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COUNCIL OF THE CITY OF PHILADELPHIA

3

PUBLIC HEARING

4

BEFORE THE COMMITTEE OF THE WHOLE

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Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, March 16, 1999
9:27 a.m.

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RESOLUTION NO. 980756 - Calling on the City
Council of Philadelphia to conduct a public
hearing to investigate and evaluate the impact to
the City of Philadelphia brought on by computer
operating systems being unable to function
properly on or about January 1, 2000 and what
precautions are being taken to avoid a crisis.

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PRESENT: COUNCIL PRESIDENT ANNA C. VERNA, Chair
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN DAVID COHEN
COUNCILWOMAN DONNA REED MILLER
COUNCILMAN RICHARD T. MARIANO
COUNCILMAN FRANK RIZZO

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VINCENT VARALLO ASSOCIATES, INC.
Registered Professional Reporters
Eleven Penn Center, Suite 600
Philadelphia, PA 19103
(215) 561-2220

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2 P R O C E E D I N G S

3 COUNCIL PRESIDENT Verna: Good morning,
4 everyone. This is the Committee of the Whole
5 regarding a public hearing on resolution No.
6 980756.

7 This morning, we are honored to have
8 with us Lieutenant Governor Mark Schweiker, who
9 will be the first witness. At this point in time,
10 I would ask the clerk to please read the title of
11 the resolution.

12 THE CLERK: A resolution Calling on the
13 City Council of Philadelphia to conduct a public
14 hearing to investigate and evaluate the impact to
15 the City of Philadelphia brought on by computer
16 operating systems being unable to function
17 properly on or about January 1, 2000, and what
18 precautions are being taken to avoid a crisis.

19 COUNCIL PRESIDENT Verna: Good
20 morning. As I said, welcome again, and please
21 identify yourself for the record and proceed with
22 your testimony.

23 MR. SCHWEIKER: I'm Mark Schweiker, the
24 Lieutenant Governor of the Commonwealth of
25 Pennsylvania. And with me is Charles Gerhards,

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2 who is the State's Chief Information Officer.

3 Good morning and thank you, Chairwoman
4 Verna. And also let me acknowledge the invitation
5 extended by Councilman Rizzo to be with you this
6 morning to address this critical issue.

7 Shall I proceed?

8 COUNCIL PRESIDENT VERNA: Please.

9 MR. SCHWEIKER: Thank you, Madam
10 President. As the new century draws near, the
11 Year 2000 computer problem has and is receiving
12 more and more attention in the news.

13 COUNCIL PRESIDENT VERNA: Excuse me, I
14 don't mean to interrupt you, but I understand
15 people are having difficulty hearing you. If you
16 would pull the microphone closer to you, please.
17 Thank you.

18 MR. SCHWEIKER: As the new century
19 draws near, your microphone's working just fine,
20 Madam President.

21 (Laughter.)

22 MR. SCHWEIKER: The Year 2000 computer
23 problem has and is receiving more and more
24 attention in the news. Most of it is what I would
25 call "doom-and-gloom reporting" -- stories about

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2 businesses that will fail, stories about traffic
3 lights and air traffic control systems that will
4 shut down, and stories about microcomputer chips
5 found in all the appliances we use today that will
6 simply stop working.

7 Now, I will tell you, as the Governor's
8 chief advisor for local governments, I've seen how
9 widespread is the problem. In the city halls,
10 computers handle tax claims, wills, and deeds.
11 Think about security in your jails, think about
12 payrolls that are processed by computers, think
13 about the interconnected traffic lights that
14 regulate the flow of traffic at Broad and Vine
15 Streets, and the many traffic lights throughout
16 the City and state.

17 It's no wonder that people are scared
18 about what will happen when January 1, 2000 does
19 arrive. Or that others, seeing the problem as
20 beyond their control, have simply given up.

21 And while the Year 2K problem is very
22 serious, I'm here today to tell you that it's not
23 all doom and gloom, that the Year 2000 is not only
24 some technological snafu beyond our control.
25 Pennsylvania will still issue driver's licenses,

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2 birth certificates, and various certifications.
3 Pennsylvania State government will still
4 function.

5 Our administration has worked very hard
6 to make Pennsylvania a technology leader among
7 states, and much of that recognition is due to
8 leadership in squashing the Year 2000 bug and
9 protecting vital government services from
10 shutdown.

11 More than two and a half years ago,
12 Governor Tom Ridge and I recognized the importance
13 of quickly addressing the Year 2000 computer
14 problem within Pennsylvania State government. At
15 that time, we assembled a management team to
16 develop the Governor's Year 2000 Action Plan, and
17 the successes that we are enjoying today can be
18 traced to the activation of that plan.

19 Now, when we began this comprehensive
20 Year 2000 effort, we set December 31, 1998 -- just
21 a few months ago -- as the deadline date for
22 agencies to complete repairs to the mainframe
23 systems. I should point out that the repair
24 process consists of three steps: correcting
25 faulty computer code, testing those corrections,

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2 and then putting fixed programs back into useful
3 service.

4 And according to our most recent
5 monthly reports, we've now completed repairs to
6 99.82 percent of our mainframe systems. Of the
7 small number of programs that remain, many are
8 simply waiting for work to be completed by outside
9 agencies before they are ready for useful service.

10 A recent survey conducted by the
11 National Association of State Information Resource
12 Executives confirms that no other state government
13 in the nation is as far along in their Year 2000
14 repairs as Pennsylvania. Those survey findings
15 were reported in the Wall Street Journal on
16 December 29th of last year, and you can find that
17 on Page A-14. This achievement has been earned,
18 in large part, because of the leadership of the
19 Administration and the fact that we made the Year
20 2000 challenge and correction work a priority for
21 state agencies.

