

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON
PUBLIC PROPERTY and PUBLIC WORKS

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Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, March 3, 2009, 10:17 a.m.

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Bill No. 090003 - Authorizing the extension of the extended trial program thrived by Bill No. 060799 under which advance approval is given to the Philadelphia Management Corporation to enter into certain contracts and transactions arising thereunder for the purchase, storage, distribution, transportation, and/or transmission of natural and other gas on behalf of the Philadelphia Gas Works, subject to certain terms and conditions.

COUNCILMEMBERS PRESENT:

Darrell L. Clarke, Chair
Frank DiCicco
William K. Greenlee
James F. Kenney
Donna Reed Miller

Also Present: Councilman Curtis Jones, Jr.

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V A R A L L O Incorporated
Litigation Support Specialists
1835 Market Street, Suite 600
Philadelphia, Pennsylvania 19103

215.561.2220 215.567.2670

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2 COUNCILMAN CLARKE: Good

3 morning. This is the Committee on Public
4 Property and Public Works.

5 We have established a quorum:

6 Councilman Greenlee, Councilman Kenney,
7 Councilwoman Donna Reed Miller, and
8 Councilman Frank DiCicco. We also have
9 present Councilman Curtis Jones.

10 Will Mr. Carter please read the
11 title of the bill.

12 THE CLERK: Bill No. 090003, an
13 ordinance authorizing the extension of
14 the extended trial program authorized by
15 Bill No. 060799 under which advance
16 approval is given to the Philadelphia
17 Management Corporation to enter into
18 certain contracts and transactions
19 arising thereunder for the purchase,
20 storage, distribution, transportation,
21 and/or transmission of natural and other
22 gas on behalf of the Philadelphia Gas
23 Works, subject to certain terms and
24 conditions.

25 COUNCILMAN CLARKE: Thank you.

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2 (Witnesses come forward.)

3 COUNCILMAN CLARKE: Good

4 morning.

5 MS. PARRISH: Good morning,

6 Chairman Clarke and members of the

7 committee. My name is Janet Parrish,

8 P-A-R-R-I-S-H. I'm the Executive

9 Director of the Philadelphia Gas

10 Commission. Seated to my left is Douglas

11 A. Mozer, Vice President of Gas

12 Management for Philadelphia Gas Works.

13 Thank you very much for the

14 opportunity to be here this morning in

15 support of the bill. On behalf of the

16 Philadelphia Gas Commission, we have

17 submitted written testimony, as has

18 Philadelphia Gas Works. Our testimony

19 has attached to it, so you can see all of

20 the detail and background, a copy of the

21 Gas Commission's order in this matter

22 recommending to this council the adoption

23 of the ordinance. And that is attached

24 to my written testimony.

25 These recommendations were

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2 approved by the Gas Commission on its
3 meeting on January 6, 2009. We are
4 asking that -- for a suspension of the
5 rules so that the first reading can occur
6 at the next session of Council.

7 The current ordinance, which
8 provides a framework within which PGW is
9 pre-authorized by this Council to
10 purchase natural gas supply, will expire
11 on August 31, 2009, and that is why we
12 are before you today requesting a simple
13 two-year extension of this program.

14 We have found that it has been a
15 very viable program that does balance the
16 needs of PGW to purchase gas supplies for
17 its customers in today's market
18 conditions, and, at the same time,
19 preserves accountability and requires
20 certain reporting by PGW and then also by
21 the Gas Commission to this council.

22 We'd be happy to answer any
23 questions that you may have, and we've at
24 your disposal.

25 COUNCILMAN CLARKE: Thank you.

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2 You say this is a renewal. How
3 many renewals have we done already?

4 MS. PARRISH: This would be the
5 third renewal.

6 COUNCILMAN CLARKE: The third
7 renewal.

8 MS. PARRISH: The initial
9 program was adopted by this council in
10 2004 as a trial program for a two-year
11 period of time. At the conclusion of
12 that, we did find a need for certain
13 modifications to the ordinance, and those
14 were also adopted by this council in a
15 one-year program.

