTOCCI: Yes. Many of
4 them are in my testimony.

5 COUNCILMAN CLARKE: Okay.
6 Because I need to follow, because you
7 were going kind of fast. I didn't catch
8 them all. Okay. Thank you.

9 Any questions?

10 (No response.)

11 COUNCILMAN CLARKE: Thank you.

12 MR. RUSSELL: Mr. Chairman,
13 quick question. On the order --

14 COUNCILMAN CLARKE: State your
15 name for the record.

16 MR. RUSSELL: Brady Russell,
17 Pennsylvania ACORN.

18 I actually was speaking on
19 something else, though. John Dodds is
20 listed on there at the Philadelphia
21 Employment Project. I don't think
22 they've taken up this issue. Could that
23 have been John Rowe with --

24 COUNCILMAN CLARKE: I'm sorry.
25 Say that again.

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2 MR. RUSSELL: Philadelphia
3 Employment Project doesn't do utility
4 stuff. Last time I talked to them, they
5 didn't. So I just wondered if that was
6 actually John Rowe, who is also here and
7 meant to be on the list.

8 COUNCILMAN CLARKE: I don't
9 know.

10 MR. RUSSELL: I don't know if
11 you heard directly from Mr. Dodds. Last
12 time I talked to them, they weren't doing
13 utility issues. That's why I was
14 wondering.

15 COUNCILMAN CLARKE: I'm reading
16 the script. We're only listing people
17 that called to testify, but if there is a
18 John Rowe that wishes to testify, he will
19 be given that opportunity.

20 MR. RUSSELL: I was just
21 surprised to see PUP on there.

22 COUNCILMAN CLARKE: We didn't
23 make him up. He called and asked to be a
24 part of the testimony.

25 MR. RUSSELL: All right.

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2 So my name is Brady Russell.

3 I'm here with Pennsylvania ACORN. Donald
4 Stokes, one of our local members --

5 COUNCILMAN CLARKE: Pull the
6 mic closer.

7 COUNCILMAN KELLY: What is your
8 name, sir?

9 MR. STOKES: Donald Stokes.

10 MR. RUSSELL: We just wanted to
11 present our platform on the utilities
12 issue. Donald was one of the members of
13 the committee that helped us put the
14 platform together.

15 This is an issue that our
16 members across the state actually have
17 been talking about since the summer when
18 the community organizations are sort of
19 out in the forefront of it. Our members
20 really see this echoing a lot of the
21 things Mr. Bertocci said as a state level
22 issue.

23 The four planks of our platform
24 going into this fall and winter are as
25 follows: Protect vulnerable

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2 Pennsylvanians from losing heat in the
3 winter.

4 As you all probably know, the
5 legislature passed Act 201 last year and
6 made it a lot easier to shut folks off in
7 the winter. And a lot of that momentum
8 came from out of Philadelphia, from PGW
9 and from the Philadelphia delegation. So
10 we're going back to them and asking them
11 to reconsider.

12 We also are pretty concerned
13 about the way payment plans are
14 structured, as Mr. Bertocci mentioned.

15 The second plank is create
16 additional emergency assistance programs
17 for families, especially the many
18 low-income families who do not qualify
19 now for LIHEAP.

20 The legislature could put more
21 money into LIHEAP, raising the
22 eligibility from 135 percent of poverty
23 to 150 where it currently stands, leaving
24 that last 15 percent out.

25 The Pennsylvania legislature

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2 could also look into other strategies.
3 New Jersey just created a new trust fund
4 for emergency utility support for folks
5 simply using unspent property money; for
6 example, uncollected deposits out of
7 utilities and things like that. So
8 that's an area that could be looked into.

9 The third plank is create fair
10 policies to allow shut-off families to
11 get turned back on.

12 I think Mr. Bertocci spoke to
13 this pretty well. We're just really
14 concerned about the fact that very poor
15 people who are having a hard time paying
16 their bills have to pay \$123 for their
17 gas turned back on.

