COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC HEARING BEFORE THE COMMITTEE OF THE WHOLE

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Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, 10/11/00
11:00 a.m.

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BILL 000583 - Authorizing amendment of PFMC Agreement to provide for temporary change in amount of temporary financing that the City may provide to PGW. . .

BILL No. 000590 - Making certain additional appropriations needed to meet unanticipated emergency created by a cash flow crisis at PGW.

PRESENT: COUNCIL PRESIDENT ANNA C. VERNA, Chair
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COUNCILMAN BRIAN J. O'NEILL
COUNCILMAN ANGEL L. ORTIZ
COUNCILMAN FRANK RIZZO
COUNCILWOMAN MARIAN B. TASCO

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Eleven Penn Center, Suite 600
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(215) 561-2220

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P R O C E E D I N G S

COUNCIL PRESIDENT VERNA: Good morning, everyone. I do apologize for the delay. This is a continued public hearing of the Committee of the Whole regarding Bill No.'s 583 and 590. Mr. McPherson, would you please read the titles of the bills.

MR. MCPHERSON: Bill No. 583, an ordinance authorizing the amendment of the Philadelphia Facility Management Corporation Agreement to provide for a temporary change in the amount of temporary financing that the City may provide to the Philadelphia Gas Works, under certain terms and conditions.

Bill No. 590, an ordinance amending an ordinance approved April 11, 2000 (Bill No. 000005) adopting the Operating Budget for Fiscal Year 2001 by making, in accordance with Section 2-301(a) of the Philadelphia Home Rule Charter, certain additional appropriations needed to meet the unanticipated emergency created by a cash flow crisis at the Philadelphia Gas Works.

COUNCIL PRESIDENT VERNA: I think we ought to have members of the Administration approach the witness table, please.

(Administration witnesses come forward.)

COUNCIL PRESIDENT VERNA: Good morning. Again, I apologize for the delay.

Miss Wilkerson, is there anything that you would like to add to your previous testimony?

MS. WILKERSON: Over the course of the last several days, we've been meeting with a number of Councilmembers and have touched on many of the points that I would normally make today.

I think that I would like to emphasize that the scrutiny that the company has come under in the course of the last couple of weeks has actually been a real positive step forward, I think, as difficult as it's been some of the time. The company has made enormous strides over the course of the last several months. We're very proud of the fact that we've managed to rebuild substantial portions of the IT system, that we have 30,000 customers -- most of our customers are now in the system for the first time in over 15 months, that we've hired additional employees for the Call Center, trained employees for the Call

Center, got the parts and labor plan working for the first time in a year. We've already enrolled over 60,000, realizing over $5 million in cash to the company.

We've begun making numerous strides in trying to restore the credibility of the company and welcome the kind of involvement that the company now has as we move forward in trying to transition through regulation, and so have been encouraged by the challenging scrutiny that the company's received.

I think this winter is going to be very difficult for the company. We are facing enormous challenges, in part due to factors beyond our control. We have a proposal pending in front of the PUC that would increase our GCR by over $97 million. It's going to create hardship for many. We're putting together programs now to try to alleviate some of that hardship.

We also have pending in front of the PUC requests for based-rate relief, and while it's difficult to even ask for that, it's something that is critical if the company's going to succeed in the years going forward.

And I just want to, you know, reiterate that we appreciate, you know, the kind of involvement that the company's had. I think it's that kind of involvement that is going to sustain the company in the coming years.

Yesterday, as people know, the company received a decision from the PGC, approving the $45 million loan request. There were recommendations to City Council that it impose a number of restrictions. The Administration embraces virtually all of those restrictions. They require that the Administration create segregated funds, that there be restrictions on how the money is withdrawn. It would require that the Finance Director certify to any request to withdraw from the segregated account. It would require monthly reports back to City Council, to the Finance Director and also the Gas Commission. We support that, as well as a more regular reporting mechanism on the progress that the company's making on some of its management goals.

The one condition that the company and the Administration find troubling is the requirement that would link the draw of the second

25 million to a submission and approval of a five-year strategic management and operating plan. It's our position that in the months going forward, the company's financial condition is, at best, precarious and that that kind of linkage creates a difficult burden.

We support the goal of trying to -- of developing a five-year plan. I think it will focus the activity and the resources of the company in moving forward. It's just at this time, when the company is as pressed as it and operating on the kind of shoe string that it is with so many contingencies, we feel that it will be difficult to have that, you know, level of flexibility removed, and would ask that those two requirements be uncoupled.

I think that, you know, we have been asked to provide additional information with respect to other kinds of financing mechanisms, and we're prepared to -- you know, we've done some communicating with Councilmembers. If there are individual questions about those alternative mechanisms, we're prepared to answer those questions.

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COUNCIL PRESIDENT VERNA: When do you think a five-year plan would be available?

MS. WILKERSON: The company currently has the outlines of a three-year strategic plan. We have been focusing on the period that would lead us into deregulation, and that does two things: it takes us up to the point at which the company's way of doing business may be altered fundamentally also; it also enables us to focus on the problems that challenge the company right now.

When this current administration took over, we encountered a company that was at the point of collapse. We had no way of generating financial statements for the company. We were unable to bill between 30 and 50 thousand of our customers. We had no way of logging in customer requests for the parts and labor plan. And at the same time, we had people leaving the company at an unusually high rate. We have been focused on trying to stabilize a company that was in crisis and finds itself close to the point of collapse.

And so if you look at the outline of what it is that we want to do with our strategic plan, we are focused on getting the customer service up to an acceptable level. We are focused on trying to restore baseline financial condition of the company, and chose to limit our horizon -- our management and planning horizon to three years. The company has generated five-year financial plans. Those, I believe, were submitted to the Gas Commission at the time the FY 2001 budget was committed.

But, you know, we expect to have a full, you know, plan. You know, we have a draft -- we can have a draft of our three-year plan circulated by the end of November. The full plan could be available, you know, with accurate information by June. As you know, the PUC will entertain a base-rate case from the company. We'll be filing that no later than January 1, 2001, expect a decision in the base-rate case by approximately June, I believe -- is it June? By June 2001.

It would be at that point that the company will really know what its financial condition is likely to be in the years moving forward. Before that, there is a lot of speculation in our numbers.

COUNCIL PRESIDENT VERNA: Thank you.

Are there any questions from members of the committee? Are there any questions from members of the committee?

Oh, I'm sorry. Councilwoman Krajewski's light is not on. There we go. Councilwoman Krajewski.

COUNCILWOMAN KRAJEWSKI: Thank you.

Joyce, can you just state for the record where you came up with the amount of $45 million?

COUNCIL PRESIDENT VERNA: Pull that mike lower, the neck of your microphone. Just pull it down.

COUNCILWOMAN KRAJEWSKI: Mr. DiCicco's very good at this.

COUNCIL PRESIDENT VERNA: Just pull it down.

COUNCIL PRESIDENT VERNA: Yes, thank you.

Can you just state for the record where the amount of 45 million originated?

MR. KNUDSEN: Yes. My name is Tom Knudsen. I am Interim Chief Financial Officer for

PGW.

To respond to your question, Councilwoman, we have done any number of proforma projections of company operations. And under what we consider the most dire circumstances, the 45 million is an amount that meets our needs and gives us a slight cushion in the two critical periods of the coming fiscal period. So that 45 was a number that we determined based upon analysis.

COUNCILWOMAN KRAJEWSKI: So it could be more or less?

MR. KNUDSEN: Well, it all depends on what the cost of gas -- what the gas markets will require of us. But we have assumed, you know, a fairly pessimistic point of view in our projections, and the 45 million addresses those needs.

COUNCILWOMAN KRAJEWSKI: What exactly will the 45 million be used for? Will it be gas, will it be payroll or what?

MR. KNUDSEN: Yes, it will be used to meet our purchases --

COUNCILWOMAN KRAJEWSKI: Excuse me. Is

there any limit as to the loan?

MR. KNUDSEN: As to the use of the loan for particular purposes, I don't believe there is. But basically, we would use the loan to purchase gas. That's what we need it for.

COUNCILWOMAN KRAJEWSKI: Strictly for gas.

MR. KNUDSEN: Well, I don't want to say strictly for gas because cash is cash, and we may have a need that overlaps with our gas purchases, but that is principally the reason why we are here, is the need to finance our gas purchases.

COUNCILWOMAN KRAJEWSKI: Well, the big question is, how will the loan be paid back?

MR. KNUDSEN: I'm sorry?

COUNCILWOMAN KRAJEWSKI: How will this loan be paid back?

MR. KNUDSEN: The loan will be paid back from the receipts from customers who we will be billing for the gas that they will be receiving at the higher -- at these higher costs.

The problem that we have is that we must purchase the gas before we can bill and collect from our customers. So the loan will be paid back immediately -- or more accurately, we will be putting the funds back into this reserve or escrow account that we will be creating as we go forward.

MS. WILKERSON: I think there's also one other piece that we have in all of our documentation. The company has to get out of the commercial paper market for a five-day period in -- or show the capacity to get out of the commercial paper market for a five-day period in June. We will be drawing down funds from the loan in order to meet that test.

But we anticipate that any use of the funds will go through the process that was recommended by the Gas Commission so that the company would have to file a certificate that would articulate the basis for the request. And that would have to be approved by the Finance Director before the funds would be made available to the company.

COUNCILWOMAN KRAJEWSKI: You know, PGW's argument that it needs the 45 million right now in case an emergency rises when Council is out of session, what kind of emergency would cost

$20 million in 5 weeks in the amount of time that Council is out of session?

MR. KNUDSEN: It isn't that it necessarily would be 20 million, but the restriction right now is that we would get 25 million prior to the filing of a five-year plan and $20 million after it was judged acceptable by the Gas Commission.

At the present time, we will have a substantial need for funds in January. We have two requirements in January: one, we must pay our December gas bill; and, two, we have a very large $25 million payment that is due as a debt service payment. We pay interest and principle on our debt in January.

The issue, then, is to what extent, if we were to experience substantial run-up in the cost of gas in the November and December time frames. We might not have -- or the $25 million might not be sufficient to meet that need.

So it isn't that we necessarily would need the full 45, but we may need well in excess of 25, maybe 30, maybe $35 million. That would be the circumstance and the uncertainty that we're dealing with.

COUNCILWOMAN KRAJEWSKI: I just have one more question. If the City waives the $18 payment, how would this affect your request for rate increases? Will PGW then request less of an increase, or will the company still be requesting the same amount?

MR. KNUDSEN: It's our intention to request the same amount. We view the $18 as a contingency, as a --

(Interruption; sound system failure.)

COUNCIL PRESIDENT VERNA: Excuse me, excuse me, please. The stenographer could not hear you.

MR. KNUDSEN: We consider the $18 million as a contingency provision only. We are asking for the full amount that we need to operate the company in our filings before the PUC.

COUNCILWOMAN KRAJEWSKI: Thank you.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Ortiz.

COUNCILMAN ORTIZ: I -- I don't have -- I just have a gut feeling about all of this, that

$45 million, this is taxpayers' money. And there are really no assurances that it's going to get paid back.

When a bank gives a loan, there are usually penalties that are included in the loan repayment plan, that if you don't meet the scheduled payment, you will get penalized. The ratepayer here gets a huge rate increase, the taxpayer has to give up $45 million, so the taxpayer's getting it from every side, without any reassurances.

And we all -- I think everybody on this floor here understands that PGW has been mismanaged and needs some money. I just have not yet been convinced that City Council and the taxpayers have to be the source of the bailout. I just have not been convinced because I have not been presented with any documentation that will give me the reassurances that we should be the bailout banking resource for PGW. I have not seen anything yet, I have not been told anything that is convincing that we're not just putting good money down a black hole. I think we're in a situation in which nothing has changed from the last time you were before us.

And at this time, I just do not know, I have not been convinced why should we enter into the loan business. I leave that to First Union and Mellon and those other banking institutions. A plan has not been presented that is convincing, a management plan has not been presented, a priority, a repayment plan, nothing has been presented to this Council to give this Council and the taxpayers of the City any confidence that any action we take here is going to have any effect upon changing the culture of PGW and any effect in bringing better service to the rate payers of the City.

So I -- I wait to be convinced during the next hour or so, Madam President, but right now, I am not convinced at all that we should be the banking resource for $45 million.

MR. KNUDSEN: Councilman, may I respond to your point with two statements or two comments.

One is that we have gone to the banks, or PGW has gone to the banks historically. They had a $100 million -- or we had a $100 million line of credit. As few as three years ago or four years ago, we had only 0 to $15 million in that account; in other words, we had $85 million to draw upon and operate the company.

The problem is that over the last three years, three and a half years, we've experienced substantially warmer-than-normal winters, and we have financed the deficits of the company with borrowings from the short-term debt instrument that we had available to us.