22 This has been no small accomplishment.
23 Bear in mind that:

24 30 of 40 state agencies had reported
25 Year 2000 problems;

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2 I want to say this slowly it says
3 something about the tallness of the order. 46,081
4 mainframe computer programs have required
5 attention;

6 The total cost of repairs to these
7 programs is over \$41 million;

8 And we have identified 738 data
9 interfaces between state agencies, federal
10 agencies, and third parties that need to be made
11 Year 2000-ready.

12 Let me just tell you that this work
13 could not have been done without the excellent
14 work by our state information technology
15 employees, including -- and I would reference the
16 gentleman to my right again -- Charles Gerhards.

17 Having completed nearly all of the work
18 on our mainframe programs, Madam President, we are
19 now shifting our attention more fully to the
20 review of our personal computers and embedded
21 technologies. These projects are already
22 underway. We have completed a comprehensive
23 assessment of agencies' PC hardware and software,
24 and repairs and replacement of faulty PC's are
25 moving forward.

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2 We are currently finishing a
3 comprehensive survey of agencies' embedded
4 technologies -- computer chips found in devices
5 that we use every day. Examples are our security
6 system to your personal telephones. Our
7 technology team is continuing to monitor progress
8 to ensure that agencies repair all identified
9 critical embedded chips by the end of 1999.

10 The bottom line is that Pennsylvania
11 State government, to the best of our knowledge, is
12 leading all other states in addressing Year 2000
13 concerns.

14 Now, that doesn't mean that we're home
15 free. Everyone knows that the final push on any
16 project -- not just a technology project like Year
17 2000 problem, the final push on a project is the
18 hardest.

19 And so we do expect some surprises.
20 Our strategy all along has been to address the
21 most critical computer systems first and ensure
22 their Year 2000 readiness. And by completing that
23 work in 1998 -- and that has been the case -- we
24 have freed up both the staffing and resources to
25 address any unexpected computer glitches we know

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2 will arise.

3 In spite of our excellent progress,
4 we've also decided to require all agencies under
5 the Governor to prepare Year 2000 business
6 continuity plans -- not because we don't have
7 confidence in our Year 2000 repairs, but because
8 our responsibility to the State's citizens demands
9 that we act responsibly. And all business
10 continuity plans are to be in place and tested by
11 September 30th of this year.

12 Just let me offer a remark about public
13 outreach. As a national leader in the Year 2000,
14 Governor Ridge and I have felt a strong sense of
15 public stewardship and related responsibility to
16 reach out to communities throughout Pennsylvania
17 and provide them with helpful Year 2000
18 information. The very fact that I'm here is an
19 example of that kind of commitment and effort and
20 outreach. And that's why the Pennsylvania 2K
21 Initiative was begun.

22 Over the last two years, we have been
23 working with a number of Year 2000 partners,
24 including Penn State University, the Pennsylvania
25 Chamber of Business and Industry, the federal

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2 government of Canada, and the states of Colorado
3 and Texas, to cite two, and not to mention the
4 thousands of Pennsylvania communities that rely on
5 this relationship. By freely sharing information
6 and ideas, we have developed a series of
7 informative Year 2K materials that can be provided
8 to citizens. We have brochures and workbooks and
9 a number of other things.

10 All of these products explain the date
11 change problem in non-technical terms. And as a
12 parenthetical thought, that's critical as far as
13 creating comprehension of the problem in making
14 sure that the citizenry buys into the propriety of
15 the expenditure in backing of the entire endeavor,
16 knowing that we've only got about nine months
17 before this important date hits.

18 So we explained it in non-technical
19 terms and suggested ideas for squashing the
20 millennium bug. And I will quickly mention that
21 if you're interested in checking out and enhancing
22 your awareness of Year 2000 problems and some of
23 these planning tools that I just mentioned, it can
24 be easily accessed through our Website at
25 www.pa2k.org. And we've got a toll-free phone

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2 number for the same purpose.

3 As a national leader on the Year 2000,
4 we've learned that the computer date change is a
5 shared threat that demands we work cooperatively.
6 By sharing information and working in unison, we
7 can minimize any Year 2000 disruption to our
8 businesses and communities.

9 Now, my job today was to tell you that
10 the Commonwealth, as a State government
11 enterprise, is ready for the Year 2000, and we are
12 ready. To tell you about what we have done to
13 ensure that State services will continue past the
14 new year celebrations let me assure you that as a
15 state. Well, let me assure you that as a state,
16 we will be prepared should problems arise in
17 communities.

18 The point that I'm making here is that
19 internally, the State government is in excellent
20 shape. Externally, should we encounter problems
21 come Saturday, January 1st of the new century, we
22 will be in a heightened state of readiness.

23 Our emergency operation center at the
24 Pennsylvania Management Agency -- as an aside,
25 that is a 7-day-a-week, 24-hour-a-day operation --

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2 or PEMA, will be fully staffed to respond to
3 emergencies. PEMA, at my direction, has been
4 instrumental -- and the Governor's direction --
5 has been instrumental in working with counties and
6 communities to prepare for Year 2K issues. They
7 are working with local governments to prepare
8 their own continuity plans. They are planning a
9 major Year 2K electronic town meeting later this
10 spring to provide information to businesses, local
11 governments, and the general public on Year 2K
12 preparedness and contingency information. And
13 last December, PEMA held a Year 2K preparedness
14 exercise and is planning several more exercises
15 this year.