18 And I think the fourth thing
19 that's most relevant to PGW and our
20 experience on this issue echoes the other
21 community groups that have spoken so far.
22 Make sure eligible families know about
23 the universal discount programs.

24 I've talked to a lot of people
25 myself personally, I'm not even an

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2 organizer, about their problems with PGW,
3 and many of them have told me that they
4 had never heard about CRP even though
5 they had called repeatedly saying, We're
6 having a hard time paying our bills, what
7 can we do.

8 So that's the structure of our
9 platform. It is largely state oriented,
10 and it would be great if Council would
11 help us in some of the lobbying and
12 advocacy we have to do with the state. A
13 lot of the momentum for these laws came
14 from the Philadelphia delegation. So
15 Philadelphia speaking about changes on
16 these things would really help.

17 We'll be working on this, but
18 we'll also probably be coming to you on
19 some other particular issues within the
20 platform.

21 If any of you would like to
22 sign on to our platform, if you think
23 these four planks are good and like to
24 see it happen, we'd certainly love to
25 have you do that, and I'll probably send

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2 you a sign-on form sometime soon.

3 COUNCILMAN CLARKE: Thank you
4 for your testimony.

5 Any questions?

6 (No response.)

7 COUNCILMAN CLARKE: Thank you
8 very much for your testimony, gentlemen.

9 Mr. John Rowe and Reverend
10 Barry J. Williams.

11 Before we proceed, are there
12 any other individuals who are interested
13 in testifying on this resolution?

14 (No response.)

15 COUNCILMAN CLARKE: Thank you.

16 Good afternoon. Please state
17 your name for the record and proceed with
18 your testimony.

19 MR. ROWE: Good afternoon. My
20 name is John Rowe. I'm sorry for the
21 mix-up. Probably my name fell through
22 the cracks or I'm now known as John
23 Dodds. I'm not sure.

24 I have copies of written
25 testimony, if you want them. I'll leave

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2 them here.

3 COUNCILMAN CLARKE: We'll get
4 the Sergeant-at-Arms.

5 MR. ROWE: I am the coordinator
6 of the Coalition of Neighborhood Energy
7 Centers, that Neighborhood Energy Centers
8 are positioned within the following
9 neighborhood-based organizations which
10 offer a full array of services: ACORN
11 Housing, Belmont Improvement Association,
12 Carroll Park Community Council, Congreso,
13 Diversified Community Services, Friends
14 Neighborhood Guild, Germantown
15 Settlement, Greater Philadelphia Asian
16 Social Services Center, New Kensington
17 Community Development Corporation,
18 Southwest Community Development
19 Corporation, and United Communities of
20 Southeast Philadelphia.

21 For the sake of brevity, I
22 omitted a lot of the testimony which has
23 already been covered and what I want to
24 do is to talk about outreach.

25 The Coalition emphatically

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2 agrees that low-income customers are
3 unaware of available programs or do not
4 take advantage of them. Outreach and
5 education is severely lacking. As we had
6 heard numerous times through other
7 testimonies, half of those eligible do
8 partake of the program and the other half
9 does not.

10 The Coalition of Neighborhood
11 Energy Centers are absolutely positioned
12 to reach low-income customers. During
13 the last program year, July 1, '04 to
14 June 30, '05, the Coalition of
15 Neighborhood Energy Centers provided
16 energy solutions for over 12,000
17 low-income families. The Coalition
18 reached low-income families who reside in
19 every zip code in the City of
20 Philadelphia.

21 In the written testimony, I'm
22 providing a map which shows that the most
23 energy solutions are provided in those
24 neighborhoods which are the poorest.
25 There's not one zip code we don't cover.

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2 The Coalition also provided
3 over 42,000 energy services during the
4 program year. Now, these 42,000 energy
5 services produce value to customers which
6 is equivalent to over \$6 million last
7 year. By that, for example, we provided
8 almost 6,000 LIHEAP grants, intake for
9 LIHEAP grants, at a value of \$250 each.
10 Another example would be Crisis grants,
11 over 3,000 of those at an average value
12 of about \$280.

