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COUNCIL OF THE CITY OF PHILADELPHIA

PUBLIC HEARING

COMMITTEE ON FINANCE

- - -

Room 696, City Hall
Philadelphia, Pennsylvania
Wednesday, May 14, 2003
12:38 p.m.

- - -

BILL 030244 - An Ordinance approving the Fiscal Year
2003 Capital Budget providing for expenditures for
the capital purposes of the Philadelphia Gas Works,
including the supplying of funds to be obtained in
connection therewith, and acknowledging receipt of
the Forecast of Capital Budgets for Fiscal Years
2004 through 2008.

- - -

PRESENT:

COUNCILWOMAN JANNIE BLACKWELL, Chair
COUNCILWOMAN MARIAN TASCO, Vice Chair
COUNCILMAN DAVID COHEN
COUNCILMAN JAMES KENNEY
COUNCILMAN MICHAEL NUTTER
COUNCILMAN BRIAN O'NEILL
COUNCILMAN ANGEL ORTIZ

- - -

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2 COUNCILWOMAN BLACKWELL: Good afternoon.

3 We are happy to call into Session our hearing before
4 the Finance Committee with regard to PGW and Bill
5 No. 030244.

6 The Clerk will please read the title of
7 the bill.

8 Before he does, let me note that we have
9 a quorum. To my right is Vice Chair of the
10 Committee, Councilwoman Marian Tasco; to her right,
11 Councilman Michael Nutter; and on the floor, Brian
12 O'Neill; all members of the Finance Committee.

13 As he reads the title of the Bill, we
14 would ask Mr. Craig E. White, Senior Vice President,
15 COO, PGW to please join us at the witness table.
16 AND thank you all for your patience.

17 The Clerk will read the title of the
18 Bill.

19 THE CLERK: Bill No. 030244, an
20 ordinance approving the Fiscal Year 2003 Capital
21 Budget providing for expenditures for the capital
22 purposes of the Philadelphia Gas Works, including
23 the supplying of funds to be obtained in connection
24 therewith, and acknowledging receipt of the Forecast
25 of Capital Budgets for Fiscal Years 2004 through

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2 2008.

3 COUNCILWOMAN BLACKWELL: Thank you very
4 much.

5 Good afternoon. Would you begin your
6 testimony?

7 MR. WHITE: Certainly. I'd first like
8 to begin by thanking the City Finance --

9 COUNCILWOMAN BLACKWELL: Excuse me.
10 Would you identify yourself for the record and pull
11 your mike a little closer?

12 MR. WHITE: My name is Craig White. I'm
13 the acting Chief Operating Officer and Senior Vice
14 President at Philadelphia Gas Works, and I'm
15 responsible for the operation side of the business.
16 I filed written testimony, which I believe has been
17 delivered to the Council. I don't intend to read
18 that into the record, of course. But just as an
19 opening remark, I would like to state that this past
20 2002-2003 Fiscal Year Capital Budget, similar to the
21 upcoming 2003-2004 Capital Budget are basically a
22 two-year program that PGW has embarked on to ensure
23 the efficiency and capabilities of our operating
24 systems. And you will see from the testimony that I
25 filed that the majority of the dollars that we are

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2 asking for in this budget deal with the core
3 business of Philadelphia Gas Works, our
4 distribution, our field services, and our gas
5 processing.

6 As I said, I have filed written
7 testimony, and I'm available for questions.

8 COUNCILWOMAN BLACKWELL: Thank you very
9 much.

10 Regarding the gas processing department,
11 we have heard that the previously approved project
12 to replace the PGW's L & G at Richmond is behind
13 schedule. What's the status of this project?

14 MR. WHITE: Yes, it's true that it is
15 behind schedule. The project is to replace the
16 liquefaction plant. When you refer to liquefaction,
17 you actually have storage tanks, you actually have a
18 vaporization plant and a liquefaction plant. It is
19 the liquefaction plant aspect of this facility that
20 we are replacing. At the present time, the project
21 is in a final negotiation to make a fix -- I guess
22 that's the best way I could put this -- to repair
23 the facility to ensure that it will work at an
24 agreed-to level. As I said, we are in the final
25 stages of completing an agreement where there are

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2 only a couple of minor hurdles that we still have to
3 cross. But we have been working -- the engineering
4 folks have been working forward, and as I said, at
5 this point it's pretty much the legal documents that
6 are trying to be squared away. We should be testing
7 the plant between November 15th and December 15th of
8 this upcoming calendar year. And we anticipate that
9 at that time, we will have a plant and it will be
10 functional and we will be able to use that for
11 liquefaction in the following season in addition to
12 some of our existing facilities.