16 I invite the City of Philadelphia to
17 take advantage of the awareness and planning tools
18 that State government has developed for your use.
19 Please join us as a full Pennsylvania 2K partner,
20 drawing on the resources that I've described and
21 adding your own ideas to the team. Pulling
22 together -- and I believe this, emphasizing team
23 work -- we can beat the impending Year 2000
24 deadline, and in the process, we can reaffirm
25 Pennsylvania's new-found status as an emerging

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2 technology state.

3 And with that, I'll conclude and say
4 thank you so much for the opportunity for a short
5 time to address this challenge. And if there are
6 questions, Charlie would be happy to answer them.

7 (Laughter.)

8 COUNCIL PRESIDENT Verna: Again, we
9 thank you for your presence this morning.

10 The Chair recognizes Councilman Rizzo.

11 COUNCILMAN RIZZO: Lieutenant Governor,
12 I want to thank you for coming today to let us
13 know exactly what is going on at the State level.
14 We appreciate that very much in Philadelphia,
15 knowing that the State PEMA are prepared to deal
16 with this situation.

17 Thank you, Lieutenant Governor.

18 MR. SCHWEIKER: Thank you so much, Mr.
19 Councilman.

20 COUNCIL PRESIDENT Verna: Thank you.
21 Are there any other questions or statements?

22 (No further questions.)

23 COUNCIL PRESIDENT Verna: Thank you
24 again. We appreciate your attendance.

25 MR. SCHWEIKER: Thank you, Madam

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2 President.

3 COUNCIL PRESIDENT Verna: Our next
4 witness is the Joseph Certaine, and I will ask
5 that Brian Anderson join Mr. Certaine at the
6 witness table.

7 (Messrs. Certaine and Anderson come
8 forward.)

9 MR. CERTAINE: Good morning, Madam
10 Chair. If I can make a clarification for the
11 record. Brian Anderson, the City of
12 Philadelphia's Chief Information Officer, will be
13 presenting the testimony this morning, and I, in
14 fact, am joining him.

15 COUNCIL PRESIDENT Verna: Thank you.

16 MR. ANDERSON: Good morning, Council
17 President Verna and members of City Council.

18 COUNCIL PRESIDENT Verna: Good morning.

19 MR. ANDERSON: With me here today and
20 the Managing Director is Dean Kaplan, the City's
21 Budget Director, and Stephanie Franklin-Suber, the
22 City Solicitor.

23 I am Brian Anderson, Chief Information
24 Officer for the City of Philadelphia. On behalf
25 of the Mayor's Office, the Managing Director's

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2 Office, and the City departments who are also here
3 today, I am pleased to provide this testimony on
4 the City of Philadelphia's readiness for the Year
5 2000.

6 At the outset, before the City's Y2K
7 problem could be remedied, it was critical to
8 complete a risk assessment in order to determine
9 the degree of risk posed to the City's major
10 operations, which could directly impact the
11 central services such as 911, police and fire
12 protection, maintenance for water quality, the
13 ability of City government to pay its bills and to
14 collect taxes that are due.

15 For the last four years, the Mayor's
16 Office of Information Services has been at work on
17 Y2K issues canvassing every software application
18 that operates on the City's central mainframe
19 computer to determine the severity of the problem
20 as well as charting a course for correcting it.

21 In March 1998, the City formalized its
22 efforts, creating a Year 2000 Steering Committee
23 under the leadership of the Office of the Managing
24 Director, the City's Risk Manager, and myself.
25 The Committee draws its members from a variety of

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2 City departments and is charged with leading the
3 City's efforts to identify and remedy the City
4 government's Y2K issues.

5 In addition, the Year 2000 Steering
6 Committee has sought the cooperation of many of
7 our vendors and others with whom the City does
8 business, contacting each of them to assess
9 private sector readiness for the Year 2000. The
10 city is working cooperatively with two of its
11 private sector counterparts whose readiness for
12 the Year 2000 is critical to the City's success in
13 addressing the Y2K problems. Those two vendors
14 are PECO Energy and Bell Atlantic.

15 Our efforts also include talking with
16 other cities to determine their level of
17 preparedness for the Year 2000. In December 1998,
18 the City hosted a Year 2000 Readiness Forum that
19 included representatives from Boston, New York
20 City, Washington DC, Baltimore, Chicago, and
21 Detroit. The forum provided benchmark and best
22 practice information, collaboration opportunities,
23 and inner-city support commitments.

24 To improve public awareness, the City
25 has developed a Year 2000 Readiness Disclosure

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2 Website that provides information on the approach,
3 scope, and progress of the City's Year 2000
4 Readiness Initiative. In the months ahead, the
5 City will also participate in or sponsor public
6 forums as well as disseminate Y2K information to
7 the public on a regular basis.

8 As a result of these efforts, the City
9 has made significant progress in determining the
10 scope of the City's Y2K issues. Most importantly,
11 the Steering Committee has identified
12 approximately 400 operations upon which central
13 services rely. The operations include City
14 computer systems, other electronic systems
15 operated by the City, as well as those City
16 vendors, contractors and suppliers, and others
17 linked to the City electronically. Further, these
18 operations impact a tremendous variety of City
19 services, ranging from critical issues involving
20 the City's procurement system technology, its
21 airport security, its billing systems, and the 911
22 dispatch system; to minor issues involving the
23 City's mail room, forms for L&I customers, and
24 systems that coordinate the placement of
25 legally-required government advertising notices in

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 the Philadelphia newspapers.

3 For each operation, we have identified
4 the remediation requirements, the probability of
5 failure, and the impacts associated with failure.
6 The purpose of these initiatives is fundamental:
7 we must identify the potential Y2K issues, and
8 having identified them, chart a course for fixing
9 them to minimize the impact on City services come
10 January 1, 2000.