16 Then we got some experience
17 under our belt with that. And our last
18 renewal that was approved was also for a
19 two-year period of time.

20 The conditions in the gas market
21 are dynamic. PGW has considered during
22 the past period the possibility of
23 entering into a different form of gas,
24 prepay transactions; that has not come to
25 fruition.

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2 So it seems to be workable to
3 look at it in a period of time, sort of
4 reassess what the market looks like, and
5 then come back to Council again with our
6 recommendations.

7 COUNCILMAN CLARKE: Thank you.
8 Councilman Kenney?

9 COUNCILMAN KENNEY: Thank you
10 very much.

11 This is not exactly related to
12 this bill, but it's related in subject
13 matter.

14 I've asked probably three times
15 now for the Public Property Department to
16 give me an update on any investigation
17 they may conduct or would conduct at a
18 parcel of property owned by the City up
19 in the Pocono Mountains that is not
20 directly in the middle of the Marcella
21 shale deposit but is kind of on the
22 outskirts of it. It's an old camp that
23 we -- Camp Happy or Camp William Penn.

24 MS. PARRISH: Mm-hmm.

25 COUNCILMAN KENNEY: Before we

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2 transfer it to the State, which is going
3 to be transferred to the Department of
4 Environmental Resources, the State has
5 the rights to any oil or mineral rights
6 under that land but do not necessarily
7 have the rights to natural gas deposits.

8 Is there any way -- I mean, have
9 you had any contact with Public Property
10 relative to the investigation of that
11 land? I've asked a couple of times; I
12 don't think they're moving forward with
13 it.

14 And I would ask that perhaps
15 that maybe you guys could make an inquiry
16 to them as to when -- I think that
17 there's enough institutional help with
18 this at Penn State and some other of the
19 universities without the -- within the
20 State to, at least if don't have it
21 there, just to dispel the fact that we
22 don't have it.

23 There's a possibility -- if you
24 look at the map of the Marcella shale
25 deposits and you look at where Camp

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2 William Penn is, there's some possibility
3 that on some of the land, there may be
4 some access to it. And if we're talking
5 about the transportation and purchase of
6 natural gas, I really would like some
7 other agency to kind of push at least the
8 initial investigation as to whether or
9 not there's anything there of value.

10 MR. MOZER: I am not aware of
11 any investigation on that, but I will
12 take it back, and we can, you know, begin
13 that.

14 COUNCILMAN KENNEY: And if you
15 have a chance to look at it, you can
16 check with my staff, Sarah, at the map of
17 where Camp William Penn is and where the
18 Marcella shale deposits are. Again, it's
19 not dead-center in the middle of the
20 colored area, but it's right on the edge.

21 And I'm wondering whether or not
22 there's some segue that we could do in
23 there that would give us -- I mean, I
24 know that people who are -- own land in
25 Tioga County and Potter County are, you

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2 know, putting wells in their backyard and
3 making money from it, and if we have, I
4 think --

5 (Addressing Councilman DiCicco.)

6 Frank, do you remember how much property
7 that -- I mean, how many acres that was?
8 It was like almost, you know, 60, 70
9 acres of land.

10 I mean, there's a possibility
11 there's something there, and I'd rather,
12 before we turn it over to the State, have
13 some indication of whether we can dispel
14 the notion or take advantage of the
15 opportunity.

16 MR. MOZER: Surely. We'll get
17 the details and we'll do some
18 investigation.

19 COUNCILMAN KENNEY: Thank you.

20 MS. PARRISH: And we can also
21 report back to the chairman of the
22 committee as well so that all of the
23 members can be informed.

24 There is, obviously, a lot of
25 activity with -- around the Marcella

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2 shale. At the same time, I don't know if
3 been following, but there's been a number
4 of concerns raised about the amount of
5 water supply that would be required to --
6 for the drilling process, so it appears
7 to me that that fast track has slowed
8 down a bit, but, uh...