13 COUNCILWOMAN BLACKWELL: Thank you.

14 So then we need not see a request or
15 expect one for additional capital funding for this?

16 MR. WHITE: Not for this phase. But we
17 should expect in the forecast that there will be
18 discussion regarding a Phase II plan. And, of
19 course, we will be bringing this forth before the
20 Philadelphia Gas Commission before it reaches the
21 Finance Committee and the Council. So I'm sure the
22 issue will be fully ventilated at the Gas Commission
23 and then move forward from there.

24 COUNCILWOMAN BLACKWELL: Thank you.

25 Regarding automatic meter reading, on

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2 page 8, you discuss the need for close to \$4 million
3 to complete this phase in order to install another
4 12,000 AMRs. So do we assume then you have
5 installed approximately 548,000 residential AMRs for
6 our customers? Give us a status check on that.

7 MR. WHITE: Certainly. That is true
8 that we have installed the 548,000. This remaining
9 12 to 15,000 -- I can't recall specifically the
10 number -- will complete, as far as PGW is concerned,
11 the installation of AMRs. Now, we expect, if you
12 look at the statistics, that the last 12 to 15,000
13 are probably going to be the homes that have been
14 most difficult to get into for whatever reason. We
15 will pursue that as appropriately as possible to get
16 into those homes and get the AMRs installed.

17 COUNCILWOMAN BLACKWELL: So then this
18 affects the budget by what amount? Or is the money
19 already there?

20 MR. WHITE: That is the 4 million that
21 you referred to.

22 COUNCILWOMAN BLACKWELL: And this
23 finishes that automatic meter reading Citywide, all
24 right.

25 On pages 10 and 11, you discuss and

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2 support line item transfer proposals recommended by
3 the Gas Commission. It's important to note that the
4 recommended proposal is tied to this one Capital
5 Budget only; and that under the proposed ordinance,
6 the Gas Commission will review PGW's implementation
7 of this proposal to make further recommendations to
8 City Council.

9 Can you assure us that PGW will use this
10 line item transfer or will not use it to fund new
11 projects which should be presented to us as proposed
12 amendments to our budget?

13 MR. WHITE: Yes, I can assure you of
14 that, Councilwoman.

15 COUNCILWOMAN BLACKWELL: Thank you.
16 Councilwoman Tasco.

17 COUNCILWOMAN TASCO: Yes, I would like
18 to go back to Councilwoman Blackwell's question.
19 You have about 500,000 residential customers; so why
20 are we installing 560,000 automatic meters?

21 MR. WHITE: That's an excellent
22 question. It was the first question that I asked.
23 We have a lot of residences within the City that
24 either go vacant over time or new construction and
25 so forth. So in essence, we still maintain 512 to

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2 520,000 active customers, but we have approximately
3 560 facilities or residences in the City of
4 Philadelphia that will have an AMR. It's just that
5 at any one time, not all of them are active gas
6 customers.

7 COUNCILWOMAN TASC0: So 500,00 are your
8 active customers who are paying?

9 MR. WHITE: Yes, ma'am.

10 COUNCILWOMAN TASC0: But you have about
11 560 facilities?

12 MR. WHITE: There's about 560,000 AMRs
13 that have been installed over the life of the
14 project. There may be facilities that had AMRs
15 where they've actually been demolished and new homes
16 have been built in the same locations. In that
17 case, that would be part of that overall number of
18 560,000. But, of course, those structures don't
19 stand any longer and they've been replaced. So the
20 number of 560 just addresses the actual amount that
21 we've installed since the inception of the program.

22 COUNCILWOMAN TASC0: Well, what
23 discussion are you having with the City's NTI
24 Department? Because they have a massive demolition
25 program. If you have on your books to install AMRs

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2 in facilities that are destined to be demolished, do
3 you have any ongoing or have you had any discussion
4 with the NTI Office about this?

5 MR. WHITE: We coordinate with the City
6 on all fronts. I'm assuming that -- and I would
7 have to get to the Councilwoman specifically on this
8 question. But I would expect that if facilities are
9 scheduled for near-term demolition that we would not
10 be installing an AMR. But I will be happy to report
11 back to you as to specifically how we address that.