So we find ourselves essentially out of the banks at this point, without recourse, for a variety of reasons of which we've --

COUNCILMAN ORTIZ: Are you saying bank are refusing to lend you money?

MR. KNUDSEN: We don't have recourse to the banks right now.

COUNCILMAN ORTIZ: I didn't ask that question. Are you saying that banks are right now denying you loans?

(Witness comes forward.)

MS. BISGAIER: I'm Barbara Bisgaier from Public Financial Management.

COUNCILMAN ORTIZ: Speak into the

microphone.

MS. BISGAIER: I don't have to look at you?

COUNCILMAN ORTIZ: That's all right.

MS. BISGAIER: Sorry. The principal lender to the bank right now is Morgan Guarantee Trust Company, and they will not extend further loans to the company without some other assurance that it could be paid back.

COUNCILMAN ORTIZ: So the bank wants assurances that it could be paid back. The City doesn't want any assurances that it can be paid back, we just take it on faith.

MS. BISGAIER: No.

COUNCILMAN ORTIZ: And we can give $45 million without really no assurance that it can be paid back.

MS. BISGAIER: Well, the bank has already loaned $100 million.

(Unintelligible, parties talking over each other.)

COUNCILMAN ORTIZ: I'd just like the (unintelligible) that the bank use that they don't want to lend any money because there's no assurances that it can be paid back.

This is the taxpayers of the City of Philadelphia who are loaning $45 million, not City Council. It is the taxpayers of Philadelphia who are going to get hit with a huge rate increase. And the banks are asking for assurance and you cannot give the bank assurances, but we've got to take your word.

MS. WILKERSON: I think that -- if I can respond.

First of all, I don't think that we're simply asking you go take our word. We are trying to work with the City Council, with the Gas Commission, with the Controller's office, and also with the Administration to set up a mechanism that limits the disbursement of the funds, you know. As a first point, the company does not have the option of simply coming to, you know, and tapping into the $45 million every time it wants. There is a process set up that would require that a reason be articulated, that it satisfy the Director of Finance, that there is in fact a legitimate need for the funds, and there will have to be a representation about how the funds will be repaid.

We have circulated to members of City Council cash flows that make fairly pessimistic assumptions about what's likely to happen. We assume an interim rate increase, I believe, of $25 million. We assume the cost of gas going up to $160 million higher than what it is currently. And we also have cash flows that assume warmer-than-normal winter.

And under all of those scenarios, we indicate that the company will be paid back, you know, depending on exactly what scenario you look at. Sometimes the company is, you know, shows balances at the end of the year, but there is no scenario that we've run that show the City or the taxpayers being left high and dry.

And we, you know, pursuant to the requests that have been made, we've also gone to lending institutions and asked, are there any conditions under which you would loan money to the company? We've been told yes, there are conditions, but they require that the City guarantee the debt.

You know, the condition of the company

is dire and unfortunate. We find ourselves in a position of not having a lot of alternatives. What we are going through now is the result of years of improper management of the company. It's not a situation anybody wants to find themselves in.

COUNCIL PRESIDENT VERNA: Are you finished, Councilman?

COUNCILMAN ORTIZ: Yes.

COUNCILWOMAN VERNA: Thank you.

We were having some trouble with our screen. All Councilmembers that want to be recognized, please press your button again so that we will know who wants to be recognized. Thank you.

Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam President.

Under Bill 583, it's my understanding that we are amending the Philadelphia Facilities Management Corporation agreement to -- for them to borrow up to $45 million. That is a changing amount from 20 million, I believe?

MS. WILKERSON: Mm-hmm.

COUNCILMAN GOODE: What is the process in the past for allowing for that financing of up to 20 million? Was there a requirement for a five-year financial plan, was there a loan proposal? What sort of mechanism was used to provide accountability, or is used under the current agreement?

(Witness comes forward.)

COUNCIL PRESIDENT VERNA: Good morning. Kindly identify yourself for the record.

MR. BOGDONAVAGE: I'm Joseph Bogdonavage. I'm the Director of the Gas Works.

Councilman, to respond to your question, I'm not real clear on all of the particulars, but in the early '80s, the Gas Commission, along with the Director of Finance, was able to loan, with a City Council resolution, the $20 million loan to the Gas Works, which, again, was in lieu of some working capital problems that we had in the early '80s.

COUNCILMAN GOODE: And what sort of financial documentation was submitted to Council? Was there a loan financing proposal, was there a five-year financial plan? What sort of documentation was submitted in order to enable Council to make a decision on up to $20 million?

MR. BOGDONAVAGE: I don't know the particulars at hand, but I think it was basically a City Council resolution.

COUNCILMAN GOODE: Okay. So in other words, in the past, it's reasonable to say that City Council went along with the financial need expressed by the Gas Works.

MR. BOGDONAVAGE: That's correct.

COUNCILMAN GOODE: And it's reasonable to say that if we were to approve $25 million today as an initial advance in financing, that we would be approving that without a five-year financial plan, we'd be approving that without a loan proposal, we'd be approving that essentially without any requirements that you can state that's needed to approve that $25 million.

MS. WILKERSON: The mechanism that we would anticipate would have the company articulating a need for the money. The Finance Director would review to verify that there is that need, you know, would review the cash flow situation to determine whether or not, you know, what the likelihood of repayment is.

So, you know, we would anticipate setting up a mechanism that would have more checks and balances than previously.

COUNCILMAN GOODE: So exactly City Council, that is, recommending that we have a mechanism for the second 20 million but not for the first 25.

MS. WILKERSON: No. I think there is broad support for checks on the disbursement of the entire amount. In talking with people, you know, from the Administration, in talking with the City Controller and most of the Councilmembers here, nobody is in favor of simply writing a check in the amount of 45 million to the Philadelphia Gas Works.

I think that all of the money -- you know, everybody wants to see all of the money disbursed pursuant to a very intentional and thoughtful process that would require that the financial officer of the Gas Works submit a certificate for review by the Finance Director, you know, and that, you know, tat she would have to be satisfied with the proposed use of the funds, would review the repayment proposal.

We have been asked to provide reports back on a monthly basis so that members of City Council, the Gas Commission, the Controller, and the City can all track, you know what's going on not just the $45 million loan but with the City finances overall so that at any point, you know, funds are disbursed, you know, folk have their eyes wide open and understand the transaction and the context for it.

COUNCILMAN GOODE: I understanding the discussions have taken place, I understand the $45 million is definitely needed, I understand that there probably is an overwhelming majority of Council that's ready to support $45 million.

What I'm saying is that under the current agreement, we're already allowed to advance the 20 million --

MS. WILKERSON: Mm-hmm.

COUNCILMAN GOODE: -- without any of the financing mechanism in place other than City Council resolution. In the past, it seems this Council prepared to do at least 25 million, without any new financial mechanism today.

MS. WILKERSON: Mm-hmm.

COUNCILMAN GOODE: But it wants to require a new financing mechanism proposal, a five-year financial plan for the additional 20 million.

MS. WILKERSON: That's correct.

COUNCILMAN GOODE: What would be your recommendation in terms of what is needed for the 25/20 or 45 million?

MS. WILKERSON: I think it is appropriate to have oversight of the disbursement of funds. I think it's appropriate for the company to have to articulate a specific reasoning for the funding. I think it's appropriate for the Finance Director to control the disbursement of the funds.

I think, you know, as difficult as some of the, you know, some of the discourse and the scrutiny is, I think it is appropriate for the City to pay close attention to what's going on with the company and to ask the difficult questions. I think that, you know, we got, you know, into the situation we are in because there hasn't, you know, in part, because, you know, the oversight hasn't been what it ought to be, you know, and when you call for the oversight, you know, you got to deal with the, you know, with the fact that it makes life more difficult.

But I think in the long run, we will be a better operated company. In the long run, the City will have more confidence in how the company is operated. And in the long run, some of these controls, you know, will inure to the benefit of all sides.

I think that the challenge and the question is, you know at, what point are there so many hurdles imposed that you really do limit the company's ability to respond flexibly and aggressively at a time when the market is less predictable than it's ever, you know, been in the last 20 years, at a time when the company has less resources to draw upon perhaps than ever before, at a time when the company is being stretched. Last week, we were testifying in Harrisburg, the Gas Commission, City Council; at the same time, we're trying to fix the computer system, you know, work on the Call Center operations. That's just the reality of running PGW, you know, because of the state in which we encountered it.

So I think that reporting and monitoring and supervision is good and constructive. I think that there's a point at which you jeopardize the company's ability to function and respond in a very unpredictable environment.

COUNCILMAN GOODE: So this bill actually just amends the amount that we can finance, and the request is for 45 million. Is it your understanding that Council, through informal conversation, is going to approve that 45 million? Or is it based upon the financial documentation submitted to Council?

MS. WILKERSON: That would be my hope. You know, the Administration's request is for the approval of the 45. The Gas Commission has approved it. My understanding is that there's some support for the loan to the company, that there is concern about the kind of control over the disbursement of the funds and about the reporting that takes place.

COUNCILMAN GOODE: Madam President, can

I ask a request of the Gas Commission? Or should I wait till after people question the Administration?

COUNCIL PRESIDENT VERNA: Councilwoman, are you agreeable?

COUNCILWOMAN TASCO: Yes.

COUNCILMAN GOODE: I just want to know where the 25/20 figure came rather than doing 30/15 or a 35/10. What is the rationale behind the 25/20?

COUNCILWOMAN TASCO: The hearing examiner came up with the recommendation. Janet Parrish is the Hearing Examiner for the Gas Commission who took the testimony and made the recommendation to the Commission, which the Commission adopted.

And a point of information for the Councilmember. The agreement requires that the request for money to City Council or from the City alone has to be approved by the Gas Commission. So when they loaned the $20 million last time, we don't know what the conditions were or --

COUNCILMAN GOODE: My question is really, why a 25/20 rather than 30/15 or 35/10?

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COUNCILWOMAN TASCO: I'm going back to your first --

COUNCILMAN GOODE: It's a simple question: where did the number come from?

COUNCILWOMAN TASCO: All right. Janet Parrish come forward to the table.

(Witness comes forward.)

COUNCIL PRESIDENT VERNA: Please identify yourself for the record.

MS. PARRISH: I'm Janet Parrish, Senior Hearing Examiner for the Philadelphia Gas Commission.

Councilman, to respond to your question, the 25 million came directly from PGW's cash flow scenarios, which we had requested that they run in order to prepare ourselves to review the request. And in their worst-case scenarios, what was shown that $25 million was the amount that would be needed in the month of January 2001. As Mr. Knudsen has previously indicated, a large debt service payment of about $25 million is due on January 1, 2001. They would need negligible amounts, if anything, in the months of November based on their own scenario.

So that's the basis for the $25 million figure. It was something that appeared to us would be a prudent amount that would get the company through the initial period. And the 45 million, according to their own scenarios, is not required until June 2001, at which time the commercial paper must be paid down, as was indicated.

COUNCILMAN GOODE: So is it your opinion that they need $25 million and an additional 20 million when?

MS. PARRISH: $25 million as of January 2001, or, as I stated in my recommendation, no later than December 31 of this year, and $45 million in the month of June 2001.

And that is based on -- let me just add if I may a worst-case scenario. A worst-case scenario means they only receive $25 million of the 52 million they've requested from the PUC in interim base rate relief. It assumes a worst-case scenario on increased gas costs that's an increase of $167 million in the gas cost rate, not the 97 million which the company has actually filed for to date. And it also assumes a 10 percent warmer-than-normal winter.

So those were some pretty key assumptions that we thought gave us pretty much of an outside margin on what the company's needs would be.

COUNCILMAN GOODE: So is it your opinion that they need 25 million by December 31st or January and 20 million by June, that they do not need 45 million --

MS. PARRISH: No, they need 45 million in June. In other words, what they've indicated to us is once they draw down the $25 million in January, that that amount of money would subsequently be repaid to the fund over the next several months as the cash flow started to turn positive. And Mr. Bogdonavage, I think, can confirm that.

So by the time you got to June, you would be again in the position of having the 45 million in the restricted account available to be drawn down.

COUNCILMAN GOODE: So if we're providing 25 million by December 31st, we really don't need any other authorization to provide the

20 million under the current agreement; is that correct?

MS. PARRISH: The only thing that would have to happen is you'd have to have the five-year plan filed and approved as --

COUNCILMAN GOODE: That's not a part of the current agreement.

MS. PARRISH: I'm not sure I understand what you mean by "the current agreement."

COUNCILMAN GOODE: If we were to approve the 25 million that is needed by December 31st, another 20 million could be authorized under the current agreement without --

MS. PARRISH: Right. I suppose theoretically, you could authorize it separately, but that's a little different --

COUNCILMAN GOODE: I'm here to discuss a bill.