13 Weatherization assistance is
14 another example. We provide assistance
15 to over 400 households at a long-term
16 value of just under \$5,000. All told,
17 this provides monetary assistance to
18 low-income families to the tune of about
19 \$6.8 million, and this is necessary, now
20 especially, in light of the impending
21 catastrophe.

22 A solid solution is for PGW to
23 partner with the Coalition of
24 Neighborhood Energy Centers to expand the
25 Coalition's work to those who need it.

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2 The Coalition can reach at the community
3 level those not presently reached. We
4 can reach them with not a complex
5 approach, we can do it at the community
6 level. We need funding, though, to
7 expand our work. Each year the Coalition
8 delivers much more services, as testified
9 by Liz Robinson, more services than are
10 funded. And that concludes my testimony.

11 COUNCILMAN CLARKE: Thank you.

12 As the coordinator of the
13 Neighborhood Energy Centers, are you
14 funded by the City to provide that
15 service or are you funded by the energy
16 centers?

17 MR. ROWE: I'm funded by the
18 organizations which house the energy
19 centers in order to expand the work that
20 they do. I mean, most pertinently,
21 there's a variety of statistics that
22 float around, but over the last six or
23 seven years, the centers have produced
24 over 50 percent more services than they
25 are paid for to deliver specifically

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2 those services and yet they do not reach
3 everyone that they can. And so the
4 mission of this Coalition is to expand to
5 those households that need service, and
6 what we see here with those who are not
7 being reached now through the outreach by
8 PGW, we think that at the community level
9 we could do a real good job at reaching
10 them.

11 COUNCILMAN CLARKE: Are these
12 centers selected on a geographical basis?

13 MR. ROWE: Yes, they are.

14 COUNCILMAN CLARKE: Who is
15 representing North Philadelphia?

16 MR. ROWE: North Philadelphia
17 would be Friends Neighborhood Guild
18 located at 8th and Fairmount; Congreso,
19 which is up a little bit farther; and
20 GPASS is way farther up on North 5th
21 Street. Over to the east would be --

22 COUNCILMAN CLARKE: Move up the
23 west.

24 MR. ROWE: Carroll Park.

25 COUNCILMAN CLARKE: I'm

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2 thinking about my particular district,
3 because the overwhelming majority of the
4 residents that live in my portion of
5 North Philadelphia west of Broad --

6 MR. ROWE: That would be
7 Carroll Park Community Council.

8 COUNCILMAN CLARKE: That's West
9 Philly.

10 MR. ROWE: Germantown is a
11 little bit farther north of there.
12 Belmont Improvement Association is
13 also --

14 COUNCILMAN CLARKE: That's West
15 Philly. Who represents North Philly west
16 of Broad?

17 MR. ROWE: There was one
18 organization in that area that -- none is
19 the answer. Let me answer the question
20 first. And the reason for it is that
21 there's a competitive process through the
22 Energy Coordinating Agency as to --

23 COUNCILMAN CLARKE: I'm sorry.
24 I didn't hear that last part. The reason
25 was?

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2 MR. ROWE: There is a
3 competitive process, a competitive RFP
4 process, that is run through the Energy
5 Coordinating Agency by which the
6 Neighborhood Energy Centers are selected,
7 and this was the result of their most
8 recent round of proposals.

9 COUNCILMAN CLARKE: But if
10 you're saying that they're represented in
11 geographical areas, how can you not have
12 a whole section of the City not
13 represented?

14 MR. ROWE: I agree. I agree.
15 We represent the population of each zip
16 code, but not the community-based
17 organizations. You're absolutely right.

18 COUNCILMAN CLARKE: I'm just a
19 little concerned, because that's probably
20 an area where there are a lot of people
21 that would qualify for services.