11 The Y2K crisis has specific concerns
12 for City services, including the following:

13 1. The City's financial and
14 administration systems. These systems include the
15 mainframe applications the City uses for
16 accounting, purchasing, revenue collection, and
17 vendor and bondholder payments. Failure of these
18 systems could mean that individuals and businesses
19 working with the City do not get billed or do not
20 get bills paid. Failure could affect payroll for
21 City employees and could affect the City's ability
22 to monitor revenues.

23 2. City information technology.
24 Desktop personal computers, networks, and software
25 are tools used by every City department to fulfill

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 its mission. These tools enable City employees to
3 communicate with each other, share and annualize
4 data, and provide information to citizens as they
5 provide City services.

6 3. City facilities and embedded
7 technology. The City maintains numerous
8 facilities, including office buildings, libraries,
9 water treatment plants, fire stations, recreation
10 centers, and other facilities. Many of these
11 facilities utilize embedded technologies to
12 control their heating, ventilation, and
13 air-conditioning, security, and other building
14 systems.

15 4. Utilities and other critical
16 vendors. Like our citizens, the City is dependent
17 on key vendors that supply its electricity,
18 telecommunications, natural gas, and gasoline. If
19 these vendors, such as PECO Energy and Bell
20 Atlantic, experience Y2K-related problems, the
21 City could be forced to function without power or
22 telephones or fuel.

23 As these examples make clear, the Y2K
24 problem presents a very real deadline that cannot
25 be put off. Clearly, therefore, implementing

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 corrective measures is not a matter of choice.
3 That is why the City has been at work for almost
4 four years on a variety of initiatives to
5 addressing the Y2K problem, including a
6 comprehensive strategy and solutions for each of
7 the conditions described above.

8 To date, we have had substantial
9 success in remediating the Y2K problem as we have
10 identified. The following is a list of the City's
11 Y2K readiness efforts:

12 1. The City's financial and accounting
13 systems. Working with the Finance Department,
14 MOIS representatives have completed assessment and
15 remediation on the City's mainframe computer of 55
16 of the 60 central business application systems,
17 including all financial and administrative
18 systems. Remediation for the remaining five
19 systems is expected to be completed by June 1999.
20 The mainframe computer and all 60 systems will be
21 tested to ensure compliance by July 1999 as well.

22 2. The City's information technology.
23 MOIS has implemented an automated desktop Year
24 2000 auditing software system that will allow MOIS
25 to audit the software and hardware on all of the

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2 City's 11,000 personal computers for Year 2000
3 compliance. Audits on citywide PCs will be
4 completed by the end of March 1999.

5 3. City facilities and embedded
6 technology. MOIS and representatives from a
7 variety of City operating departments have
8 completed an inventory of equipment dependencies
9 with embedded technology. Embedded technology are
10 those items with small self-contained,
11 single-function computers that are used in
12 building security maintenance systems, home
13 electronics, elevators, fuel pumps, and other
14 types of equipment. The teams currently are in
15 the process of evaluating embedded technology
16 systems that impact City services primarily
17 through vendor audits and the completion of data
18 simulation testing for possible failures.

19 4. Utilities and critical vendors.
20 The Steering Committee representatives have held a
21 continuing series of discussions and meetings with
22 their Y2K counterparts from PECO Energy, Bell
23 Atlantic, and SEPTA to discuss coordinating the
24 efforts to minimize risks associated with the Y2K
25 problem. MOIS and department officials are now

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2 contacting all vendors providing supplies for the
3 City to establish the vendor level of Y2K
4 preparedness.

5 And 5, contingency planning. While the
6 City has undertaken a comprehensive effort to
7 identify and remediate the impact of a variety of
8 Y2K issues, it is nevertheless equally important
9 for the City to develop contingency plans to
10 ensure that critical municipal services will be
11 provided, even if the Y2K failure occurs. Under
12 the leadership of the Steering Committee, the City
13 expects tat all contingency plans will be
14 completed by May 1999 and tested throughout the
15 remaining months of this year.

16 The following disclaimer applies to my
17 testimony and statements today and to the
18 testimony and statements of all City personnel
19 appearing before City Council in this hearing:

20 The City believes that the Year 2000
21 readiness initiative, which includes the plans and
22 measures about which City personnel are testifying
23 in this hearing, is a sound and rational program
24 for responding to a complex and difficult
25 challenge and one which is obviously

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2 unprecedented. We believe that the Readiness
3 Initiative will be effective with the limits of
4 our resources and technology in substantially
5 reducing chances of disruption or failure of
6 computing and other electronic systems because of
7 Y2K-related causes. However, it is impossible for
8 the City to guarantee that all of the systems on
9 which the City depends will be unaffected by Y2K
10 disruptions. Therefore, all testimony and
11 statements by City personnel about the Readiness
12 Initiative in this hearing are subject to change,
13 are for informational purposes only, and are not
14 intended to create a warranty, contract, or a
15 legally-binding representation on the part of the
16 City or its vendors.

17 All testimony and statements of the
18 City personnel in this hearing are intended as
19 "Year 2000 Readiness Disclosures" as defined by
20 the Year 200 Information and Readiness Disclosure
21 Act enacted October 19, 1998, and are subject to
22 all of the protections of the Act.

23 Madam President, this concludes my
24 testimony. I want to thank you, Councilman Rizzo,
25 and City Councilmembers for hosting this forum,

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2 and I will be glad to answer any questions that
3 you may have.

4 COUNCIL PRESIDENT Verna: Thank you.
5 The Chair recognizes Councilman Rizzo.

6 COUNCILMAN RIZZO: Thank you, Madam
7 President.

8 Mr. Anderson, thank you for all the
9 work and for your preparation for this hearing
10 today. I think it's important that the citizens
11 of Philadelphia know that the City is prepared to
12 deal with this issue.