12 COUNCILWOMAN TASC0: I think that's very
13 important that you -- I know you personally don't
14 know that. Whoever is in PGW that's in charge of
15 the AMR program, I think you ought to make sure that
16 they have some discussion with NTI and know in
17 advance the properties that are designated for
18 demolition, because there are a number of them.
19 There's no point in installing an automatic meter if
20 the building is going to be demolished. And it may
21 cut down on the number of AMR's you need. And
22 that's throughout the City. And even if they're not
23 scheduled for demolition next week, they're on the
24 list to be demolished so they should not be counted
25 in your facilities count. And I'd like for you to

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2 get back to the Chair of this Committee in terms of
3 that information, which she will share with us,
4 because I want to make sure that that doesn't take
5 place.

6 Mr. Knudsen is here, and he understands
7 what I'm talking about, along with the other staff
8 members. That would be a waste.

9 Sometimes we just don't think of the
10 coordination. That's over here, and you've over
11 here. It just came to me. So I want you to think
12 about that.

13 The question I have is, when do you
14 think that at some point we will get away from
15 funding our capital improvements solely from
16 long-term debt?

17 MR. WHITE: Councilwoman, I will have to
18 defer to our finance people on that. We provide
19 them with the request and, of course, Mr. Knudsen
20 and I review, in conjunction with our operations
21 people, to see what are the critical path items to
22 ensure safety and reliability. And then at that
23 point, we have to rely on the financial people. And
24 I think Mr. Knudsen has come up to answer that
25 question.

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2 MR. KNUDSEN: Councilwoman, I'm Tom
3 Knudsen. I'm CEO of the Philadelphia Gas Works.

4 Councilwoman, the Five-Year Plan that we
5 have shows us generating internally-generated funds,
6 which is what your question goes to, in the 2006
7 time frame. Prior to that, all of the funds that we
8 have are going to pay down our short-term debt and
9 also the \$45 million City loan. So our projections
10 are actually showing that we have funds from our own
11 internal activity starting Fiscal 2006, so it's two
12 years away.

13 COUNCILWOMAN TASC0: Mr. White, you are
14 working with the Water Department. In your
15 testimony on page 6 to 7 you discuss the minimal
16 reimbursement PGW gets for reinforced relocation of
17 gas mains caused by City, State, and Federal work.
18 And you also state that PGW is in the process of
19 finalizing a new reimbursement agreement with
20 Philadelphia Water Department to increase the
21 reimbursement rate to PGW. What is the status of
22 PGW's discussion with the Water Department? And
23 since PGW and the Water Department are both part of
24 the City, why is this an issue for PGW.

25 MR. WHITE: At this point, the status is

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2 that we have had a number of meetings with the staff
3 of the Water Department, with PGW operation staff.
4 PGW has created a model that we provided to the
5 water company, a computer program that allows them
6 to enter different scenarios with respect to how
7 reimbursement would change based upon the proposals
8 that we have made.

9 One of the main reasons we're going in
10 this direction, we spend about \$8 million a year,
11 which is part of our Capital Budget, on enforced
12 work with the Water Department. As you know, PGW
13 replaces under a prudent cast iron main replacement
14 program the riskiest main in the streets of
15 Philadelphia. When we have to spend funds to do
16 enforced work, it obviously impacts our overall
17 capital dollars. What we have experienced over time
18 is that we spend about \$8 million and we get about
19 \$200,000 worth of reimbursement for pipe that we
20 would not disturb if not for the fact that the water
21 must be in there to address water work. What we're
22 looking for is a more equitable distribution and a
23 situation where PGW and the Water Department would
24 be pretty much sharing the burden of the cost
25 associated with that.

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2 Certainly, as we try to restore or
3 retain PGW's assurance of delivery and reliability
4 and so fourth, we have to maintain these assets.
5 There was a point in time where the assets were not
6 maintained as well as they should have been, and in
7 essence, we're playing catch-up right now. And that
8 is in essence what drives this budget this year and
9 will drive next year's budget.

10 COUNCILWOMAN TASC0: I'm wondering if
11 the Water Department in their costing out their
12 work, the costs of you to come in -- I mean, even
13 though you're both City agencies, it cost you money,
14 each of you, to do it. So they should calculate in
15 their budget the cost for doing this, right?