MS. PARRISH: Right.

COUNCILMAN GOODE: Not back room maneuvering and discussions taking place among a number of different people and separate different processes that have taken place. I'm here asking a technical question about the bill.

The bill here really is just actually upping the amount of money to $45 million, but there is some proposal on the table to do 25 and 20. Under the current agreement, we are authorized just by City Council resolution to do 20. If we're going to do 25 today, is there really anything else needed under the current agreement to do an additional 20 at any point other than a City Council agreement?

COUNCILWOMAN TASCO: Point of order, Madam President.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: I tried to answer your question.

Even on the 20 million that Council would approve by resolution, the request has to be made through the Gas Commission. The Gas Commission, during that course of discussion, could still put restrictions on the 20 million. It doesn't stop you from adding restrictions to it. Just because you have the ability to loan the PGW the money from the City, the request has to go through the Gas Commission.

COUNCILMAN GOODE: But there are not current restrictions under the current agreement.

COUNCILWOMAN TASCO: The --

MS. PARRISH: The restriction is 20 million.

COUNCILMAN GOODE: The restriction is only --

COUNCILWOMAN TASCO: The restriction is on the dollar amount.

(Inaudible, parties talking over each other.)

COUNCILWOMAN TASCO: The restriction is on the dollar amount. It doesn't mean that we couldn't have amended it to --

COUNCILMAN GOODE: We could, but I'm saying, under the current agreement, the only restriction is dollar amount.

MS. PARRISH: And prior approval of the Finance Director.

COUNCILWOMAN TASCO: And prior approval of the Gas Commission.

MS. PARRISH: And the Gas Commission, that's correct.

COUNCILMAN GOODE: Thank you very much.

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COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

I wanted to go through a couple of items. There was discussion when we were together last week about alternative funding proposals, and I'd like to at least get on the record some finality to at least one of the ideas. Last week, we ended up in some discussion after we had recessed, and I wanted to get the final details on the alternative idea, which was increasing the commercial paper program cap amount and having the City provide its full faith and credit to give greater reassurance, whether to the Morgan Guarantee or to any other bank.

And I'd just like to basically put a period at the end of that sentence and have you put on the record what you found out, what you came up with, what some of the pluses and minuses are, and what your final recommendation is with regard to that particular proposal.

MS. BISGAIER: Councilman, we had a preliminary discussion with Morgan Guarantee Bank about their willingness to extend the amount of their letter of credit by approximately $50 million, which they were willing to do. If the City guaranteed it, that would allow the increase in the commercial paper program that PGW currently operates.

When we reviewed that concept with the Law Department, they have informed us that because PGW is part of -- is the City and there's not a distinction between PGW and the City, the City cannot guarantee, and I'm speaking for the Law Department here, so forgive me for not being totally technical about it, but the City cannot guarantee its own debt, and the commercial paper would be considered debt of the City in that scenario. Without the formal action of Council to incur a general obligation liability, and it's the preliminary opinion of the Law Department that that would rise to the level of a ballot question before that guarantee could be placed on the commercial paper.

So while it's technically doable, it's certainly not timely doable.

COUNCILMAN NUTTER: And what would such

a question say?

MS. BISGAIER: "Shall the voters authorize the City to enter into a general obligation pledge for $50 million of a loan taken out by PGW?"

COUNCILMAN NUTTER: Well, phrased that way, chances are probably. . .

MS. WILKERSON: Small?

COUNCILMAN NUTTER: Other than that, how did you like the (inaudible).

All right, so you have a -- basically what you've gone through is, you approach the banks, they said, yes, under these certain conditions, the City could do that, and now we've run into this new fairly significant hurdle of, Oh, and by the way, you have to get a ballot question approved by the voters in order to provide the support.

MS. BISGAIER: That's correct.

COUNCILMAN NUTTER: Okay. And what did Morgan Guarantee have to hang its hat on for the upwards of $97 million that's outstanding the debt? Suppose the company doesn't pay, what to they get, what happens?

MS. BISGAIER: If the company doesn't pay Morgan, Morgan becomes a secured creditor of the company, and they're entitled to be repaid on a schedule that's been already bargained ahead of time with them out of the revenues of PGW. The only source of repayment to Morgan is PGW revenues.

COUNCILMAN NUTTER: And so under that payment schedule or that kind of workout schedule, they're not willing, short of a City guarantee, to extend any more commercial paper to PGW?

MS. BISGAIER: That's correct.

COUNCILMAN NUTTER: Thank you.

Tell me a little bit about the repayment schedule for the 45. It was not crystal-clear to me as to -- the amendment in the bill, the section of the management agreement that's being amended talks about, Provided further, however, that during the period June 30, 1981 through June 30, 1983, and now the new language, and the period September 1, 2000 through August 31, 2002, such advances may exceed $20 million in an amount that shall not exceed $45 million in amount.

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Does that mean that whatever loans are made, you have the $45 million, and whenever they're drawn down, that the final repayment of any drawn-down loan has to be by August 31, 2001? Or does it mean that you get to draw down during that time period and you get to repay for any two years' amount of time from the day of the draw-down?

Don't everybody jump to the microphone at once.

MS. DAVIS: We're anticipating, Councilman, that it would be drawn down during the period to August 31st, with the repayment 24 months from the point of the draw-down.

COUNCILMAN NUTTER: I'm sorry, Madam Finance Director, I was slightly distracted by another party. Could you give me the beginning again?

MS. DAVIS: We're anticipating that the draw-down will be until the August 31st date, but the repayment would be 24 months from the date of draw-down.

COUNCILMAN NUTTER: Well, couldn't that then take you past August 31, 2002, depending on when the first, second, third, fifth draw-down was made? I mean, I thought I heard you saying basically two things. You expect it to be August 31, 2000 m, but it is two years from when you draw it down. I mean, it sounds like you want to have it --

MS. DAVIS: Yes, there's a 24-month clock on each initial draw on each time there is a draw.

COUNCILMAN NUTTER: I understand. So let's say they take the 20 million that they need for January in January 3 million of 01. You get two years, and it takes you to January of '03.

MS. DAVIS: Yes.

COUNCILMAN NUTTER: Is that correct?

MS. DAVIS: Yes, sir.

COUNCILMAN NUTTER: And if we took another -- if we took the balance sometime in '02, June, you get to pay that back in June of '04, right?

MS. DAVIS: Yes.

COUNCILMAN NUTTER: All right? This was -- I mean, I know a lot of things have possibly changed since we were last together. The concept as presented was, it's a two-year payback. We've now, by this very simplistic example, gone into a four-year payback.

Which is it?

MS. DAVIS: It is a 24-month draw-down. In your example where there would be a draw sometime in '02, I think at that point, given what we have -- the mechanisms we have for reviewing the company's position, if it requires -- if they did not require a draw in that long a period, I would have to question their need at that point for that draw and those circumstances, because we are addressing a short-term problem of the company; we are not here to address a two-year problem of the company.

So if the company is still making draws in '02, then we have not gotten the kinds of rate relief, and there are other issues that the company will be dealing with at that point.

COUNCILMAN NUTTER: Well, what is your anticipated draw-down schedule?

MS. DAVIS: We're anticipating that by June of '91, the company would have drawn the full 45 million from the City.

COUNCILMAN NUTTER: Which means that no matter when it's drawn or how many times -- or two transactions, five transactions, under that scenario, you expect that all payback would be by June of '03.

MS. DAVIS: Yes, we do.

COUNCILMAN NUTTER: Okay. So, I mean, to kind of keep it all in a tighter box, does it maybe make some sense to set in this ordinance a final date by which either all funds must be paid back or all funds must be borrowed and to get -- I mean, I understand your position on, Well, if they're doing that and if they haven't drawn down, if that doesn't make any sense, blah-blah-blah -- (to the stenographer) and I don't know how you're going to take that last statement down.

But, I mean, does it make sense to make the box either smaller, tighter, more firm so that certain things have to happen in a defined period of time and the paybacks have to be within a defined period of time and any draws have to be within a defined period of time, as opposed to, you know, something that could extend for a four-year period?

MS. DAVIS: Councilman, I don't think that that would be a bad way of tightening it, to put a final draw date, as long as we adhere to what their scheduled draw-down is, and if it's a June 2001, then have a date certain, a June 2003 as the final pay date.

COUNCILMAN NUTTER: So you would -- in this broader discussion, you would give some consideration to that, you might have some language to go with that, and we could go with that as --

MS. DAVIS: Yes, sir.

COUNCILMAN NUTTER: Thank you.

Let me go back to the earlier question. The concept -- and I don't continue to push for this because of any particular pride in authorship or anything, I'm still learning.

My only experience with ballot questions usually involve capital expenditures, which usually involve 30-year repayment schedules. We put our -- I mean, we have -- just the other week, we had the wonderful opportunity to talk about, you know, a small recreation center down at Broad and Patterson. And so the voters will be faced with $162 million ballot question. We've done these questions from time to time.

I have no familiarity with a general obligation short-term debt being a ballot question.

MS. DAVIS: If we borrowed under that scenario, there is something else that would be triggered. In that instance, it would become working capital instead of a capital borrowing, and we couldn't borrow on a tax-exempt basis for working capital. It would then come out of the realm of capital, as you explained, and it would be an operating loan. And operating loans don't usually qualify for tax exemption.

So in that scenario --

COUNCILMAN NUTTER: But I thought we weren't making the loan, just providing the guarantee. PGW's getting the loan.

MS. DAVIS: But it would become our loan because we could not guarantee our own debt. At least that's the explanation we've gotten from the Law Department.

MS. WILKERSON: Councilman, I'd like to have the Law Department give you something more formal in writing that addresses in detail, you know, the rationale, you know, and refers you to the appropriate statutory requirements so that we can track it through.

COUNCILMAN NUTTER: Okay, all right.

With regard to -- I read in the testimony from last week's Gas Commission hearing, certain statements were made with regard to who will be in control of $45 million, $25 million, some significant sum of money in the short term here and this draw-down issue.

I thought I heard in the briefing yesterday, and possibly even in some testimony this morning, that the Finance Director would have some approval role in this process, but in the testimony at last week's Gas Commission hearing, the record was made clear that the company -- I'm sorry, Councilman Cohen -- that PGW management would soley be in control of the draw-down of the money, that the account would be a PGW account, and that the City's primary role in that would be to get the interest from that account, in that it wasn't a financial opportunity or bonanza for the company.

It was further explained on the record last week that PGW management -- I'm sorry, the board would not be involved, I'm assuming making reference to the PFMC board, would not be involved in the decision-making process either.

And lastly, what is the mechanism for the Finance Director to have that particular role in the bill, as laid out before us? Can you provide clarification, Madam Finance Director?

MS. DAVIS: The Gas Commission's recommendation has been that there be a review and signoff by the Finance Director, and we embrace that recommendation. And so we would maintain --

COUNCILMAN NUTTER: Well, let me just -- that was the Gas Commission recommendation yesterday. Let's talk about last week first. I mean, I'd like to walk it through chronologically.

Last week your testimony was that this money would be under the sole jurisdiction of PGW management, not the board, not anyone else, and they would draw it down and use it how they best saw fit, and the City would be the beneficiary of the interest; is that correct?

MS. DAVIS: That's correct.

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COUNCILMAN NUTTER: Okay. So under that scenario, the Finance Director had no role in that; is that correct?

MS. DAVIS: That's correct.

COUNCILMAN NUTTER: Yesterday, the Gas Commission made its recommendation. Your testimony today is, you embrace that recommendation.

My question is, what is there before us that implements and ensures that level of recommendation and that level of involvement by either the Finance Director or any other parties? Because I don't see anything in front of us today that says anybody is doing anything other than extending the time period and authorizing the $45 million.

MS. DAVIS: A document has been prepared amending the bill that I've just learned hasn't been distributed to include that --

COUNCILMAN NUTTER: Is it still wet? What do they have, PC's in the back of the room?

Madam Finance Director, you know, it's Wednesday, it's the middle of the week, I'm usually pretty nice by midweek. Why don't I pass

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because you obviously have some people who want to talk to you about the document that you keep waving, and you can kind of figure that out and get back to us.

MS. DAVIS: Thank you, sir.

COUNCILMAN NUTTER: You're welcome.

COUNCIL PRESIDENT VERNA: Thank you. Are you finished, Councilman?

COUNCILMAN NUTTER: Yes.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam Chair.

I have a question. I need some clarity on this draw-down process. I don't know who could speak to that.

MS. DAVIS: We'll both try of the.

COUNCILMAN CLARKE: Both? Okay. Assuming that there's $45 million in the account, how does that draw-down process happen. Is it invoiced, is it as needed? I mean, what has to happen, explain that to me if you can, please.