13 I would like to know, are there any
14 departments -- police, fire -- I listened very
15 carefully to your testimony. Are there any areas
16 of concern, immediate concern to you that have not
17 been addressed to your satisfaction at this
18 point?

19 MR. ANDERSON: No. I would say that
20 everything is, at this point, on track. We have a
21 complete accounting of every project that is still
22 in progress. And at this point in time,
23 everything is on track.

24 We meet on a biweekly basis with each
25 City department to go over and review progress and

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 issues to ensure that everything stays on track.

3 COUNCILMAN RIZZO: Well, again, thank
4 you very much, Managing Director Certaine, City
5 Solicitor, Mr. Kaplan. I appreciate it very much.

6 Thank you, Madam President.

7 COUNCIL PRESIDENT VERNA: I just have a
8 couple of questions. Did I understand you, Mr.
9 Anderson, to say that in May of '99, the City will
10 be prepared to test its systems to ensure Y2K
11 compliance?

12 MR. ANDERSON: Madam President, we are
13 -- and I will also let the Managing Director
14 respond. Just to clarify my statement, we are
15 testing all of our changes on an ongoing basis.
16 In May of 1999, we are prepared to test our
17 contingency plans. As I had stated, in addition
18 to all of the readiness activities we are
19 conducting to correct any computer problems or
20 equipment that may fail, we have developed
21 contingency plans and are developing contingency
22 plans that we plan to test in May of 1999.

23 COUNCIL PRESIDENT VERNA: What are the
24 precautions that the City is taking with regards
25 to those vendors that the City suspects might have

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2 a Y2K problems?

3 MR. ANDERSON: Well, we're doing a
4 number of things. Number one, our critical
5 vendors, such as PECO Energy and Bell Atlantic, we
6 have biweekly working sessions with PECO Energy at
7 this time. We have reviewed our corresponding
8 plans, we are coordinating in our contingency
9 plans and our response plans.

10 In other regards, with less critical
11 vendors, we have checked for their compliance and
12 their disclosures. And we continue to work with
13 them to ensure that no City supply is disrupted.

14 COUNCIL PRESIDENT VERNA: What is the
15 City's backup plan in the event we experience
16 electrical outages such as street lights and/or
17 traffic lights?

18 MR. CERTAINE: Madam President, my name
19 is Joseph Certaine. I'm the Managing Director for
20 the City of Philadelphia.

21 In response to your question, those --
22 that question and many more are being considered
23 within the City of Philadelphia for the
24 possibility of an electrical service interruption.
25 Our contingency plans are being reviewed right

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2 now, and we haven't finalized them, but I can
3 safely say that the City's contingency plan would
4 call for manual traffic control, either through
5 uniformed police personnel or signage that would
6 be placed at various critical intersections to
7 handle traffic flow if something like that were to
8 occur.

9 COUNCIL PRESIDENT Verna: And what
10 precautions would the City be taking to ensure
11 that the water and sewer services are not
12 disrupted?

13 MR. CERTAINE; the Water Department is
14 represented here in the room, but for a general
15 overview, the City of Philadelphia's working very
16 closely with the Water Department and PECO Energy
17 on matters once again of electrical service
18 interruption that might have that kind of an
19 impact. For more detail, the Water Department
20 could respond to your question, if you prefer.

21 COUNCIL PRESIDENT Verna: We will be
22 happy to hear from them.

23 Councilman Rizzo, do you have further
24 questions?

25 COUNCILMAN RIZZO: Yes, Madam

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2 President. Your questions motivated me to ask a
3 question of the Managing Director. May I do
4 that?

5 COUNCIL PRESIDENT VERNA: Certainly.

6 COUNCILMAN RIZZO: You mentioned
7 contingency plans, Mr. Managing Director. The
8 day-to-day operation of a big city would, it
9 necessarily take a Y2K issue to have contingency
10 plans in place? And why don't existing
11 contingency plans already deal with the Y2K
12 issue?

13 MR. CERTAINE: Councilman, you're
14 absolutely right. The running of not just a large
15 city but any enterprise -- a business, a large
16 jurisdiction like Philadelphia or a small one --
17 would dictate that there would be contingency
18 plans so that services would not be interrupted by
19 things like power outages or anything that we're
20 describing.

21 The City of Philadelphia has a
22 contingency plan that covers just about everything
23 except Y2K. And we are using this opportunity, in
24 fact, to upgrade our contingency plans overall
25 because this is the closest examination that we've

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2 made of City systems and processes, equipment,
3 facilities, or operations plans for that matter,
4 because of this Y2K scenario.

5 So we see it as a golden opportunity to
6 upgrade our existing contingency plans and include
7 the possibility of system failure. All of our
8 contingency plans were for strikes and severe
9 winter weather or civil disorder or other things
10 that you could anticipate. None of us in
11 Operations had considered, as we drafted
12 contingency plans and updated them over the years,
13 we had not anticipated a systems failure that
14 would necessity reevaluating our service delivery.
15 So we see it as an opportunity to do exactly that.

16 But you're right, we do have
17 contingency plans in place, and most of our
18 contingency plans cover the kinds of scenarios
19 that would evolve as a result of the Y2K bug. The
20 one thing, though, that we did not include was
21 mainframe applications that, because of some
22 glitch -- not because of electrical failure, but
23 because of some glitch, may fail, or an
24 application or a process that may fail as a result
25 of it.

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2 So that's why we're updating
3 everything.

4 COUNCILMAN RIZZO: Mr. Certaine, if you
5 had to rate the top three challenges that Y2K will
6 cause City operations, what would be number one,
7 two, and three of your concerns that were the
8 toughest to deal with in dealing with Y2K?