16 MR. KNUDSEN: Yes, I would expect so.

17 COUNCILWOMAN TASC0: Which would
18 reimburse you?

19 MR. WHITE: Yes, that's correct.

20 COUNCILWOMAN TASC0: Let me just go back
21 to the L & G plant. When do you think we'll get the
22 new plant straightened out, the issues with that?

23 MR. WHITE: I would expect that the new
24 plant will be at a test mode on November 15th.

25 The outstanding issues at the present

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1
2 time are very close to being resolved. The most
3 important of which was the test period, the November
4 15th to December 15. And we believe we've come up
5 with a resolution that will -- if PGW is unable to
6 enable the vendor to test during that period, then
7 the vendor would have until the following June, and
8 that would be drop-dead date. We expect that we
9 will be able to provide sufficient gas flow to
10 enable the vendor to test during that November 15th
11 to December 15th period. In the event we do provide
12 that, they must have this plant fully operational on
13 December 15. That's our expectation. As you know,
14 we ran into a problem when the Plant came on
15 initially. It did not work. There were problems
16 with a number of aspects of it. The contractor,
17 Chicago Bridge and Iron, and their subcontractor,
18 Air Products, have worked diligently in creating a
19 modification which has been reviewed by both PGW
20 engineers and PGW's consulting engineers Crios (ph).
21 That's a company that PGW had entered into a
22 contract with to review this. A lot of this
23 material is proprietary so we had to work our way
24 through that, proprietary to Air Products. And once
25 we worked our way through that, and we believe that

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2 we have it fixed that at this present time we
3 believe is very reasonable. We expect that we will
4 have a plant that's up and running at the end of
5 this liquefaction season.

6 As far as this liquefaction season, I
7 think it's important to note that we have our old
8 plant. It is fully functional. It is running at a
9 very high rate, which is what we have seen over the
10 last five years. The issue with the old plant is,
11 it is 35 years old and there are pitfalls when
12 you're running a 35-year-old plant and it is
13 absolutely critical to the City of Philadelphia.

14 COUNCILWOMAN TASCO: Thank you.

15 Thank you, Madam Chair.

16 COUNCILWOMAN BLACKWELL: You're welcome.

17 The Chair notes the presence of
18 Councilman James Kenney, and we also thank
19 Councilman Angel Ortiz for being here as well.

20 Are there any other questions from
21 Members of the Committee?

22 Councilman Ortiz.

23 COUNCILMAN ORTIZ: I have a question for
24 Mr. Knudsen.

25 Mr. Knudsen on April 30th, Council

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2 President Verna sent you a letter. You did receive
3 the letter?

4 MR. KNUDSEN: I did receive the letter
5 and responded.

6 COUNCILMAN ORTIZ: Have you responded to
7 the letter?

8 MR. KNUDSEN: Yes.

9 COUNCILMAN ORTIZ: When did you respond
10 to it?

11 MR. KNUDSEN: That was today.

12 COUNCILMAN ORTIZ: Today you responded?

13 MR. KNUDSEN: Yes, that's correct.

14 COUNCILMAN ORTIZ: Do you have a copy of
15 your response?

16 MR. KNUDSEN: I do, if you'd like one.

17 COUNCILMAN ORTIZ: Yes.

18 (Pause.)

19 COUNCILMAN ORTIZ: I don't think that's
20 what the Council President asked you, in terms of
21 your response. We did pass legislation in this
22 Council. Legislation was passed. It was not vetoed
23 by the Mayor. I believe that legislation does have
24 the force of law.

25 Here, before in a previous hearing, you

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2 told us that you were going to communicate with the
3 PUC and amend the request that you had made in terms
4 of the 20 percent discount. You never did that, did
5 you?

6 MR. KNUDSEN: I don't think I said I
7 would amend it. I said I would communicate with
8 them, which --

9 COUNCILMAN ORTIZ: I don't know what --
10 I believe that you said that you would ask the PUC
11 to -- you were amending your previous request about
12 the 20 percent discount. That's my recollection.

13 MR. KNUDSEN: Well, I wouldn't have been
14 in a position to do that, only because it would be a
15 complete tariff application. I can't just request
16 the PUC -- I think the conversation was in the
17 context of what they were intending to do at the
18 time of that hearing.

19 COUNCILMAN ORTIZ: Well, they were
20 intending to do something you asked them to do. And
21 we were asking you to retract that request that you
22 had made; and you said that you would do that.