9 COUNCILMAN KENNEY: Yeah, I get
10 it. I just want to -- whether or not
11 it's there and whether or not it's
12 salvageable are two open questions, but I
13 really would like to know whether there
14 or enough. And perhaps if it is there
15 and it's too cost -- it's not cost-
16 effective for us to nail it, that we
17 maybe do something with selling the
18 rights to it or something that we could
19 make some money off of it.

20 'Cause if we're giving this
21 parcel of land to the State for parkland,
22 which is a wonderful thing, and there's
23 either coal or oil or any other mineral
24 there that's theirs, the natural gas that
25 might be there is ours.

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2 So I'd appreciate you -- you're
3 getting involved in it.

4 MS. PARRISH: Thank you.

5 COUNCILMAN KENNEY: Thank you.

6 COUNCILMAN CLARKE: Thank you,
7 Councilman.

8 Councilman Jones?

9 COUNCILMAN JONES: Thank you,
10 Mr. Chairman.

11 A couple of brief questions.

12 Ms. Parrish, good morning.

13 MS. PARRISH: Good morning.

14 COUNCILMAN JONES: In regards to
15 this purchase, it allows us, if I
16 understand it, to understand the
17 fluctuating prices, and be able to get in
18 on a purchase when it is low in order to
19 have gas reserves so that we don't have
20 to experience the high end of the peak
21 when the prices are high; is that
22 correct?

23 MS. PARRISH: Generally, yes.

24 Mr. Mozer can expand on this if he would
25 like.

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2 But PGW has a purchasing plan
3 each year, and because their gas cost
4 rate is approved by the Pennsylvania
5 Public Utility Commission and they
6 continue to be subject to at least cost
7 procurement standard, they are mandated
8 to have that plan going forward.

9 And what they do is, they
10 basically lock in a certain percentage of
11 their supply at various points throughout
12 the year in order to balance the need to
13 get the best price possible, but also to
14 have a secure supply.

15 And what this ordinance does is
16 to approve PGW's entry into, you might
17 consider it, almost a master agreement.
18 It's the standard industry contract,
19 which then permits PGW to go forward with
20 individual transactions as they arise.

21 And copies of those contracts
22 and each individual transaction are
23 submitted to the Gas Commission as they
24 are entered into for our further review
25 and also for submission to the Law

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2 Department.

3 COUNCILMAN JONES: A couple
4 of -- and thank you for that background.
5 And I kind of knew the answer to the
6 question, but it is to ask this following
7 question:

8 We also have liquification
9 processes where we actually take that
10 commodity, liquefy it, and store it; is
11 that correct?

12 MS. PARRISH: Yes, it is.

13 COUNCILMAN JONES: And the
14 difference between when we buy it and
15 when we actually use it, sometimes do we
16 sell it to other municipalities?

17 MS. PARRISH: I'm not aware of
18 that right now.

19 Mr. Mozer?

20 MR. MOZER: We do have the
21 ability to do what's called "an
22 off-system sale," so we can take
23 advantage of that to some degree. We
24 would not typically sell it to another
25 municipality.

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2 COUNCILMAN JONES: In the
3 storage capacity -- and I -- you
4 actually, in an initiation, took me to
5 giant tanks and dared me to walk around
6 them, which I did not, for the record.

7 But what capacity are they
8 filled at this point with the liquefied
9 gas?

10 MR. MOZER: I'm not sure of the
11 exact volume, but it's right around 3.2
12 BCF --

13 COUNCILMAN JONES: Okay.

14 MR. MOZER: -- of total
15 inventory.

16 COUNCILMAN JONES: So for those
17 of us who speak English, is it 50 percent
18 full, 80 percent full?

19 MR. MOZER: It's about 60
20 percent full, I would say.

21 COUNCILMAN JONES: And does it
22 make sense to monitor that when we can
23 freeze it when prices are low to save it?
24 I mean, almost speculating, if you would,
25 on the fluctuation of price?

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2 MR. MOZER: Well, that's
3 typically what we do.

4 We typically liquefy the gas in
5 the summertime, when the price is lower,
6 and put it in storage, and then withdraw
7 it in the wintertime, when typically
8 prices are higher.