9 MR. CERTAINE: Well, absolutely the
10 toughest to deal with -- I think everything hinges
11 on whether or not we'd have electrical service.
12 Without sustained electrical power, most of our
13 systems would be impacted in one way or another.

14 As far as two or three, I'd just have
15 to go back to number one. If we didn't have
16 electrical service, we could lose our
17 telecommunications ability, which would have an
18 impact, and it would impact on other things, but I
19 would say the things that we're primarily
20 concerned about are the interruptions in utility
21 service that would impact the City of
22 Philadelphia.

23 There are some external challenges that
24 we may have to face. We're not sure what would
25 happen, say, as an example, if there was a problem

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2 with financial institutions, and you read in the
3 papers every day about the failure of ATMs and
4 things like that. That would indirectly affect
5 the City of Philadelphia.

6 But we're pretty confident in working
7 with PGW and PECO and Bell Atlantic, the
8 cooperative relationship that we have and the
9 series of meetings and close examinations of our
10 processes, that we won't have to experience that.

11 COUNCILMAN RIZZO: The 911 emergency
12 service, fire and police, assuming that we don't
13 have an interruption of electric service, how
14 significant a challenge is an efficient,
15 uninterrupted roll-over of people needing
16 emergency services dialing 911? Forget for a
17 moment the fact that you just mentioned that your
18 number-one concern is -- and we'll have PECO and
19 the other utilities here momentarily.

20 But let's say that we have electrical
21 service. How significant a problem is Y2K to 911
22 operations?

23 MR. CERTAINE: Well, it's a -- Y2K
24 would have a significant impact on 911. But if we
25 do have electrical service and telecommunications,

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2 that is the bulk of the 911 operational concern.

3 From a system standpoint, I would like
4 to have Brian Anderson respond to that, because of
5 a lot of the system applications fall within the
6 jurisdiction of the Mayor's Office of Information
7 Services.

8 MR. ANDERSON: One thing I'd like to
9 just add is when it comes to our challenge,
10 there's been a considerable amount of work on all
11 of our internal operations IT systems and
12 principally our financial systems. As I had
13 stated in my testimony, we have been working on
14 that problem for over four years.

15 In terms of our concern, obviously, we
16 are more concerned about those operations that we
17 are not in direct control of. As the Managing
18 Director had mentioned, PECO Energy is one
19 concern, Bell Atlantic and telecommunications
20 services that they provide is another concern.

21 As I had stated, we are working closely
22 with them to ensure -- to minimize that concern
23 and to ensure that we're ready if any disruptions
24 do occur.

25 COUNCILMAN RIZZO: Thank you, Mr.

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2 Anderson.

3 Mr. Certaine, I'm again referring to a
4 story in today's paper. Obviously, your concern
5 that the electric utility could have interruptions
6 of service, and you're planning to purchase a
7 generator to deal with that in the event that that
8 would occur, but let's talk about operations
9 throughout the City other than your central
10 location.

11 Firehouses, police stations, how would
12 they be affected? What would be the effect on a
13 citizen calling 911 in the event of a fire or in
14 need of police at the local level more so at a
15 fire station than a police station? But we
16 obviously don't have back up generators at our
17 police stations; is that correct?

18 MR. CERTAINE: Well, we do in critical
19 areas where we would require electrical generation
20 but, for 911, I would have to defer again to Brian
21 Anderson or to the Department of Public Property
22 or to the police who are here.

23 I would say, Councilman, that we have a
24 backup plan that is routinely in use for severe
25 weather or anything else that might be disruptive

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2 to the 911 centralized application, and that's the
3 backup system that we have at the Emergency
4 Operation Center.

5 But I would like for Mr. Anderson to
6 respond to that again. We can also call up the
7 Department of Public Property, telecommunications,
8 and the Philadelphia Police and Fire Department if
9 you'd like.

10 MR. ANDERSON: Number one, I can just
11 say that our 911 system, I can assure you that it
12 is ready. We have gone through scenarios where it
13 indicates the power being lost and we have
14 developed plans to ensure that service continues
15 in that event.

16 As for the fire stations and the remote
17 district offices, those scenarios are also
18 included in our scenario to ensure -- you know,
19 the focus has been to ensure that our 911, our
20 response services continue in the event of power
21 being lost to those areas.

22 If you would like more detail, I'm sure
23 we could provide that but --

24 COUNCILMAN RIZZO: Well, we're going to
25 have representatives of PECO Energy so, obviously,

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 there's a lot on their plate when it comes to Y2K
3 because of your dependency on electrical power,
4 which is obviously not a.

5 Secret but I'm surprised and maybe not
6 so, maybe because the electric service is so
7 reliable that we rarely have long interruptions of
8 service, that going to the expense of purchasing
9 backup equipment might not be a wise decision, but
10 I would hope that now because of Y2K, and maybe
11 you could explain, Managing Director Certaine,
12 your plan to purchase a significant piece of
13 generation equipment, and possibly you would like
14 to look at other areas while you're in the process
15 of investigating this.

16 MR. CERTAINE: Councilman Rizzo, the
17 matter that you referred to in today's paper is
18 the acquisition of a backup generator for the
19 Mayor's Office of Information Services mainframe.
20 That is something that has not existed, and it is
21 something that we had planned to do. The Y2K
22 millennium bug creates an opportunity to get it in
23 sooner rather than later. That's why I had
24 deferred to Mr. Anderson in response to that
25 question.

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2 There are backup generators at critical
3 locations throughout City government, including
4 the fire administration and police administration
5 buildings that would handle certain functions that
6 you described, and there are critically-placed
7 backup generators in place for other
8 communications needs and systems around the City
9 that I really don't want to get into too much
10 detail about here.