MR. KNUDSEN: According to our

understanding of both what we need and as well as the Gas Commission's recommendations, I would certify -- let's assume this is the 15th of December and we needed $20 million to get over the January requirement. I would certify to the Finance Director that $20 million was necessary. It would be required for specific disbursements, and I would submit it to her.

She would then, in turn, review that, probably we would discuss the matter, and she would, in turn, certify that it was required. At that point, the anticipation is that she would then forward the funds to this escrow account, this independent --

COUNCILMAN CLARKE: To what? I'm sorry.

MR. KNUDSEN: To an account in the -- that is in PGW's name, and that those funds would then be available to management, this $20 million advance from the City to this account would then be available to management to use as is required to meet these disbursements, as indicated.

COUNCILMAN CLARKE: To what level of detail is that request? Is it a line item for salaries, for various operating expenses? Is it, like, we need $20 million for --

MR. KNUDSEN: I think we don't anticipate that it would be a line item kind of review; that it would identify categories of expenditures that we would anticipate as needed. But, presumably, it would be fairly specific but not to the line item detail.

COUNCILMAN CLARKE: You say that you would anticipate --

MR. KNUDSEN: Well, for example, right now, I would anticipate a certification saying these funds would be used for salaries, for debt service payment, and for gas costs payments. I mean, it would be that kind of a level of detail that we would anticipate.

COUNCILMAN CLARKE: There was question about the interest accrued on the account. Does that, in fact, go to the City?

MS. DAVIS: The interest would accrue to the City.

COUNCILMAN CLARKE: Okay. I have a question on the low-income customers. My understanding, in talking to several people, there was an issue about eligible customers that, we were reaching approximately 40 percent of them. We have had to in the past, under LIHEAP, had to extend the period for applications. I understand under the gas company's CRP Program, we're only reaching around 40 percent of income-eligible customers.

What is it that PGW plans to do to increase that percentage? 'Cause substantially, I mean, both for the customer and for the company, 'cause I'm assuming if you get this money out, the people with the ability to pay into the company would benefit both parties.

MR. KNUDSEN: Yes, we --

COUNCILMAN CLARKE: What are you going to do differently?

MR. KNUDSEN: Councilman, we've very sensitive that -- in fact, this morning, we presented to the Chief of Staff the company's program for LIHEAP outreach, that we are asking the Mayor's Office to join us with in a kind of concerted effort that has not been undertaken in the City, I would anticipate, in some period of time.

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COUNCILMAN CLARKE: Excuse me, excuse me, Madam President? Madam President? I'm having difficulty hearing. I think the volume --

COUNCIL PRESIDENT VERNA: I'm sorry. May I have everyone's attention?

COUNCILMAN CLARKE: Thank you.

COUNCIL PRESIDENT VERNA: We're having a very difficult time hearing what's being said, so if people are having private conversations, maybe they could move out of the room to do that.

Thank you.

COUNCILMAN CLARKE: Thank you. I'm sorry. Could you describe that again.

MR. KNUDSEN: Yes. We are anticipating a very aggressive outreach campaign, and it's multimedia, that would involve our employees being in various places throughout the City in a way they haven't been in the past. We are intent on enrolling the maximum number of people that we can reach.

Your point about 40 percent, what that statistic is is that we have never been able to get more than 40 percent of those eligible to enroll in the program up until now. It is our intention to extend that percentage as far as we can this year.

COUNCILMAN CLARKE: What do you plan on doing to do that?

MR. KNUDSEN: I'm sorry?

COUNCILMAN CLARKE: What are you going to do to increase that percentage, specifically?

MR. KNUDSEN: Well, as I say, specifically, we will have a multimedia approach that will be in the newspapers, probably radio. We will meet with various clergy groups, community groups; we have a program already in place to do that. We'll build upon our experience in the past in this regard. We'll have assemblies in churches in mosques, and in synagogues.

Whatever we can do in the affected communities specifically, we will be doing this fall, and we have a 60-day period.

COUNCILMAN CLARKE: Who's "we"?

MR. KNUDSEN: First of all, it the company and its employees, and we are structuring that program right now, and we have asked the Mayor's Office to participate with us in this, and all of those discussions have just started as of, in fact, this morning, when I gave Miss Wilkerson our proposal for how to proceed with this program.

COUNCILMAN CLARKE: Can that proposal be shared with anyone else other than the Mayor's Office?

MR. KNUDSEN: It certainly can be, yes.

COUNCILMAN CLARKE: Who from the company is responsible for overseeing that?

MR. KNUDSEN: We have an executive whose expertise is in low-income and energy assistance programs, and she'll be heading up this program, and we have --

COUNCILMAN CLARKE: What's her name?

MR. KNUDSEN: Christina Coltro. And we have a number of staff that we are pulling from other functions to give to her for the next 60 to 90 days as we move through this LIHEAP sign-up period.

COUNCILMAN CLARKE: Is there -- do you have projections? Assuming that you have these incremental increases in -- participants in these various programs, what from a fiscal perspective that would do to the company and its fiscal health? If we're able to access LIHEAP substantially and these other programs that will ultimately fund the company in some way, shape or form or the other?

MR. KNUDSEN: Yes, last year, we --

COUNCILMAN CLARKE: Can you have, in terms of projections, can you give us a sense of -- and you may not be able to do that now, but --

MR. KNUDSEN: Well, I think we can certainly talk in terms of orders of numbers. Last year, as a routine matter, we collected about 8 to $9 million in terms of the LIHEAP cash program, which is the fall program. And then last spring, I specifically undertook a very intense effort when the federal government made additional funds available to go after those very aggressively and we were able to garner another; $5 million.

We have a -- we capture a good piece of the amount of money that's available for these programs in the State of Pennsylvania, and we will continue to do so.

COUNCILMAN CLARKE: Thank you.

MR. KNUDSEN: And, also, the federal government has just made $400 million available now. I understand Pennsylvania has been allocated about 60 million of that, so we'll be looking for our share of that.

COUNCILMAN CLARKE: Can you provide specific information in terms of eligible customers to be able to participate in this fund. I know it may be marginal, but if it's $10 million that we can have an additional contribution to that to the company, I think that we would like to know that as we deliberate this process.

MR. KNUDSEN: We can give you our present statistics and projections.

COUNCILMAN CLARKE: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Madam Chair.

There have been a number of things that have been suggested by myself and others relative to finding a more innovative way of providing the $45 million to the company rather than taking it from the fund balance. One of them obviously that has been batted around is the waiver of the $18 million City payment. That would do two things.

Number one, it would get or keep cash in PGW's hands, as opposed to having it paid to the City. And at the same time, in my mind, it seemed a reasonable way to reduce the $45 million request by 18. That's one issue.

The second was in lieu of just forbearing the amount of money was to look at the possibility from an accounting perspective and from a value perspective to accept some amount of existing PGW receivables in an effort to again to continue to try to whittle down the 45 million.

The Finance Director has been kind in responding to that request and to a request that I made about a notion of swap of GO bonds, outstanding GO bonds, in an effort again to continue to whittle away. The response that the Finance Director gave me was appreciated. However, it attempted to respond to me as if I was asking for one of these solutions or recommendations to fund the entire $45 million request, which is not what I had in mind.

And then, thirdly, there was also a suggestion of a forward purchase, which is a sale of what currently the City holds in fixed-rate instruments to be traded for or purchased by someone else and replaced with variable-rate instruments, which would also raise anywhere from maybe from 5, 6, 7, $8 million.

Why are we not attempting to whittle down through these various ways the amount of money being requested from the fund balance?

And before you answer, I'll tell you why. This fund balance has been talked about in a number of different areas that has grave concern for me. Number one is the $45 million removal of the fund balance to PGW. Second is a $20 million request that we have not seen yet for the School District coming from the fund balance and other areas of need, which are all reasonable needs, coming from the fund balance.

I mean for -- I apologize for stealing this particular verbiage, but I'll steal from the Vice President of the United States. I think the fund balance should be put in a lock box, as opposed to being considered for every possibility where there is need. I don't necessarily believe we have enough in the fund balance yet of a surplus to give us the comfort level we need one, two, three, five years in the event the economy goes south on us, something tragic happens, we have some major problems. I mean, I don't think a surplus is a surplus unless it's about a half a billion dollars. And we keep on reverting back to the fund balance as a way to solve problems that have existed for many, many years and are now coming to bear.

Why have we not been able to look at these various scenarios to try to reduce the $45 million down to 40 or 35 or 30 or 25?

MS. DAVIS: To the first item, accepting PGW receivables for the 18 million. PGW does not generate sufficient cash flow until the end of the year for the 18 million to come into play. So even were we to accept the receivables, which are an option, even if we were to accept the receivables, it would not reduce the amount of advance that they need because their needs sort of precede the generation of the cash in the company.

COUNCILMAN KENNEY: But that's not $45 million worth of need at this moment.

MS. DAVIS: It's --

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COUNCILMAN KENNEY: I mean, right now, we're talking about 25.

MS. DAVIS: It's 25 and a combined 45 in June, and that's about the time that they repay or they give us the 18. So we would reach that point at just about the same time.

It is something that we can entertain. It is a way to minimize our total exposure. It does come with some difficulty in determining how much of their receivables we take in payment and a few other things, but it is an option.

COUNCILMAN KENNEY: Excuse me, just one question on that regard. Does not the taking of receivables of bad debt expense from the company improve the company's financial position if we were to accept some of their bad debt and reduce the amount of their bad debt?

MS. DAVIS: That doesn't prove because we're assuming that we would be taking paper that would have less than face value. So we would, in essence, be reducing their bad debt exposure.

COUNCILMAN KENNEY: So the receivable swap -- or the receivable arrangement would keep cash in the hands of PGW, keep our books balanced from an accounting perspective, and also improve the position of the company vis-a-vis its bad debt.

MS. DAVIS: Yes.

COUNCILMAN KENNEY: So, again, I --

MS. DAVIS: And that -- again, that is an option.

COUNCILMAN KENNEY: Well, why isn't the option being pursued here today prior to the request for a $45 million loan?

MS. DAVIS: And, again, I think it's a timing thing because of when they need their cash, and I'm assuming you need it at the beginning of June, and we normally take delivery right before the very end of June.

MR. KNUDSEN: I think the additional consideration, Councilman, is what the Finance Director referred to as the difficulty in quantifying what paper we give the-- you know, what paper would be transferred, what that would be worth. All of that will require a great deal of analysis that we haven't undertaken yet.

COUNCILMAN KENNEY: But we just not that long ago took a large amount of lien paper that had not been collected for years and years and years, that had problem in valuating the asset that we were selling, but people seem to want to step to the plate and buy some of our real-estate tax liens that were 15, 20 years old.

MR. KNUDSEN: We are in the position right now of doing something similar and that is, one of the problems with the computer system over the last year is that we had not gotten until very recently, the last week or two, a full grasp on our accounts receivable, and we are now in a position of taking the oldest paper and essentially distributing it -- we will be in a short while able to distribute that and get something back for that, but that's the very oldest paper that we have.

COUNCILMAN KENNEY: What about the issue of the swap and what it could raise, not to fully fund the request of 45 million but perhaps to whittle away, eat the $10 million off of the request and give some relief to the fund balance?

MS. DAVIS: Those items look directly to the City's tool box, if you will, our financing tool box. If the City were strapped for cash at this point, those would be options. At this point, those are expensive ways to bring more cash into the City that have a potential downside in the future, should the City then really need to engage in creative financing to fund our way out of what could be a cash crunch for the City.

If we were going to do something like that, it would be preferable to wait till such time as we had that need than to pull the trigger now, when the need doesn't exist.

COUNCILMAN KENNEY: And while I accept that answer and I think it's thoughtful, does not the $45 million taken out of the fund balance, with a possibility -- maybe not a distinct possibility, but a possibility of it not being repaid, is not putting the City in a similar situation?

MS. DAVIS: It's a risk that the City is taking, and should we get into the life of the loan and see that PGW is unable to repay us, at that point, the swap, the forward, would be things that the City might use at that point. But to incur the expense and the downside risk at this point is premature.

COUNCILMAN KENNEY: I mean I appreciate your answer, but I am not willing at this point to take that risk with $45 million. I will not support this request. In the event that this request is approved, I would support Councilmember Tasco's amendments for some oversight because, again, as I've said before, this situation that we are in now is a cumulative effect of abuse after abuse after abuse from administration after administration after administration.

And, again, the last place I think we should be going for to solve this problem is the pocket of some housecoat, of some old lady's housecoat in Philadelphia or the pocket of a working family who's trying to put their two kids through college. It's just to me unconscionable and obnoxious that we're even in this situation, and this information had been known for years, and no one in any administration has brought this thing forward.