22 MR. ROWE: Yes.

23 COUNCILMAN CLARKE: And if you
24 don't have an agency representing them,
25 particularly given what's likely to come

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2 down this particular winter, I mean, what
3 should I tell the folks in my district?

4 MR. ROWE: I don't --

5 COUNCILMAN CLARKE: You're not
6 responsible for the selection process?

7 MR. ROWE: I am not responsible
8 for it, but that's not a reason why that
9 area should not be represented.

10 COUNCILMAN CLARKE: Is that the
11 lady that was here earlier,
12 Ms. Robinson's organization?

13 MR. ROWE: Yes, it is.

14 COUNCILMAN CLARKE: I wish I
15 had this information prior to you
16 testifying.

17 MR. ROWE: As I said, there was
18 an organization in that area that was not
19 again selected this --

20 COUNCILMAN CLARKE: Is that
21 South Lehigh?

22 MR. ROWE: That's South Lehigh
23 Action Council, yes.

24 COUNCILMAN CLARKE: Okay. Not
25 your fault. Thank you.

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2 MR. ROWE: You're welcome.

3 COUNCILMAN KELLY: Mr. Rowe, I
4 just have one question. You find no
5 necessity to put anything up in the
6 Northeast then, according to your chart
7 here?

8 MR. ROWE: I have to be clear.
9 I don't pick the agencies. I see a
10 necessity in the Northeast, but what the
11 energy -- and I don't want to speak for
12 ECA, but ECA picked certain organizations
13 that contained NECs based upon their
14 criteria, and these are the ones that
15 they picked.

16 Now, after they were selected,
17 what they desire to do was to expand what
18 they do and also to reach more people and
19 also to get more funding for what they
20 do. The organizations themselves
21 subsidize the good work of the energy
22 departments.

23 COUNCILMAN KELLY: I just want
24 to thank you for your very thorough
25 presentation here. It's very good.

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2 MR. ROWE: You're welcome.

3 COUNCILMAN KELLY: Thank you.

4 COUNCILMAN CLARKE: Thank you.

5 Please proceed, sir. State
6 your name for the record.

7 PASTOR WILLIAMS: My name is
8 Pastor Barry J. Williams, Sr. I am here
9 today to represent our organization,
10 which is called the Citizens Congress of
11 Philadelphia and Vicinity, which I am the
12 newly elected President. It's an
13 organization presenting itself for the
14 champion of the poor and the
15 disadvantaged, handicapped.

16 We are forming a coalition of
17 other organizations who work with us or
18 we work with them, such as Black Clergy,
19 ACORN and many other groups in the City
20 of Philadelphia and its vicinity.

21 My main purpose in being here
22 today is to plead with you, our
23 representatives in the political
24 spectrum, as to the gas rates, that we
25 would like to have more information sent

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2 to our various churches and community
3 organizations and to work with the
4 Councilpersons, the Gas Commission and
5 PGW itself in forming a relationship that
6 would benefit all people in our
7 communities in the City of Philadelphia.

8 We do hope that you will
9 consider and study the matter closely
10 over the thousands of people who are
11 handicapped, sick and shut in, those
12 persons who are poor and disadvantaged of
13 low income that will face the oncoming
14 winter. For some of them to have gas
15 increase or shut-offs, it would be
16 devastating.

17 We would like to work with you
18 to do all that we can to bring about some
19 type of resolution in helping our people,
20 all people of all creed, race and colors.

21 Thank you.

22 COUNCILMAN CLARKE: Thank you
23 so much for your testimony, sir.

24 Any questions?

25 (No response.)

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2 COUNCILMAN CLARKE: Anyone else
3 to testify on this resolution?

4 (No response.)

5 COUNCILMAN CLARKE: There being
6 none, we would like to recess the
7 Committee on Transportation and Public
8 Utilities on Resolution 050845 to the
9 call of the Chair. Thank you all very
10 much.

11 (Committee on Transportation
12 and Public Utilities adjourned at 4:50
13 p.m.)

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