11 But for the newspaper story and the
12 large acquisition that you're talking about, it is
13 something that we should have had, an
14 uninterruptable power supply and backup generating
15 for the City's mainframe. It's just something
16 that had not been acquired until now and
17 coincidentally happens to fall within the time
18 frame that we're preparing for Y2K.

19 COUNCILMAN RIZZO: I believe that Madam
20 President wanted some information from the Water
21 Department. Was there something that we wanted to
22 learn from the Water Department?

23 COUNCIL PRESIDENT VERNA: Is someone
24 from the Water Department here?

25 (Mike Nadol comes forward.)

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2 COUNCIL PRESIDENT Verna: Good
3 morning. I don't know if you remember the
4 question. Please identify yourself for the
5 record.

6 MR. NADOL: Good morning. I'm Mike
7 Nadol, Deputy Water Commissioner, overseeing our
8 financial and administrative services. Also with
9 me is Susan Lior, also Deputy Water Commissioner,
10 who heads our Information, Science and Technology
11 Division.

12 And if you could repeat the question,
13 I'd appreciate it.

14 COUNCIL PRESIDENT Verna: I think my
15 original question was, what are the precautions
16 that the City has taken to ensure that the water
17 and sewer services are not disrupted?

18 MR. NADOL: Okay. We, along with the
19 Mayor's Office of Information Services and the
20 Managing Director's Office have been working on
21 this issue since 1995. We have undertaken
22 multiple initiatives reflective of the size and
23 complexity of our systems.

24 Just to give you a sense of that, and
25 we could certainly provide as much detail as you'd

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2 like, we operate two mainframe systems. Both of
3 those mainframe computers have had their hardware
4 and operating systems replaced over the last
5 several years with Year 2000-compliant equipment.

6 We have been working to either
7 reprogram or replace all of the mainframe
8 applications that reside on those systems. The
9 vast majority have already been completed, and the
10 rest are well on track to be completed within the
11 next several months.

12 With regard to our treatment plants, we
13 not only have been working to procure new
14 equipment and new systems where necessary to
15 inventory the extensive embedded technologies that
16 exist but, again, in conjunction with the Managing
17 Director's Office in particular, we've been
18 developing contingency plans that involve manual
19 operation, which is an option for our treatment
20 plants that involve stockpiling, if necessary, of
21 chemicals and equipment just in case there's some
22 sort of delay in receiving supplies from any of
23 our critical vendors.

24 And, again, those contingency plans
25 have largely been developed, but we're continuing

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2 to refine them, and we'll be working with other
3 operating departments to go through different
4 kinds of exercises and scenarios to further refine
5 those well in advance for the change in the
6 calendar.

7 COUNCIL PRESIDENT Verna: Thank you.
8 Does that answer your question,
9 Councilman?

10 COUNCILMAN Rizzo: Yes. I just have
11 one follow-up question.

12 In reference to your dependency on PECO
13 Energy, what contingency plan is there for
14 interruptions? You may have covered that; I was
15 distracted momentarily, and I apologize if you've
16 covered that area, but do you have emergency
17 generators to keep the water pumping? And also
18 very important, the sewage treatment facilities in
19 the event of a lengthy interruption of services?

20 'Cause I know that you were cited
21 during an interruption of power by the -- you
22 pumped raw sewage into the river a few years back,
23 I don't recall. And I know that because of the
24 interruption of electrical service, that became a
25 very bad situation.

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2 So what are you doing now since that
3 experience in the event you would lose PECO Energy
4 service?

5 MR. NADOL: Okay. All of our critical
6 facilities are equipped with dual feeds, dual
7 power lines so that in the event that, one,
8 there's a failure in some area of PECO system, we
9 have an alternative source of supply.

10 We've also been working very closely
11 with PECO over the last number of months to have
12 them inspect all of our facilities to check the
13 switches to help us identify any problems that
14 might have existed in our connections to PECO
15 system. With regard to our treatment plants, two
16 of our plants are our Northeast and our Southwest
17 Water Pollution Control Plants, which do have very
18 large standby generation capacity that was
19 implemented at those facilities as part of
20 co-generation project using methane gas from those
21 facilities to help us offset and reduce our
22 electric bills and enabling us to go into
23 interruptible rates that saved the City
24 approximately a million dollars a year.

25 Beyond those facilities, the use of

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2 standby or backup generation equipment would, for
3 the most part, be prohibitively expensive and
4 unrealistic, the size of the pumps, the size of
5 the equipment is really beyond the kind of backup
6 generation equipment that the Mayor's Office of
7 Information Services is looking to implement for
8 its mainframe. We're just talking about
9 extraordinary demand for these facilities.

10 What we do have available, however, for
11 much of the City is extensive storage capacity in
12 our reservoirs that would enable us, using gravity
13 flow, to serve much of Philadelphia, even in the
14 event of some kind of unanticipated problem.

15 And again, we've been working very
16 closely with PECO, not only to identify any
17 potential problems so that we can mitigate them in
18 advance of the change in the calendar, but also to
19 prioritize our key sites and those pumping
20 stations, for example, that serve areas of the
21 City that are more vulnerable to vulnerable to
22 power-related service disruption.

23 COUNCILMAN RIZZO: In your industry,
24 you don't see a cost-effective way to provide,
25 because of the size and the magnitude of the

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 equipment, to have backup generation to power
3 those pumps, so it's something that in the
4 industry, other water companies don't do that? Or
5 we just don't do that here? Are you saying it's
6 impossible or just very expensive?