9 One of the issues that we have
10 right now are that prices have been
11 falling over the past year. So we
12 liquified some gas last summer, when the
13 price was higher than it actually is at
14 the current time.

15 So the inventory cost of the LNG
16 will be at a higher price than we could
17 buy flowing gas for right now.

18 COUNCILMAN JONES: So at some
19 point, you know, it will fluctuate in the
20 other end, and we'll be able to do that.
21 We have two machines that actually
22 provide this service and actually
23 performs the freezing or the
24 liquification of the gas.

25 And are they currently on line,

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2 both of them?

3 MR. MOZER: Well, we actually
4 have one process that actually liquefies
5 the gas. And, currently, they are
6 offline. We're in the opposite mode:
7 We're actually pulling liquid out of the
8 tank, pumping the liquid out of the tank,
9 reheating it up, vaporizing it, and then
10 reinjecting it into our distribution
11 system for the customers right now.

12 COUNCILMAN JONES: But in some
13 point in the future, do we have two
14 machines? We have a aging machine and,
15 as I understand it, a newer processing
16 machine, and both of them have the
17 capacity, however, to be ramped up and go
18 into production if we needed to.

19 MS. PARRISH: You're -- what
20 you're thinking and what you saw at the
21 plant there is that currently active is
22 the so-called expander plant, but the old
23 cascade plant, which is some 35 years old
24 or so, is actually not in active status
25 right now.

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2 And PGW currently is conducting
3 a review -- or wants to have a consultant
4 review -- to see what it would cost to
5 get that one back on line, if it's at all
6 feasible.

7 COUNCILMAN JONES: Well, I
8 mean -- and that's what I wanted to kind
9 of get out.

10 The second part of my
11 questioning is: In the stimulus package,
12 were we -- did we consider any of the
13 operations of the Gas Works as a part of
14 shovel-ready activities that we could
15 have ramped up for? And what were they?

16 MS. PARRISH: Yes, I know that
17 PGW has been in discussion with the City
18 regarding being made part of some
19 construction work in the street.

20 This is not really Mr. Mozer's
21 area directly, but Mr. White at PGW,
22 should you need follow-up information,
23 could provide that.

24 Yes, there's some money for
25 streets, as I understand it, resurfacing.

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2 The Water Department has some projects in
3 there, all of which would impact PGW main
4 in the street, and also PGW would
5 hopefully need to get some compensation
6 out of that package.

7 COUNCILMAN JONES: Just as a
8 point, if we do eight -- I think it's
9 eighteen miles of infrastructure
10 replacement a year.

11 MS. PARRISH: Yes, cast-iron
12 main, correct.

13 COUNCILMAN JONES: If we were to
14 double that, would that mean increased
15 employment, subcontracting opportunities
16 for people in neighborhoods?

17 MS. PARRISH: Yes, it would to a
18 degree. I think that PGW uses
19 contractors for some 70 percent, if I'm
20 not mistaken, of the pipe-laying that's
21 involved. The contractors do not work on
22 so-called live gas. That's restricted to
23 PGW's unionized workforce.

24 COUNCILMAN JONES: So is it --

25 MS. PARRISH: But there are

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2 opportunities there. There would be some
3 questions about what capacity exists in
4 the Philadelphia market. Again, if you
5 would like additional information on that
6 --

7 COUNCILMAN JONES: If you could
8 provide that to the chairman and members
9 of this committee and this Council that
10 would be appreciated.

11 MS. PARRISH: We --

12 COUNCILMAN JONES: The idea here
13 is shovel-ready is shovel-ready. If we
14 are looking at the fact that we do
15 eighteen miles, then if we doubled that,
16 then, hypothetically, we could double the
17 amount of the workforce that comes from
18 the neighborhoods. And if 70 percent of
19 that work is, in fact, contracted out, we
20 could probably get a condition from the
21 subcontractors that they hire from
22 neighborhoods.

23 Mr. Chairman, that's my interest
24 in that.

25 Finally, if, in fact, we are at

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2 some point going to have to face the
3 prospect of raising prices on gas, what
4 efforts are you engaging in in the
5 greening aspect, the first-rung
6 agreement, which is weatherization.