Let me go to one other issue as far as controversy. What's your thoughts and deliberations and analyses relative to the 20 percent discount program and what we can do to make it a more fair situation for working families throughout the City? I mean, I understand that the Water Department has a means test for its discount program, it has an extensive poor person's program, and I recognize that we're trying to expand the LIHEAP Program and get more people involved in it.

But is it fair for some -- was it ever fair to institute a program of a 20 percent discount regardless of means? And is it fair to working families in the City to have them pay for some political largesse of 30 years ago to this day? And what could we do and how much would we save by instituting a reasonable means test?

MS. WILKERSON: The Administration supports in theory means-testing the senior citizens discount. That is -- you know, as a result of the deregulation legislation and the July 1st trigger date for its implementation, that is a decision that has to be made by City Council through ordinance in order to make any kind of modification in the senior citizen discount.

I think there are concerns that because it's not means-tested, individuals who don't need the support are receiving the support. We don't know exactly how much, you know, we give away by not means-testing the program but, you know, the Administration, I think, in part of trying to straighten out some of the long-term problems that the company would support means-testing the senior citizens discount.

I know the gas company uses a 200 percent of the poverty index as the measure, and I don't know whether that would also be the point of that but, you know, we would urge that the company adopt that and means-testing is something that we think is appropriate.

COUNCILMAN KENNEY: Even if the means test was artificially high, even if the means test represented the average income of working families in Philadelphia, I think that would be a fairer situation than we have today. And considering the company's dire financial and cash situation, would that not be something that should be pursued over the next year or two, as opposed to kind of waiting? What's the timetable on coming to Council with some recommendations from the Administration on making this a fairer program?

MS. WILKERSON: We don't have a specific timetable for that. It is something we support in concept. I --

COUNCILMAN KENNEY: How much money a year is not realized by the 20 percent across-the-board discount?

MR. KNUDSEN: Approximately 12 to $13 million.

COUNCILMAN KENNEY: And that's the universe of people taking it?

MR. KNUDSEN: That's correct.

COUNCILMAN KENNEY: Within that universe of people, there are some that would be eligible for the LIHEAP Program that are not taking advantage of it now?

MR. KNUDSEN: That's correct as well.

COUNCILMAN KENNEY: And there's also a cohort of people in there that are probably earning above what the average working family in the City makes, they're also taking advantage of it?

MR. KNUDSEN: That's correct.

COUNCILMAN KENNEY: Is that a priority? I mean, it seems a $13 million number in a company with these kind of problems would be something that's being pursued vigorously.

MS. WILKERSON: I think there are a number of considerations. One, we don't have a good handle on exactly what we're talking about dollar-wise, how many people would fall above. And then there's, you know, the count -- it is a judgment call. Is now the time to, you know, the time we're looking at rate increases, you know, to raise the political issue, you know, to come to City Council asking City Council to get rid of, you know, any part of the senior citizens' discount.

COUNCILMAN KENNEY: Political issues are always hard and --

MS. WILKERSON: That's right and I believe that --

COUNCILMAN KENNEY: But the thing, again, that's frustrating is political issues are exactly what put us in the condition that we are in today, talking about $45 million out of the general fund, talking about all kinds of other things that we need to do. I mean, if people had had the courage to take the political issues in the past, for the last three decades, this company may be flush with money and be able to absorb the amazing cost of gas purchases throughout this -- which has created this international crisis of gas, as opposed to coming back again to, I guess, the dumb guy who pays his bills. I mean, that's what happens.

I mean, if you're poor and you don't pay your bills, fine, we'll take care of you. If you're wealthy, we'll give you a discount, but if you're middle class and struggling, we're just going to raise your rates, and that's how we solve our problems. You don't need to comment.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman O'Neill.

COUNCILMAN O'NEILL: Thank you, Madam President.

Before I ask the question I was going to start with, on the senior citizen discount, just for the record, I would like to make some historical reference clear. When the Water Department put in the means-testing in 1983, the discount for senior citizens was, I believe, 67 percent; it was a 25 discount and then it missed two rate increases, so it was effectively 67 percent.

So, even though it was water and the bills are smaller, what the commissioner did at that time was, he grandfathered in everyone who was already on the program and started it for new people coming of age to get the program. And the Water Department has increased that means-testing a few times, I believe, in the last 17 years.

But the simplest way to do this would be to grandfather those that are here -- it doesn't give you the $13 million in savings, but I think it's the fairest way to deal with those people that have been getting it, and also to look at the Water Department's program so that we don't have people wandering around, whether they got it, they don't have it, why it's higher or lower than the Water Department, just a City agency, it's a City utility.

And the last thing is, if the seniors have to declare their income to get it, we certainly could deal fairly easily with the LIHEAP issue for those that declare an income that would make them eligible. And that could be factored also into the savings up front as to what that would be.

But getting to the question that I was going to ask, two different statements I heard today really kind of shook me up a little bit, and I've heard them before, but it wasn't with a $45 million in front of me. One is that this administration took over a company that was at the point of collapse, and I think that's a tough situation to have to walk into, with all of the other thing going on in the City.

And the other statement was that for the last three and a half years, we've been financing -- PGW has been financing a deficit with bank loans. And I say it's troubling because during that time, the three and a half years or so leading up to this collapse scenario, as we're being asked today as Councilmembers to make judgments that are, I think, beyond our level of expertise to some extent, we've had a Gas Commission in place, we've had a consumer advocate in place, we've had a fiscally responsible, I think everyone would agree Rendell Administration with its Finance Director riding herd over this company in place, and the City Controller, who's fairly fiscally conservative as well, sitting on the board and being the controller of this City.

So with all of that going on, we find ourselves in this situation. And that's why I'm looking at this not as a question of 25 and 20 or 45 all at once, but that there's not a third scenario, which is we don't do anything.

And when I say we don't do anything, I really think we are bailing out -- see I left out one group after the controller, and that is banks and financial institutions that have been feeding this company financially while all of this is going on that we're hearing about -- this collapsed scenario, these bar links to meet working capital needs, those kind of things. We've got the finest financial institutions in the world -- Morgan Guarantee and the rest of them -- lending money, when we kind of think they're the most responsible financial people out there, and it makes you wonder if that's the case.

So who are we bailing out here? Are we

bailing out the company? And if we're bailing out the company, are we really bailing out financial institutions who are at risk, that don't seem to want to risk anymore?

And are we lending money that we're going to have to lend more money later to protect our interest because of this loan, that doesn't exist before this loan, when banks are unwilling right now to protect their interests, which is much greater than $45 million? It's hundreds of millions in the long-term borrowing and nearly a hundred in the short term that they seem unwilling to protect their interests on.

And, you know, I look at -- not that reelection is important to any of us, but two and a half years from now, this may be, rather than stadiums or anything else, what we might have to explain to voters, 'cause I know what that ballot question would probably result in: it would make the charter seem like a small victory for the opponents. If a ballot question on this kind of transaction went before the voters, it would be so overwhelmingly defeated.

And so my question, for starters, is:

Does PGW have a structural deficit? And I don't know how I understand the structural deficit 'cause we went through it with the City when we were at about a quarter billion of structural deficit. Without any PUC rate increases, without this loan, does PGW have a structural deficit right now?

MR. KNUDSEN: Yes.

COUNCILMAN O'NEILL: And how much is it approximately? I know you can't put an exact dollar figure, but give me a range of what that deficit is.

MR. KNUDSEN: If we can increase our prices, I would say the structural deficit for fiscal 2001 is 15 to $20 million.

COUNCILMAN O'NEILL: 15 to 20?

MR. KNUDSEN: Yes.

COUNCILMAN O'NEILL: Okay.

MR. KNUDSEN: That assumes a normal weather scenario.

COUNCILMAN O'NEILL: Warm weather scenario, okay. 'Cause that was another question. If we have a cold winter, it would help PGW?

MR. KNUDSEN: There's no question.

COUNCILMAN O'NEILL: Okay. And you're assuming you get full relief for what you're asking from the PUC in the 15 to $20 million --

MR. KNUDSEN: No, that's assuming no relief.

COUNCILMAN O'NEILL: I'm sorry. Full relief gets you past the 15 to 20 and into some level of comfort above that?

MR. KNUDSEN: That's correct.

COUNCILMAN O'NEILL: Okay. Now, I have a terrible time dealing with the Morgan Guarantees of the world, and one of the reasons is that I sat here when the City was on its back financially about ten years ago and needed a short-term loan to get over a hump before we could get the full relief from PICA and what we were trying to do with Harrisburg. And we asked the local bank, one of whom is now First Union -- it was CoreStates -- and we needed a short-term loan and we had done all of our banking with them, we had the full faith and credit of the City backing up the request. Because of our dire straits, they said yes, but it was a 27 percent loan. Hard to forget. And we were at their mercy, and they treated us just like that.

And I just wonder if we aren't treating Morgan Guarantee a lot better than maybe Morgan Guarantee would -- and I use them not just as the only bank, but would be treating us. They have $97 million exposed, they don't have a rate increased that's involved in that $97 million obligation of ours and commitment of theirs. Why wouldn't they enter into the additional security of a rate increase, which brings several million dollars into the coffers, if they were willing without the rate increase to engage in what looked like a risk-free loan if they have the security of PGW revenues to guarantee the current 97 million.

And I'm really grappling with this. I don't want to be not only bailing out a bank, but maybe bailing them out several times. Because once I'm in, I'm in. And then I start protecting my own investment. And where do we stop? And what if somebody wants to buys this company in a year, and the first thing they'll say -- 'cause I would -- is, Well, to consider buying this, I want the City to do X, Y and Z, and X, Y and Z will include forgiving the outstanding debt of PGW.

Please.

Why wouldn't they -- it seemed like, if I understood the answer earlier to Councilman Nutter, they've become a secured creditor, Morgan. They will have not some that has to be sold to PGW, like a building or a facility, to get their money, but they have an up-front agreement to certain revenue streams. Why can't, to protect their only 97 million, if the PUC increase is upon us, why wouldn't they just increase the security that they already have by an additional amount and lend the additional money that's needed? And I have trouble grappling with that.

'Cause it seems to me they're the ones in trouble. The -- I just hate to see rate payers or taxpayers bailing out banks and large, giant financial institutions. They made the judgments that got us here; they could have prevented any one of these loans from happening.

MS. BISGAIER: Well, I'm not sure, Councilman, that they would share your view.

COUNCILMAN O'NEILL: I'm sure they wouldn't.

MS. BISGAIER: They made a loan to PGW

effectively a year and a half ago, the $100 million. And they did that based on a promise that PGW would repay that loan in June of 2001 out of the revenues of the Gas Works, and that was the risk that they were willing to take, that the Gas Works generated sufficient revenues. There are extensive legal covenants and so on that protect that investment.

If they were facing a situation where they knew PGW could not repay or there was a substantial risk that they could not repay that loan, they would be, from their own perspective, not ours, but from their perspective, remiss in lending more money.

They are -- the bank is regulated by the controller of the currency, who looks at every loan they make and requires them to set aside reserves against the loan, depending on the likelihood that the loan will repay.

If they had a situation where they were making an additional loan to bail out somebody who had not been able to pay them back or was at high risk of not being able to pay them back, that would be a very costly reserving requirement for them, and they would be most unwilling to do that.

They're frankly concerned right now, as you know, about getting the $100 million back.

COUNCILMAN O'NEILL: But why aren't they in there with a restructuring, where we don't have to worry about whether reports are going to be made later, whether we're going to start getting information that we were promised years ago for the Gas Commission or whoever we are out there that's been frustrated. They could be restructuring this and making those demands and having all kinds of security in the flow of money.

If it's so bad -- and this is really where I'm really winding up here today. If this is such a substantial risk of not being repaid, that Morgan Guarantee or any other large bank refuses to make a loan at any interest rate with any amount of security, why are we?

I mean, we're not -- this isn't our business and we certainly don't have the kind of systems and expertise that they would have. And they're the ones that are at risk if there is -- I'm not sure they're at risk; you mentioned that they have a pretty good -- could you detail that a little more. What is their security?

MS. BISGAIER: They have an interest in the stream of revenues that PGW produces, just as the long-term bondholders do. They are in a subordinate position to the long-term bondholders.

So if there's a limited amount of money, first the bondholders get paid their principal and interest, and to the extent that there's money left at that point, Morgan gets paid, and the City gets paid after those two groups have been paid.

COUNCILMAN O'NEILL: Does anybody get paid before the long-term and the short-term lenders?

MS. BISGAIER: The way the --

COUNCILMAN O'NEILL: Like the people that sell us gas and so forth.