23 MR. KNUDSEN: I communicated with them
24 and I was informed that in fact the process was
25 essentially complete and that there would be no

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2 recourse to change --

3 COUNCILMAN ORTIZ: Do you have copies of
4 your communications with them?

5 MR. KNUDSEN: I don't have anything
6 here.

7 COUNCILMAN ORTIZ: I would like to see
8 your communications and the responses to you.

9 MR. KNUDSEN: I have communication from
10 my Council, and I will provide that to you.

11 COUNCILMAN ORTIZ: What did you
12 communicate to them in that letter that you sent to
13 them?

14 MR. KNUDSEN: I'm trying to recall
15 exactly what the nature of that was, but the inquiry
16 that I made was whether there was any possibility of
17 there being adjustment or way of influencing the PUC
18 at that time; and the answer was no, that the
19 process -- and I've forgotten when we were in
20 hearings last. It was some time in the latter part
21 of March, as I recall. It would have been early
22 part of March. And the process at the PUC, any
23 opportunity for intervention or changing of
24 positions was closed and they were in the decision
25 phase at that time.

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2 COUNCILMAN ORTIZ: The PUC communicated
3 to you that --

4 MR. KNUDSEN: No, my Council did. I
5 went through Council to say, "Is there a possibility
6 here of opening this issue up again?" And the
7 answer was no.

8 COUNCILMAN ORTIZ: Did you communicate
9 that to us in any way?

10 MR. KNUDSEN: I don't remember whether
11 we did or not. I'd have to check with Counsel.

12 COUNCILMAN ORTIZ: I don't believe you
13 did.

14 MR. KNUDSEN: Well then, I was remiss.

15 COUNCILMAN ORTIZ: I don't believe you
16 ever communicated to us.

17 You made a statement here. You went
18 back. You said you got the advise of Counsel.
19 Counsel told you not to do it, obviously, and then
20 you did not communicate back to us that you were not
21 going to abide by the request we had made of you.

22 MR. KNUDSEN: Forgive me, Councilman. I
23 will clarify that. I made the proffer to see was it
24 possible, I think, and the answer was that at that
25 time, there was no room within the process to change

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2 anything. The PUC would go on the basis of --

3 COUNCILMAN ORTIZ: Well, I don't know
4 who decides whether there's room in the process to
5 modify a request that you're making to the PUC.

6 MR. KNUDSEN: Because there are legal --

7 COUNCILMAN ORTIZ: I understand. And
8 there is a legal ordinance passed by this Council
9 that you have seemed to wish to ignore and you're
10 saying that it has no validity whatsoever.

11 MR. KNUDSEN: No, there are two issues,
12 Councilman. The first deal is with my conversation
13 with the PUC back --

14 COUNCILMAN ORTIZ: Well, if I read PUC
15 correctly, they said that it is the prerogative of
16 Council by ordinance. And we follow the PUC
17 direction as to their opinion. You made a certain
18 representation to us at the time of that previous
19 hearing and you ignored to communicate back to us in
20 a timely fashion what your communication with the
21 PUC was going to be.

22 Then, President Verna writes you a
23 letter on April 30th, and you file a response to her
24 today, the day when you're supposed to come before
25 this Council. And you're saying to us that because

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you already filed you were not able to communicate,
or you did communicate the PUC -- I don't know how
you communicated because I don't have it in front of
me.

The desires of this Council, the wishes
of this Council that our filing before them include
the maintenance of the 20 percent discount and that
you were going to amend that filing to reflect that.
Now you say you didn't say that. I do believe you
did say that. That's my recollection. I left that
hearing believing that you were going to communicate
to the PUC that it was the desire of this Council
and that and that you as representative of the PGW,
our corporate structure, that you were going to ask
for a modification and maintenance that reflected
the maintenance of the 20 percent discount. Now you
say you got an answer from the PUC that was not
possible.

MR. KNUDSEN: No, let me be clear what
my intention was, just so there's no confusion on
this. When this was in the works, when this was
being processed, we had the hearing. And the
inquiry was made whether there was any possibility
of amending the filing at that time.

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2 COUNCILMAN ORTIZ: It was not an
3 inquiry, sir.

4 MR. KNUDSEN: I know, but the inquiry
5 was of me. And I responded saying I didn't believe
6 that it would be changed but I would inquire if that
7 was at all possible. I went to my counsel and I
8 said look, "Is there any opportunity within the
9 process at the PUC?" And the answer was no. What
10 is necessary at this juncture to change the Senior
11 Citizen Discount Program is that we anew under a
12 separate docket with this as a specific request, not
13 in the restructuring because the restructuring has
14 already gone too far, but the law allows that we can
15 file anew for a change.