7 Could you put that the record
8 for us.

9 MS. PARRISH: Again, I know that
10 this is not directly in Mr. Mozer's area,
11 but I'll just briefly state that I am
12 aware that PGW is preparing to submit a
13 demand-side management and conservation
14 proposal to the Public Utility Commission
15 shortly.

16 And, as a matter of fact, as a
17 gas commissioner, Councilman Jones, you
18 will be receiving a preliminary briefing
19 on that and some other matters tomorrow
20 morning. And I think we'll be in a
21 position to provide additional detail
22 after that briefing has occurred.

23 COUNCILMAN JONES: And I would
24 encourage you to give this information to
25 the chairman as we start to look at

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2 employment possibilities.

3 Finally, the question I would
4 have is on the engineering side. We had
5 talked to one of the engineers that said
6 that there was a possibility of using the
7 same natural gas infrastructure to put
8 hydrogen and move hydrogen through the
9 same pipelines and that, in fact, don't
10 get me talking about being an engineer
11 because I am not, but it was intriguing
12 to think that if we could take hydrogen
13 and move it with natural gas and increase
14 our capacity and use alternate fuel
15 sources, that it could actually be a
16 revenue-generating aspect to the Gas
17 Works.

18 And have we moved off of that
19 idea and actually tried to vet it with
20 our engineers?

21 MR. MOZER: We have not. I --
22 we've had some brief discussions about
23 that topic, and we have not moved forward
24 on that.

25 But if it's something that --

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2 which we see as advantageous, the
3 hydrogen technology is really not that
4 developed out there, from my
5 understanding.

6 COUNCILMAN JONES: So it's okay
7 for Philly to be cutting-edge. I mean,
8 that's --

9 MR. MOZER: I understand that.

10 COUNCILMAN JONES: And so, just
11 like Councilman Kenney, who asked that
12 question about the gas potential reserves
13 up in the Poconos, I'd like some
14 information and follow-up to be provided
15 to the chairman of this committee.

16 Thank you, Mr. Chairman.

17 COUNCILMAN CLARKE: Thank you,
18 Councilman.

19 Maybe you should contact T.
20 Boone Pickins. I understand that he is
21 very well versed in the hydrogen issue,
22 so give us a reason to get him here to
23 testify at a hearing.

24 Any other questions by members
25 of the committee of these witnesses?

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2 (No further questions.)

3 COUNCILMAN CLARKE: Thank you
4 very much.

5 MS. PARRISH: Thank you.

6 COUNCILMAN CLARKE: Anyone else
7 that wishes to testify on this bill.

8 (No response.)

9 COUNCILMAN CLARKE: There being
10 none, this concludes the public hearing
11 on the committee Public Property and
12 Public Works.

13 We will now go into the public
14 meeting.

15 Councilman Greenlee, can you
16 please make a motion on Bill No. 090003?

17 COUNCILMAN GREENLEE: Thank you,
18 Mr. Chairman.

19 I move that Bill No. 090003 be
20 reported out of this committee with a
21 favorable recommendation and move further
22 that the rules of Council be suspended to
23 allow for first reading at our next
24 session of Council.

25 (Motion duly seconded.)

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2 COUNCILMAN CLARKE: It's been

3 moved and seconded.

4 All in favor?

5 Those opposed?

6 (None opposed.)

7 COUNCILMAN CLARKE: The ayes

8 have it. Bill No. 090003 will be

9 reported out of committee with a

10 favorable recommendation with a rules

11 suspension to allow for reading at the

12 next session of Council.

13 Thank you. This concludes the

14 committee hearing.

15 (Proceedings end at 10:35 a.m.)

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C E R T I F I C A T E

I HEREBY CERTIFY that the
proceedings of the City of Philadelphia
Council Committee on Public Property and
Public Works are contained fully and
accurately in the stenographic notes taken by
me on Tuesday, March 3, 2009, and that this
is a true and correct statement of same.

JOSEPHINE CARDILLO
Registered Professional Reporter

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