MS. BISGAIER: Yes. The bond ordinance allows PGW to pay its operating expenses first. Bondholders are willing to wait to get paid till the operating expenses are paid to ensure themselves that a viable entity is up and running. Obviously, if got paid first and PGW couldn't buy gas, there would be no revenues.

So PGW is allowed to buy gas and pay the cost of operating the company first. Then it pays the bondholders, then it pays the loan to Morgan.

COUNCILMAN O'NEILL: Well, is it -- it seems to me that the -- and, again, I'm not sure I'm totally clear on this, but it seems to me what PGW doesn't have enough money possibly to pay is the financial institutions, because bondholders are financial institutions in the institutional level that we deal in and banks like Morgan.

So we were hearing a couple weeks back, worried whether we were going to be able to pay the suppliers of our gas and our employees. And it seems to me there are two different levels of numbers here. One is while this borrowing has gotten crazy in the last couple of years, from 5, 600 million, 700 million to almost a billion, somebody has been guaranteeing to bondholders that everything's cool back at PGW and you should, you know, buy these bonds. And, apparently, it wasn't.

I mean, we're hearing that this isn't

something that started last month or two months ago. It's been going on a downhill slide for some time. And it seems to be that they should bear some responsibility in this. And we absolve them of all responsibility and start adding our own, when we've had no level of oversight in this, we haven't been the financial experts certifying that everything's cool at PGW. And yet now we're going to walk into something where we create our own monster and let their monster out of their cage and put it in ours.

I'm just not willing to do that, and I can't seem to find a more rational approach. And I know it sounds radical, but to me, the more I think about it, it sounds rational rather than radical.

For instance, a bank would be in there if they had some risk, looking at what kind of belt-tightening is going on at PGW at the highest level. I mean, a company that's ready to go out of business possibly starts streamlining like crazy. Can someone from the executive staff-- and I'm talking about just at the executive level; I'm not even talking about in the company. What kind of streamlining, belt-tightening has been going on?

And I'll use an example. If you had 20 cars and you've got 2 now, that's, you know, 90 percent of your vehicles have been cut out during this severe -- if you've got a membership in an association that's very expensive, you know, we've gotten out of that. I mean, it may be several things, but I don't know if there's -- there's got to be some documentation where there's been meetings of executive staff that have said, Before we come into City Council or Morgan, whoever gives us the money -- 'cause I hope we're not a guaranteed guarantee at this point, we're still thinking about it -- this is what we're doing, and we're doing it at the highest level of the company.

So maybe you could start there.

MR. KNUDSEN: I --

COUNCILMAN O'NEILL: 'Cause I just find this very troubling. I'm sorry. I went to bed last night thinking it was 25 to 45, and today I'm wondering if 0 wasn't the best number.

MR. KNUDSEN: Let me respond in two

ways. One is, every gas distribution company on the East Coast and most likely across the country right now is having difficulty with this same issue. We know that the financial markets are looking more and more critically at gas distribution companies and that every owner has got to come up with the means to finance this inventory problem, which is to say that the gas that you have to buy before you can bill and collect from customers.

Everyone is looking at this problem, and they are doing one of two things: they are either selling equity to raise the necessary funding, or they are borrowing to raise the necessary funding.

The only reason that we are here is that we are not in a position to borrow because we had to use the flexibility and the instruments that we had to finance the deficits that are weather-related for the last three years. In other words, the customers have gotten a substantial break as a result of the weather, as a result of other circumstances at the company.

My own position is that we should have

raised rates first in '95 and certainly no later than 1998. Those were my recommendations when I was on the other side of the dock, and they continue to be my view.

So we are where we are, and owners are stepping up across the country to do what we are asking essentially the City administration and you all to do today.

That being said, in terms of your immediate question about cutting costs, we have cut every discretionary account that we can lay our hands on right now. There is no traveling, we have no club dues. We have cut out all credit card use. Any possibility of spending money that is just not for core purposes has been eliminated. And there is really nothing more we can do in that regard.

I can't say there's nothing more we can do. We have committed to reducing our costs by up to $22 million over the next 24 months, and we have started down that by renegotiating contracts, by not hiring people who have left as a result of attrition.

All of these measures are being taken

to force the company into higher levels of efficiency. We can't do it overnight. We have started the process, and the process is continuing.

So in terms of what senior management can do and the board can do, you know, senior management has very clear directives from PFMC to deliver well within the guidelines that PFMC mandated, which was this 20 to $24 million cost reduction over a two-year period, so that's where we started and that's where we're continuing right now.

COUNCILMAN O'NEILL: Are you still a member of the American Gas Association, PGW?

MR. KNUDSEN: We are and we're considering not being. At one point in the past, the company suspended its membership and we're looking to do that again.

COUNCILMAN O'NEILL: When was the last dues payment?

MR. KNUDSEN: When was it?

COUNCILMAN O'NEILL: Roughly.

MR. KNUDSEN: They're paid quarterly.

COUNCILMAN O'NEILL: Quarterly?

MR. KNUDSEN: Yeah.

COUNCILMAN O'NEILL: And the annual dues is over 200,000?

MR. KNUDSEN: 240,000.

COUNCILMAN O'NEILL: 240,000.

MR. KNUDSEN: Yeah.

COUNCILMAN O'NEILL: Okay. I would hope that that would get suspended.

MR. KNUDSEN: We're looking -- still want to get the benefits of what the American Gas Association has to offer without paying the full freight. That's what we've done in the past.

COUNCILMAN O'NEILL: That's not going broke. But when you're going broke, these kinds of dues things --

MR. KNUDSEN: That's correct.

COUNCILMAN O'NEILL: This should be gone already, but that's my own opinion.

What I have trouble with is two things. One is weather-related. All of our problems are weather-related. The last three winters have been mild, and some of them have been mild for a lot of other companies that are not ready to go belly-up.

And I have because one thing I know is happening with this company that nobody's talking about -- my gut tells me it's been going on for years, particularly the last three or four, and there's an end in sight because we can't borrow any more, and that is that we have been taking huge capital borrowings and doing things that other companies are doing with operating funds. Now, I'm not saying we broke any laws; I'm just saying that in the regular course of business, if we were the Water Department, we wouldn't be doing it.

And so what happens is, not only do we run into different weather that might be happening, but there will still be bond issues that can go on this year. We're not going to have a 100 or $200 million borrowing to increase capital funding that's going to go for what a lot of people would describe as "normal operating maintenance expenses." And maybe that's why Morgan won't look at any more loans, or anybody else. And if that's the case, then we're really being foolish as we sit here, bailing out the banks.

And I think the revenue stream is going to be different for a couple of reasons, and one of them is going to be no more big capital borrowings. On that sheet that I received today is just scary in terms of what we borrow, don't have anything to show for in the capital -- because we had testimony months ago where we had the capital budget, that our infrastructure's terrible, we haven't been keeping it up, and that's what capital money's for, unless you're moving over and doing the old operating thing, and I don't want to put the Commissioner on the spot because the Water Department is very strict about what they use capital dollars for as opposed to operating, even though they could use them.

And I -- my gut tells me that is going to hurt us and haunt us more as we go into the next couple of years than anything out there. And weather -- you're in the weather business and good weather, bad weather, the one-third increase, if we have a cold winter, could become a 50 percent increase for the average gas payer. It will help PGW, it will be terrific; it will pay the loan back faster and all that and then see if the winter is cold the following year.

I think this black hole is so deep that it's the reason that the Morgans and the First Unions one touch it, even with security. And I'm not sure we should, either.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thank you, Madam President.

I also have much difficulty with this request based on the fact that I've been talking to other gas utility companies. And what surprises me is the lack of interest or the lack of wanting to involve themselves in any type of a relationship with PGW, doing purchases of fuel, of gas, even a management contract.

And it continually surfaces, when I talk to other utility companies, the lack of a recovery plan, the lack of a business plan. And I hear today that we really don't have one. Maybe one's on the way, maybe there's one on the drawing board.

I wouldn't lend my best friend 20 bucks

if I didn't have an idea what they needed the money for. And you're asking us to --

COUNCIL PRESIDENT VERNA: Councilman?

COUNCILMAN RIZZO: Yes?

COUNCIL PRESIDENT VERNA: I don't know if anybody else can hear you, but do you mind repeating because I think we're having difficulty hearing you. I'm sorry.

COUNCILMAN RIZZO: I would love that opportunity, Madam Chair.

COUNCIL PRESIDENT VERNA: Our old system seemed to be working much better than our new system.

COUNCILMAN RIZZO: And this isn't running on natural gas.

COUNCIL PRESIDENT VERNA: True.

COUNCILMAN RIZZO: I'm not, either.

The point that I'm trying to make, and I'll repeat it, is the fact that I've had conversations with other utility companies, and they just cannot believe that this company -- and the perception, and I've been told in a private conversation, a briefing, that it is a perception, but I don't believe it's a perception, that this company has no plan, they're asking for $45 million, and we will be back in the same situation maybe not a year from now, but maybe two years from now, because I'm not confident that we really have a plan in place on the drawing board that will show the recovery of this company.

I just heard that they've restricted travel, and then in the same breath, I hear that they are considering not supporting the American Gas Association. Well, how do you belong to the American Gas Association when no one's allowed to travel? So we've spent $240,000 on a membership where we're not participating? That's great management.

Thank you, Madam Chair.

MR. KNUDSEN: Well --

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman DiCicco.

All right, the Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: Thank you, Madam President.

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First, to the Finance Director probably. The $20 million that is currently authorized, has that been repaid by the Gas Works? Have they borrowed the money? And if they borrowed it, when did they borrow it? And did they repay it? And if so, when?

MS. DAVIS: I understand that was borrowed in 1984.

COUNCILMAN COHEN: In 19-when?

MS. DAVIS: '84, and it has been paid a long time ago, probably in that same year.

COUNCILMAN COHEN: I didn't get what you said after you said they borrowed in 1984, I did not get the rest of your comment.

MS. DAVIS: It was probably paid within that same year or closely thereafter, but it has been paid for quite some time.

COUNCILMAN COHEN: So that they have an outstanding ability to borrow $20 million now, under the old contract?

MS. BISGAIER: With a resolution of City Council, yes.

COUNCILMAN COHEN: And have they sought to have such a resolution adopted by City

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Council? I know of none, but --

MS. BISGAIER: No, they haven't.

COUNCILMAN COHEN: Could I ask the representative of the City's Gas Works why they have not asked that, if that's been available?

MS. WILKERSON: I believe that we tried to take a longer view of what it is that the company is going to need. We were able to look ahead two years and understand that, you know, we needed to borrow money in January, we need money for June. We were trying to forecast a bit and create some flexibility for the company. And I think that's why we've chosen the approach of amending the ordinance to increase the amount and go for two-year borrowings as opposed to the one-year borrowing that I think you're referring to.

COUNCILMAN COHEN: And is the Administration proposal a replacement for what exists now?

MS. WILKERSON: No, it -- there are different provisions. I think one is a one-year borrowing. There's a second piece that we're attempting to amend that permits two-year borrowings, and I think the third piece is the commercial paper provisions.

COUNCILMAN COHEN: Well, with respect to borrowing from the City --

MS. WILKERSON: Mm-hmm.

COUNCILMAN COHEN: -- what would be the result if we passed either the City, the Mayor's proposal, or the Gas Commission's proposal? What would that do to the current $20 million borrowing authority that's been given to the Gas Works to borrow from the City based soley on a resolution of Council?

MS. WILKERSON: That remains unchanged.

COUNCILMAN COHEN: Well, I don't understand. Does that mean it adds to the 45 million or that when the 25 million is borrowed, does that eliminate that 20 million? Are we talking about 65 million potentially that can be borrowed from the City or 45 million?

MS. WILKERSON: The aggregate would be 65.

COUNCILMAN COHEN: It would be 65. So you're asking -- you haven't used the 20 million and --

MS. WILKERSON: We were looking for a two-year borrowing in order to -- I mean, part of what we're trying to do is stabilize at least some components of the company's operation. We know today that the company's going to have cash-flow needs over the next two years, and rather than -- you know, we also know that we have a need to restructure rates. We're trying to put in place certain components so we can begin stabilizing the operation of the company so that we're not reeling from crisis to crisis.

It is extraordinarily difficult to operate the company when we're always in a crisis mode. We were trying to set up a mechanism, you know, where the company would have access to --

COUNCILMAN COHEN: I don't know what you're talking about when you're talking about a company because the City of Philadelphia is really the --

MS. WILKERSON: I'm sorry, the Gas Works.

COUNCILMAN COHEN: Well, isn't it the City of Philadelphia when we talk about the Water Department? Would you, say call the Water

Department a separate company?

MS. WILKERSON: No, you're correct.

COUNCILMAN COHEN: What's the purpose of emphasizing a company? It's all owned by the City, the City has responsibility, it has. . .