16 Now, the issue for management is that it
17 is our understanding that there are some legal
18 issues surrounding the making of such an
19 application, and I basically --

20 COUNCILMAN ORTIZ: Sir, we had hearings
21 on this. We made it very clear what the desire of
22 this Council is. We passed legislation, unanimously
23 passed legislation that reflected the wishes, the
24 desires of this City's Legislative Body. We said to
25 you at that time, "This is what is required of your

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2 organization as per the legislation and the desires
3 of this Body, for you to go back and give PUC an
4 amended request about the 20 percent discount. And
5 my recollection is that you were going to do that.

6 Now, I may be mistaken, but I think I
7 have a good memory that you were going to
8 communicate with the PUC. And we had not passed
9 legislation at that point.

10 MR. KNUDSEN: That's correct.

11 COUNCILMAN ORTIZ: We did pass the
12 legislation subsequent to that.

13 Ms. Verna, the President of the Body
14 writes you a letter in which she says -- and I'm
15 going to read. "As you know, on April 10, 2003,
16 City Council passed two bills, copies of which are
17 enclosed herewith, reaffirming its commitment to
18 continue PGW's existing Senior Citizens Discount for
19 all customers who reach 65.

20 "On April 25, 2003, the Mayor returned
21 these Bills to Council without his signature,
22 disallowing them to become law.

23 "I now call upon PGW to implement these
24 Ordinances, in particular, Section 2 of Ordinance
25 030123 requires that whenever a proposed rate filing

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is made to the Public Utility Commission on behalf of PGW, such proposed rate filing shall include a proposal to continue the discount afforded to senior citizens under the same terms that the senior citizens discount was last approved by the Philadelphia Gas Commission. Section 3 goes on to require that if any proposed rate filings have been made to the PUC on behalf of the City's Natural Gas Distribution Operation before this ordinance became law, the entity making such filing shall within one week after this ordinance become law, file an amendment to such proposed rate filing that conforms with the requirement of Section 2 of this ordinance.

"As you know, PGW has recently made a filing before the PUC, calling upon that agency to end the discount for customers not already receiving it as of September 1, 2003. The PUC in an order dated March 21, 2003 accepted that recommendation.

"Under Ordinance 030123, PGW is now required to amend its filing to propose that the PUC reconsider its ruling and reinstate the discount for new applicants. Ordinance 030138 reinforces PGW'S obligation to seek an amendment of the PUC's order. That measure adds a new Section, 19-2003 of the

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Philadelphia, which in no uncertain terms requires that the Philadelphia Gas Works shall establish and maintain a reduction in charges for natural gas distribution and supply services for any eligible senior citizen in the amount of up to 20 percent of the charges for heating and non-heating purposes to his or her residence.

"This is the clear policy of the City as expressed in these two ordinances is that PGW maintain the existing senior citizen discount and that PGW must make clear to the PUC that it desires and intends so to maintain it."

Then she asked you to please advise her of the steps you will be taking within the time restraints set forth in Ordinance 030123 to comply with the mandate of the new legislation.

You didn't answer that letter until today. In fact, you brought the letter here. And that's what we're asking. And that's what we're requiring of you to do.

MR. KNUDSEN: Councilman, let me respond. I apologize for the letter being late. I was not in the City. I was out of the City on personal issues last week. Be that as it may, the

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2 letter is here. The issue for PGW management is
3 that we are confronted with a legal interpretation
4 or some legal issues that --

5 COUNCILMAN COHEN: No, they're not.
6 There are no legal issues here. I don't even know
7 why you're here even. You don't recognize City
8 Council; we're not going to recognize you. I'm
9 going to be fighting, not only voting no on this,
10 but voting no and fighting actively against Council
11 action on behalf of PGW on every issue until two
12 things occur: Until you change the request and the
13 PUC acts favorably on it.

14 You have no right to Philadelphia's
15 support. I don't know why you're sitting here
16 asking of us to do anything for you. You don't feel
17 we have any authority; so be it, go your own way, do
18 your own funding. Don't come to City Council for
19 it, because you reject our authority.