MS. WILKERSON: You're correct. It is simply a collection of assets, it's not an independent company with any kind of corporate integrity.

COUNCILMAN COHEN: If for some reason the so-called company goes kaput, doesn't the City of Philadelphia have a responsibility to see that its citizens have heat in their homes?

MS. WILKERSON: I think you're right.

COUNCILMAN COHEN: So it's a City responsibility. And so you're basically saying, let's increase the current $20 million to an allowable borrowing limit of 65 million, even in the face of the Gas Commission's recommendation that under the worst of all cases, the most that's additionally going to be needed by the Gas Works is $5 million through the end of this year.

MS. WILKERSON: The company is not interested in accessing, you know, the

$20 million; the company is interested in a two-year loan, setting up a two-year loan mechanism. You know, it has no current plans to request the one-year loan.

COUNCILMAN COHEN: Well, would the City be prepared to amend the agreement to eliminate the $20 million loan authorization?

MS. WILKERSON: That is not a part of our financing plan at this point.

COUNCILMAN COHEN: You mean the present plan is to seek $45 million in additional borrowing ability from the City of Philadelphia?

MS. WILKERSON: That's right, in the form of a two-year loan. That is what the company's interested in.

COUNCILMAN COHEN: Has any study been made as to when it was that the Gas Works, or the Gas Department, went into financial insolvency in a sense, in the commercial sense of losing money? How long has that been going on?

MR. KNUDSEN: Councilman, we -- the issue started in 1997 and has rolled forward since then.

COUNCILMAN COHEN: And up until 1997 --

MR. KNUDSEN: The company was meeting all obligations and had most of its $100 million credit line available to it. The reason the credit line disappeared -- and let me reemphasize that -- is that we had several years, three years, of warmer-than-normal weather that required operating funds. And management at that time, rather than seeking rate relief, which was absolutely essential, in my view 'cause I testified on the other side of the dock for it at that point, did not occur.

So the only option that management did have was to use the short-term position and draw that line of credit down.

COUNCILMAN COHEN: Well, would it be possible to establish how much money was lost in the normal commercial sense by the Gas Works in 1997, in 1998, in 1999, and in the year 2000? Have there been such figures?

MR. KNUDSEN: Upwards of $70 million.

COUNCILMAN COHEN: What was that?

MR. KNUDSEN: Upwards of $70 million.

COUNCILMAN COHEN: Cumulatively in the four years?

MR. KNUDSEN: Due to -- for '98, '99 and fiscal 2000 and part of '97, we lost somewhere around $70 million, largely a function of warmer-than-normal weather. We could not recover from our customers. Because of the way we structure our rates and our charges, we could not recover from them enough money to keep the company going and not experience deficits.

COUNCILMAN COHEN: During that period of time, when the $70 million loss was recorded, how much did the Gas Works pay to the City of Philadelphia in these $18 million installments?

MR. KNUDSEN: It would have paid 3 years of $18 million. That's 54.

COUNCILMAN COHEN: All right. Now, using old math, I would say 3 times 18 is 54?

MR. KNUDSEN: Correct.

COUNCILMAN COHEN: And if you subtract 54 from 70, the loss in those 3 years totally is $16 million, exclusive -- or averaging 5 million a year, exclusive of what was paid to the City?

MR. KNUDSEN: To your point, yes, that's correct.

COUNCILMAN COHEN: It doesn't sound to

me like a terrible shape to be in with the explanation you gave of these terribly warm -- I'm using the word "terribly" in an economic sense because I think the people like the warm weather, but for the gas company, it represents a crisis.

MR. KNUDSEN: That's correct.

COUNCILMAN COHEN: But it does not seem to me that the litany of all the terrible things that happened to the Gas Works was really that bad. It seems to me the worst loss was the payment of $54 million to the City. And if we had not paid it, it would not have been a crisis situation at all; it would have been something that called for a little additional remedy. Doesn't that make sense?

MR. KNUDSEN: To your point --

COUNCILMAN COHEN: I'm not trying to embarrass you because I know that you don't have any right to disagree with the Mayor, so I'm not asking you to disagree with the Mayor.

(Laughter.)

MR. KNUDSEN: No, this is historic --

COUNCILMAN COHEN: You have to say what he authorizes you to say.

MR. KNUDSEN: This is historic information.

COUNCILMAN COHEN: It still stands, doesn't it? The whole crisis is that in three terribly bad years, because of the weather, because of the all of the mismanagement problems we've had, because we failed to ask for rate increases when we should have done so, the company actually lost $16 million.

MR. KNUDSEN: Were we not to have paid -- we have to be careful here. Were we not to have paid 3 years of $18 million, we would have $54 million of cash available to us now.

COUNCILMAN COHEN: Right. And as a matter of fact, and now to Miss Davis, could you tell me what we say the City surplus is?

MS. DAVIS: Our preliminary numbers put it in the 220, $230 million range at this point.

COUNCILMAN COHEN: 200 and --

MS. DAVIS: 220, 230 million at this point. Those are preliminary, subject to audit.

COUNCILMAN COHEN: And back in 1969 or 1970, the payments by the Gas Works to the City were then $15 million. And Councilman Longstreth is the only one who's going to be in a position to have an opinion on this from personal knowledge.

The City Council was in a caucus session trying to solve a $3 million deficit in the budget for the forthcoming year, and the then-Council President said, "Excuse me," to the members of the caucus, "I'll be back in a minute, I have to make a phone call." He came back two or three minutes later and said, "We've solved the problem. PGW has agreed to increase its annual contribution from 15 million to $18 million." And since that time, in the late '60s or early '70s -- I don't know whether it was 1969 or 1970 -- the payment was 18 million.

It seems to me that the City has drained since 1970, that's 30 years ago -- 30 times 18 is kind of, as I add it up, isn't it $480 million?

MR. KNUDSEN: Approximately.

MS. DAVIS: Mm-hmm, yes.

COUNCILMAN COHEN: And had the City not drained that money, the situation would be entirely different? And, you know, maybe that's a rhetorical kind of a question. But of that surplus, it seems to me clear that the surplus of the City is a paper surplus, a fictitious surplus obtained by taking $18 million a year steadily from the Gas Works, when that money should have remained with the Gas Works so it could have dealt with the infrastructure of the needs.

I'm very concerned about the whole question of rate increases. I think what has happened is that the City has used the Gas Works as a means of balancing the City's budget and that now we have this problem because the Gas Works has just been a convenient target. And as long as the Gas Works kept on turning over $18 million a year, the City didn't care how it was operated or what its condition was.

Would that appear to be a pretty fair statement?

MR. KNUDSEN: Councilman I don't think I can respond to that. I think certainly, under all circumstances, PGW made its payment to the City, as it was required to do by ordinance.

COUNCILMAN COHEN: Let me ask you, the enormous increases in oil and in natural gas throughout the country, has it caused the City of

Philadelphia to seek specific assistance for a municipal utility from either the federal or the State government? Are we seeking additional funds for the operation? I'm not talking about increases in the, you know, to the consumers.

MR. KNUDSEN: The answer to that is --

COUNCILMAN COHEN: LIHEAP, I know that the State is going to increase some funding for the LIHEAP.

MR. KNUDSEN: That's the federal program that's available to us.

COUNCILMAN COHEN: Right.

MR. KNUDSEN: To funnel funds to PGW from Washington on that, specifically for payment for these increased costs.

COUNCILMAN COHEN: Have we asked for additional funding for the utilities in order to make it easier on the rate payers?

MR. KNUDSEN: There has been no specific application nor do I know of a mechanism for such to Washington, except through the Congressional delegation. We have not done that.

COUNCILMAN COHEN: Would that seem to make sense?

MR. KNUDSEN: I don't --

COUNCILMAN COHEN: Why should the State or the federal government be silent when our rate payers face the threat that Councilman Kenney spoke about maybe a half hour or so ago of?

MR. KNUDSEN: Well, it's certainly something for us to consider.

COUNCILMAN COHEN: On the rate increase request, there are two separate requests, one for increasing the --

MR. KNUDSEN: One for the base rate.

COUNCILMAN COHEN: And is that the --

MR. KNUDSEN: That's the 52 million, and one for gas costs, which is presently at $97 million.

COUNCILMAN COHEN: Now, the gas increases, you have nothing whatsoever to do with; is that right?

MR. KNUDSEN: It is --

COUNCILMAN COHEN: You don't influence in any way the gas increase?

MR. KNUDSEN: No. Let me be very clear. The company has done -- and this is a compliment to the managers who are at PGW and have remained so over the years, they have done a wonderful job of purchasing gas, and they're recognized for having done so and they saved the customers of the City of Philadelphia approximately 35 to $40 million in the manner in which they purchase gas.

But to your point --

COUNCILMAN COHEN: In purchasing and storing it?

MR. KNUDSEN: In purchasing it and in storing it and buying it at the right times, and we did better than --

COUNCILMAN COHEN: And buying it?

MR. KNUDSEN: We did better than any of the other local distribution companies in the State on that issue.

Now, to your point, by and large, gas costs are a pass-through, and we do not make any money from that, and we don't have a lot of control over the national and international markets for the commodity.

COUNCILMAN COHEN: That was the other request, the $52 million request that deals with the basic rates separate from the needs of the Gas

Works other than as a result of the increased cost of the natural gas.

MR. KNUDSEN: That is correct.

COUNCILMAN COHEN: Now, is there any indication what the PUC plans to do with respect to the $97 million request?

MR. KNUDSEN: We have no specific indication from the Public Utility Commission itself as to what it will do when it makes its judgments on both of these points on an interim basis on November 9th. We do have indication from the staff of the PUC that they are supportive of not only the 97 million but of something more than that.

COUNCILMAN COHEN: And how about with respect to the $52 million?

MR. KNUDSEN: They have taken view -- the staff itself has taken a view that we should only get at this time 27.5 of the 54.

COUNCILMAN COHEN: Well, considering everything that the Gas Works has gone through and the litany of disaster, it does not seem to me to be basically as horrific a story as the headlines seem to indicate and as some of the testimony would seem to indicate.

MR. KNUDSEN: Well, let me respond to that and maybe respond to some comments that some of the other Councilmen made.

In June, we filed a five-year financial forecast that included $52 of base rate relief and $42 million of gas cost increases, which is what we had anticipated at that time. With the granting of those levels of rate relief, we were able to demonstrate in our projections with the $24 million of cost reduction that we would begin to pay down our short-term -- our $100 million short-term position somewhere in 2003 and that we would be generating a substantial amount of our own investment, which is what one wants to do in these situations. For long-term capital investments, we would be generating about half of that by 2004, 2005.

That was the plan, that is the program. That was where we were going until two things happened. One, the gas costs escalated at rates that we hadn't anticipated in the April-May-June time frame. And consequently, it puts us at risk because we have to look at to writing off some portions of those gas costs over time, because people may not be able to pay them. And, secondly, we are less clear about what the regulatory environment in Harrisburg is going to allow us.

So with those two concerns, we are less able to be definitive about our plan, but we clearly have a plan. It is now before the Gas Commission, it will be updated, and it will be addended and added to with the other considerations that the Commission wants.

But from a financial point of view, it is very clear where we have to go and what we have to do, and a big part of that is to have the necessary rate relief from our customers that we have not gotten in ten years.

COUNCILMAN COHEN: Well, I have great difficulty following that particular arithmetic. With respect to increased gas costs --

MR. KNUDSEN: Yes.

COUNCILMAN COHEN: -- the likelihood is, from everything we know, that those pass-through --

MR. KNUDSEN: Dollar for dollar.

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COUNCILMAN COHEN: Dollar for dollar will be allowed.

MR. KNUDSEN: That's correct.

COUNCILMAN COHEN: Maybe even more.

MR. KNUDSEN: That's right.

COUNCILMAN COHEN: Because they may feel that you've been too conservative in your estimates of the potential increases.

With respect to the rest, if you've got 27 in your rate increase and 18 more from the City yielding that amount of money, you've got 45 of your $52 million?

MR. KNUDSEN: If your comment is --

COUNCILMAN COHEN: I don't really understand this litany that you're expressing to get kind of unlimited borrowing capacity from the City of Philadelphia.

MR. KNUDSEN: Councilman, we're not seeking unlimited borrowing capacity.

COUNCILMAN COHEN: Well, when you want to increase from 20 million to 65 million, I think that's increasing to an unlimited degree, particularly when the figures are so close.

If the Mayor were to announce today

that the $18 million a year is not going to be accepted for this year and in fact ought to be returned for the years from 1997 on, when the Gas Works was in a financially disadvantageous position, and that we were foregoing that $18 million a year until such time as the Gas Works, you know, resumed fiscal health, that would be the most important single step, and I think it's a step that ought to be taken.