20 You should not be here. We ought to
21 terminate this hearing at once because you have no
22 call on us for anything.

23 MR. KNUDSEN: Councilman, as I said,
24 I --

25 COUNCILMAN COHEN: I have those two

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2 conditions. Until PUC acts favorably on your
3 recommendation that the senior citizen discount be
4 fully restored, I'm going to vote no and campaign
5 actively throughout the City that the City has no
6 obligation to PGW, it's an outlaw body that has no
7 support and ought to have no support. I don't know
8 whether I'll win or not, but I'm going to do it and
9 I'm going to do it as hard as I know how. And you
10 know how hard I can fight on issues.

11 I don't see any good to PGW as far as
12 the City is concerned. If the Mayor supports you,
13 if he supported you on this, so be it; get support
14 from the Mayor. Have the Mayor find the money that
15 you need without Council action. But you forfeited
16 any right to Council action on your behalf at all.

17 I think you entered into a conspiracy
18 with unknown people to prepare PGW for sale or
19 private ownership that you decided that to do it you
20 had to have an elimination of the senior citizen
21 discount and you with full forethought decided that
22 this is the way you're going to do it and you were
23 going to override the City Council. You knew the
24 City Council felt strongly. Even the Act contains a
25 provision for City Council to state its opinion.

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2 And you acted hurriedly to make certain that you
3 represented the City of Philadelphia's opinion when
4 you knew you did not.

5 I think you forfeited any claim to
6 credibility or any claim to any assistance whatever
7 if on the way to assistance you need the support of
8 City Council.

9 That's my position. I'm going to fight
10 you every inch of the way. I don't think you ought
11 to be in existence because you defied the City
12 Government. And by the City Government, I mean the
13 governing body, the City Council of Philadelphia.
14 And you did it knowingly with full intent to do so.

15 I think you have no right whatever to
16 any support, any assistance from City Council at
17 all. Maybe the best thing might be for you to go
18 out of business and become again an accumulation of
19 buildings just separate and apart and we can set up
20 just like we have a Water Department, we can set up
21 a Philadelphia Gas Department and operate it through
22 the City just as we operate the Water Department.

23 COUNCILMAN ORTIZ: You just stated that
24 before that you can do a new rate filing before the
25 PUC. I think that is what is required. That is

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2 what we required you to do last time. That is what
3 we require of you to begin doing by ordinance.
4 That's what President Verna required you to do. And
5 you come here with excuses that you can't do that.
6 And I'm telling you that the ordinance passed. It
7 is the law of the City, and we're asking you to go
8 back and re-file and make clear to the PUC what the
9 wishes of this Legislative Body are.

10 COUNCILMAN COHEN: Councilman, if I may.
11 I'm insisting further that the PUC act favorably,
12 because I think you are in a conspiracy. Maybe PUC
13 may be one the conspirators. So that if you do that
14 filing and you fail, I will take the same position
15 I'm taking now. I will always be against PGW until
16 they comply and that senior citizen discount is
17 restored. Otherwise I will vote against and
18 campaign against every piece of legislation
19 requested by PGW.

20 COUNCILMAN ORTIZ: I want to see an
21 effort made, a very strong effort made to go back to
22 PUC and comply with the letter of this law.

23 MR. KNUDSEN: Councilman, I am pleased
24 to file with the PUC when it's clear to me that I
25 have the legal structure to do that.

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2 COUNCILMAN COHEN: Then go back and find
3 out and give us the opinion which says that you
4 don't have that authority.

5 MR. KNUDSEN: I can do that.

6 COUNCILMAN COHEN: Do that and we'll
7 hold this in abeyance.

8 COUNCILMAN ORTIZ: There is a law. You
9 want to go to court?

10 COUNCILMAN COHEN: And maybe we'll have
11 to spend a couple years in court before we can
12 consider your --

13 MR. KNUDSEN: Councilman, I am not the
14 person for that discussion. I'm not a lawyer.

15 COUNCILMAN ORTIZ: Well, the only way
16 you can do that is to challenge the law that this
17 Council passed in court. And PGW can then sue City
18 Council or the City of Philadelphia.

19 MR. KNUDSEN: If that's the course, then
20 that's what we have to do. But I don't --

21 COUNCILMAN ORTIZ: Up until that time,
22 the law of this City was passed by Ordinance
23 unanimous. It was done.

24 COUNCILMAN COHEN: How could you dare
25 state an intention of the City with respect to

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2 senior discount, our desire, in face of the 1973
3 action by this Body which remained on the books?
4 How could you have disregarded that when you stated
5 a City position?