I think it borders -- I think it borders clearly on impropriety, I think maybe even on criminality for the owner of a business to take money out of a failing business. I think if this were all a private business, that the ownership of the business would be subject, if there were private stockholders, as there would be if it were a private company, I think those private stockholders would have a tremendously strong civil case, and the District Attorney or the U.S. Attorney would probably be looking into it as a criminal case if the ownership kept draining the money and the stockholders suffered thereby.

So I just can't see any -- it seems to me totally morally and ethically wrong, at least those two. Whether or not it adds up to criminal culpability or civil liability, it seems to me ethically and morally wrong for the City to be draining these resources out of the Gas Works when the Gas Works is in a financially unstable position.

And I think that the biggest single step that could be taken would be if the City acted in an appropriate ethical and moral manner and said we were wrong in taking anything from the Gas Works in those years in which it was losing money, and that would be a tremendous -- and we intend to return it, 'cause that's what would happen under civil law if this were a private company and the ownership drained those resources out of a losing year.

Madam President, thank you. I think the Gas Commission's recommendations are most generous under all of these circumstances because I would add, had I my way, a further recommendation, and I would ask the Chair and the Gas Commission to consider it, and that is, there ought to be no action on this until the City agrees not to take the $18 million and to return it for the years 1997 and thereafter and to assert affirmatively that it will never seek that fund until the Gas Works shows fiscal solvency.

Thank you, Madam Chair, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

COUNCILMAN COHEN: I'm going to ask the Gas Commission members to consider that further amendment.

COUNCIL PRESIDENT VERNA: I'm sorry, Councilman?

COUNCILMAN COHEN: I'm hoping the Gas Commission would consider adding an additional term to their recommendations. I support what the Gas Commission has done thus far and suggest that they consider adding an additional consideration that the City not take 18 million for the current year, return 18 million for each year in which the Gas Works was fiscally insolvent, and that seems to be from 1997 on, and to announce that it will not seek that 18 million in any year in the future unless the Gas Works is fiscally solvent. And I would ask the members of the Gas Commission to consider that proposal as an additional proposal.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

Any other Councilmembers that have any questions?

(No further questions.)

COUNCIL PRESIDENT VERNA: Do we have anyone else that would like to testify?

(No response.)

COUNCIL PRESIDENT VERNA: Seeing none, this will conclude our public hearing.

Excuse me, I have been asked to call for a five-minute recess.

(Short recess taken:)

(Proceedings presume.)

COUNCIL PRESIDENT VERNA: Council is now back in session. Would all Councilmembers please take their seats.

The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: Madam President, I offer an amendment to Bill 583. And it has been circulated to members of Council.

COUNCIL PRESIDENT VERNA: Does the

stenographer have a copy of the amendment?

COUNCILWOMAN TASCO: Yes, the stenographer has a copy of the amendment.

COUNCIL PRESIDENT VERNA: Thank you.

COUNCILWOMAN TASCO: Should I read the amendment?

COUNCIL PRESIDENT VERNA: Yes, please.

COUNCILWOMAN TASCO: A proposed amendment to Bill 583, Section 2, pursuant to Section 4.3 of the Philadelphia Facilities Management Corporation (which is PFMC agreement), as amended above, the City is hereby authorized to make a temporary advance to the Philadelphia Gas Works (hereinafter PGW) in the amount of $45 million or such lesser amount as may be approved by the Director of Finance and the Gas Commission; provided, however, that total temporary advances authorized by this ordinance and any other ordinance or resolution shall not exceed $45 million at any one time; and provided further that:

A. Such advance will be placed in a restricted account against which PGW can draw in any month when PGW and the Director of Finance certify that its cash flow is insufficient to meet operating requirements, and which shall be repaid on an ongoing basis as soon as PGW's cash flow is sufficient to remit its repayment; and

B. Interest on the account shall accrue to the City; and

C. PGW is hereby limited to drawing no more than $25 million from this restricted account until such time as the Gas Commission has informed City Council and the City Council has concurred by resolution that PGW has submitted an adequate five-year financial and management plan; and

D. During the term of the temporary advance, PGW shall file with the City Council, the Gas Commission, and the Director of Finance:

(i) no later than the fifth business day of each month an update of its budget of cash receipts and disbursements report covering the preceding month; and

(ii) monthly status reports regarding achievement of interim PGW's management goals for productive/cost savings and collection of billed revenues.

The outstanding principal balance due

by the Gas Works on such temporary advances shall be repaid no later than 24 months following the date of PGW's first draw of the full amount of the temporary advances authorized pursuant to this ordinance, but in any event, no later than June 30, 2003.

And that's the end of my proposed amendment, Madam President. I move for the adoption of the amendment.

(Duly seconded.)

COUNCIL PRESIDENT VERNA: It has been moved and properly seconded that the amendment be adopted.

All in favor -- excuse me, sorry.

COUNCILMAN ORTIZ: May I ask one question?

COUNCIL PRESIDENT VERNA: I don't think your microphone's on. Now it is.

COUNCILMAN ORTIZ: In the event -- it says last -- PGW (unintelligible) made pursuant to this ordinance, but in any event, no later than June 30, 2003. What happens if that is not repaid by 2003?

COUNCILWOMAN TASCO: We'll have to take

it up in 2003?

COUNCILMAN ORTIZ: What?

COUNCILWOMAN TASCO: We'll have to deal with that in 2003.

COUNCILMAN ORTIZ: I mean, it's just --

COUNCIL PRESIDENT VERNA: Excuse me, Councilman.

COUNCILMAN ORTIZ: I know that --

COUNCIL PRESIDENT VERNA: Excuse me, Councilman Ortiz.

COUNCILMAN ORTIZ: I know that Morgan Guarantee wouldn't --

COUNCIL PRESIDENT VERNA: Excuse me, Councilman Ortiz. The Chair recognizes Councilman Nutter.

COUNCILMAN ORTIZ: What?

COUNCIL PRESIDENT VERNA: It's a point of order.

COUNCILMAN ORTIZ: Okay.

COUNCILMAN NUTTER: Point of order, Madam President. Two questions. One, are we still in the public hearing as opposed to the public meeting?

COUNCIL PRESIDENT VERNA: We had

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started to go into our public meeting but never really completed it.

COUNCILMAN NUTTER: Okay, that's the first question.

COUNCIL PRESIDENT VERNA: So I don't know whether it's really anybody's understanding that we went into a public meeting.

COUNCILMAN NUTTER: Okay.

COUNCIL PRESIDENT VERNA: So at this point in time, if Council so prefers, I will say that our hearing has been concluded and we are now in our public meeting.

COUNCILMAN NUTTER: If I could ask, Madam President, before do you that, because of the question raised by Councilman Ortiz, it seems that we may need an answer to that particular question, which we might not be able to get in a public meeting, and so if we are in a public hearing --

COUNCIL PRESIDENT VERNA: That's why I thought that we would stay in a public hearing.

COUNCILMAN NUTTER: Right.

COUNCIL PRESIDENT VERNA: Because if there were any questions that people have

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concerning the amendment, they could certainly be responded to. So we are presently in our public hearing.

COUNCILMAN NUTTER: Very well. Thank you, Madam President.

COUNCILMAN ORTIZ: Because, Madam Chair, I just wanted for the record, because Morgan Guarantee -- Morgan Guarantee and First Union would have a clause that says if repayment is not paid by such and such date, such and such things would happen. I think it just makes sense that something follows that phrase.

COUNCILWOMAN TASCO: Well, Councilman Ortiz, that was not an issue that -- the Commission did not address. . .

COUNCILMAN NUTTER: Is there a -- I mean, is the original question to this whole -- I mean, this, I guess, goes back to the original concept of the whole transaction. I mean, is there anyone from PGW that can answer that question?

MS. WILKERSON: This is an unsecured transaction. I think that we have not discussed what the remedies might be, you know, and we'd be willing to explore that. It is in essence, though, an unsecured transaction. You know, there are creditors who would have priority over the City in any event. I mean, we could get together and negotiate potential more specific terms and provisions, but that has not been addressed at this point.

I've been advised that the kind of remedy Morgan has is to impose an interest rate. This is at this point an interest-free loan. You know, the question is whether that makes sense or is a real remedy, but that is how the commercial paper instrument is structured.

COUNCILMAN NUTTER: I know the Chief of Staff is looking at me. It was not my question; I was just trying to help out the Councilman with his question.

(Laughter.)

COUNCILMAN NUTTER: But if you just want to look at me, I'm honored, I'm thrilled, I am totally flattered.

But, I mean, I guess the follow-up to the questions I did not ask is, I'm assuming that there's nothing to preclude us at a future point in time, pending subsequent information, one-year plan, three-year plan, five-year plan, or any other plan, or another hearing that would preclude us from adding, if we wanted, that kind of remedy or penalty, whether it be an interest payment or a lump-sum payment. I understand -- I mean if PGW was, you know, at that point on life support, it's like, you know, what else do you want to do to me?

But, I mean, from a technical standpoint and for your answer today, there would be nothing preventing us from imposing subsequent penalties if there were no complete repayment by June 30, 2000.

MS. WILKERSON: Well, I think that, you know, this anticipates that there will be loan documents. I mean, this is not the sum total of the transaction, and it could be subject to terms and conditions approved by, you know, the Council President as a way of, you know, anticipating a more structured transaction that might provide for things like remedies.

COUNCILMAN NUTTER: So, I mean, do I understand your response to say that there is another document still to come to us which lays out the actual terms and conditions of the $45 million loan, or, as earlier characterized, each loan as a separate individual loan, anticipating more documents?

MS. WILKERSON: I mean, I would anticipate more documents than simply this that would reflect, you know, we're talking about setting up escrow accounts and, you know, and who the signatories are, that it would be, you know --

COUNCILMAN NUTTER: Possibly another bill coming in with all the --

MS. WILKERSON: No, no. I didn't anticipate that, quite frankly.

(Laughter.)

COUNCILMAN NUTTER: Oh, okay.

MS. WILKERSON: I think that it would, you know --

COUNCILMAN NUTTER: You don't want to be that formal.

MS. WILKERSON: But that a lot of times we come here and there are not all of the actual documents that are going to be executed that, you know, that the ordinance has set out the parameters of the transaction. It will be subject to somebody's, you know, review and approval. And as a way of, you know, closing the loop, I would propose that it could be the office of the Council -- you know, subject to the, you know, the review and the approval of the office of the Council President as a way of trying to get, you know, final Council signoff.

COUNCILMAN NUTTER: Thank you.

COUNCIL PRESIDENT VERNA: Councilman DiCicco, your light is on.

COUNCILMAN DICICCO: (Inaudible) Councilman Nutter, who was responding to the question by Councilman Ortiz to the Chief of Staff about when we come to the point in time when we may have to deal with the issue of the $20 million, I would assume that a five-year plan, any kind of plan, would have some repayment of debts included in that plan, so we can probably deal with it then.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

Councilwoman Brown, your light is on.

Okay, are there any other questions

from members of the committee?

(No further questions.)

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilwoman Tasco regarding the amendment of Bill No. 583.

It really doesn't matter, I am told, whether we accept -- I have our attorney to my left, who tells me that it doesn't matter whether we approve these in our meeting.

So, therefore, again, I recognize Councilwoman Tasco regarding the amendment she submitted on Bill 583.

COUNCILWOMAN TASCO: Madam President, I move that the amendments be adopted as presented.

(Duly seconded.)

COUNCIL PRESIDENT VERNA: It has been moved and properly seconded that the amendments to the Bill No. 583 be adopted.

All in favor will signify by saying aye.

Those opposed?

I'm sorry?

COUNCILMAN GOODE: Nay.

COUNCIL PRESIDENT VERNA: The record

will indicate that Councilman Goode voted nay. And the amendment has been adopted.

Does the Administration have any amendments to Bill 590 or to Bill 583?

Okay, I am told that there's a possibility that on the second bill, 590 -- oh, it's not needed? I was just told that they have an amendment, okay.

Council will stand in recess until tomorrow morning at 9:30.

COUNCILMAN KENNEY: Madam Chair, is there any action at all being taken on 590? Or is that --

COUNCIL PRESIDENT VERNA: There are no amendments. We will come back tomorrow.

COUNCILMAN KENNEY: Okay.

(Adjourned at 1:50 p.m.)

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C E R T I F I C A T E

I HEREBY CERTIFY that the foregoing proceedings of the Council of the City of Philadelphia of Wednesday, October 11 2000, were reported fully and accurately by me, and that this is a correct transcript of same.

RE: COUNCIL COMMITTEE OF THE WHOLE
BILL 000583, 000590

______________________________,

JOSEPHINE CARDILLO,
Registered Professional Reporter