6 That was the City's position. You were
7 not free to distort and conceal the truth from the
8 PUC.

9 MR. KNUDSEN: Councilman, I am an agent
10 in this circumstance. I would prepare all of the
11 papers and when --

12 COUNCILMAN COHEN: Well, go back to the
13 people that are controlling you. If you're an
14 agent, go to the principal who directed you to tell
15 an untruth to the PUC with respect to the City's
16 point of view on the senior citizen discount.

17 COUNCILMAN ORTIZ: Did you not know that
18 we passed this legislation? Did you not know that
19 these activities had happened in this City Council?

20 MR. KNUDSEN: I was fully aware of that.
21 I had been advised by the --

22 COUNCILMAN ORTIZ: I mean, do you wait
23 to hand us a letter on the day you come before us
24 answering the President of this Body's letter that
25 was given to you on April 30th asking you to answer

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2 several questions. It is totally disrespectful of
3 this Body.

4 MR. KNUDSEN: There was certainly no
5 disrespect intended on my part. There were some
6 issues that arose as to --

7 COUNCILMAN ORTIZ: Well, sir, if there
8 were some issues, then you should have communicated
9 those issues immediately.

10 MR. KNUDSEN: Fair enough.

11 COUNCILMAN COHEN: Madam Chair, I don't
12 believe this Bill is in position for Council to take
13 any action.

14 COUNCILWOMAN BLACKWELL: Councilman
15 Cohen, in fact, we did not introduce you, but as
16 they say you came in with a bang. And we hear your
17 concerns. We've tried to have some side-bar
18 discussions. We are prepared to hold this hearing
19 until May 27th at 2 o'clock, if that is the will of
20 the Body.

21 COUNCILMAN ORTIZ: Make it so.

22 COUNCILWOMAN BLACKWELL: At that time,
23 we will ask that you respond to the whole issue of
24 senior citizen discounts and the issues of whether
25 or not you have the legal authority -- Councilman

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2 Cohen expressed himself well. I need not repeat it,
3 to respond to those issues with regard to authority
4 and the issue of the senior citizen discount.

5 MR. KNUDSEN: I will seek the
6 clarifications that the Council wishes.

7 COUNCILMAN COHEN: Madam Chair, there
8 can be no such thing as a chairman of PGW not having
9 the authority to communicate the view that he was
10 wrong when he stated the City's position before and
11 he wishes to correct it. And in any actions taken
12 by PUC based upon his incorrect statement to them --
13 and he must admit that he was incorrect in stating
14 the City's intention -- any action based on that
15 statement by the PUC was based on a wrongful
16 statement by him, and he must request that that
17 action be terminated and the senior citizen discount
18 be restored. It's not going to be enough for him to
19 come in with some so-called legal opinion that he
20 lacks the authority. If he lacks the authority to
21 correct the error he made, he lacks the authority to
22 request action on the Capital Budget.

23 COUNCILWOMAN BLACKWELL: Thank you,
24 Councilman.

25 And the Chair also notes that this

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2 entire body voted to maintain the senior citizen
3 discount, all of us, the entire Body voted
4 unanimously, that is correct.

5 Councilman Kenney, you wanted to say
6 something?

7 COUNCILMAN KENNEY: Thank you. I'm just
8 curious as to what one of the local editorial board
9 writers thought when they asked for someone more
10 vigorous than Councilman Cohen to replace him when
11 they didn't endorse him. I'm frightened that if he
12 gets replaced by someone more vigorous, Mr. Knudsen
13 will have to hide under the table.

14 (Laughter.)

15 COUNCILMAN KENNEY: That's all.

16 COUNCILMAN COHEN: The statements were
17 meant in full seriousness.

18 MR. KNUDSEN: I understand completely,
19 Councilman Cohen.

20 COUNCILWOMAN BLACKWELL: All lines
21 clear, this hearing regarding to Bill 030244 will be
22 continued on May 27th at 2:00 p.m.. Thank you all.

23 (Council adjourned at 1:20 p.m.)

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C E R T I F I C A T I O N

I HEREBY CERTIFY that the foregoing
proceedings of the Council of the City of
Philadelphia of May 14, 2003, were reported fully
and accurately by me, and that this is a correct
transcript of the same.

RE: COMMITTEE ON FINANCE

Lisa C. Bradley, RPR
and Notary Public