7 MR. NADOL: In part, we view it as
8 unnecessary based on the work that we've been
9 doing in conjunction with PECO to identify the
10 potential for problems. Beyond that, anything's
11 possible if you're willing to spend enough money.
12 You can engineer a solution to almost anything.
13 But to date, we do not believe that there's any
14 rationale to do that.

15 COUNCILMAN RIZZO: But from your
16 experience, you've never had a problem with the
17 dual service? How about the times when we've had
18 a total blackout? What effect did that have when
19 there was no alternate service to rely on when you
20 had a total interruption of service? How long you
21 can you deal with storage and sanitation
22 facilities before you have to discharge raw sewage
23 into the river?

24 And how long would that gravity system
25 supply water? You're saying that gravity feed

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2 would supply water service to all of Philadelphia
3 without electric power?

4 MR. NADOL: To my knowledge, we have
5 not experienced any significant disruptions,
6 certainly not in recent memory, as a result of
7 power disruptions. Again, we have from time to
8 time, because of lighting strikes or scheduled
9 repair work, lost one of the lines going into a
10 major facility. We've never had a situation in
11 recent memory where we've been shut down
12 altogether.

13 So we're relatively comfortable, and
14 I'm looking forward to hearing PECO's testimony
15 today, but we've been meeting with them for months
16 and are very confident that we've got a good plan
17 in place.

18 COUNCILMAN RIZZO: Thank you very much.
19 Madam President, thank you.

20 COUNCIL PRESIDENT VERNA: Thank you.
21 Thank you very much.

22 MR. NADOL: Thanks.

23 COUNCIL PRESIDENT VERNA: Mr. Anderson,
24 I would like to ask one more question. What are
25 the precautions the City's taking with regards to

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 those vendors the City suspects may have Y2K
3 problems?

4 MR. ANDERSON: Madam President, we are
5 doing a number of things, and it depends on the
6 vendor and what the impact is if that supply is
7 disrupted.

8 With our banks, in regard to our
9 transactions such as our direct deposit and other
10 financial transactions, we are actually working
11 with our banks to test the transmissions. They
12 have corrected their systems on their end, we have
13 corrected our systems as necessary on our end.
14 And to complete the test, we are testing the
15 transaction in between the two systems.

16 With other vendors, we are looking for
17 their disclosure information that they're making
18 available to us.

19 So we have two levels of readiness that
20 we are conducting with our vendors. One, when you
21 talk about our banks, when you talk about power
22 and electricity, we are working directly with
23 those vendors to test and ensure readiness.

24 With others when, it's normal supplies,
25 we're doing two things: we are stocking up, as

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2 appropriate, just in case there's some
3 disruption. But we are also checking to ensure
4 readiness of those vendors.

5 COUNCIL PRESIDENT Verna: Thank you.

6 The Chair recognizes Councilman Rizzo.

7 COUNCILMAN RIZZO: My question is for
8 the City Solicitor. Could you just briefly --

9 COUNCIL PRESIDENT Verna: Wait a
10 minute, are you going to testify?

11 MS. FRANKLIN-SUBER: Good morning,
12 Madam Chair. I'm going to respond to the
13 question. I have no formal testimony. Thank you.

14 COUNCILMAN RIZZO: Thank you, Madam
15 President.

16 City Solicitor, could you please tell
17 us how the Law Department is preparing to deal
18 with the potential of Y2K litigation?

19 COUNCIL PRESIDENT Verna: What
20 potential liabilities are we referring to as they
21 relate to the problem?

22 MS. FRANKLIN-SUBER: Thank you. Madam
23 Chair, Councilman Rizzo, for the record, my name
24 is Stephanie Franklin-Suber. I'm City Solicitor.

25 First, the Law Department has been

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2 actively involved in working with the City's Y2K
3 readiness from a number of different perspectives.
4 First, we have been working closely to ensure that
5 we are maximizing the City's protections legally
6 by ensuring, for example, that all statements made
7 regarding Y2K compliance comport with the Year
8 2000 Information and Readiness Disclosure Act.
9 That's one of the reasons you see a number of the
10 disclaimers in written testimony and with regard
11 to the City's Website. That act limits the extent
12 to which a maker of a statement or other kind of
13 communication can be held liable for
14 communications in connection with Y2K problems.
15 And in certain circumstances, it would even
16 prohibit their use as evidence.

17 So we are in the process of annualizing
18 the kinds of possible claims that could be filed
19 against the City of Philadelphia in connection
20 with losses or other kinds of injuries that would
21 be attributable to Y2K problems.

22 We've also been working to make sure
23 that there are provisions in City contracts that
24 the City enters into with various vendors and
25 suppliers to strengthen our legal position in the

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2 event that there's a loss from a Y2K problem.

3 We've also worked closely with the
4 Managing Director and the operating departments to
5 review the Y2K Readiness Initiative in its
6 entirety. As you might image, I will be
7 circumspect with regard to certain of my comments
8 because the program, the Readiness Initiative
9 itself, is subject to change, is subject to
10 improvement and refinement. And public disclosure
11 of any of the specific plans which are not
12 complete or a public disclosure of our proposed
13 litigation strategy would be inappropriate.

14 Let me just say simply that we have
15 been monitoring litigation that has been filed to
16 date. We are analyzing the kinds of arguments and
17 allegations. And generally speaking, I will say
18 there are two legal theories, for example, that
19 could be asserted. For example, tort claims in
20 connection with negligent damage to persons or
21 property or breach of warranty claims for failure
22 to provide goods or services in accordance with
23 contractual obligations.

24 So, again, that's another reason why we
25 are very sensitive to the kinds of public

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 statements and comments that are made in
3 connection with the readiness program.
4 COUNCILMAN RIZZO: Thank you very much.
5 Thank you, Madam President.
6 COUNCIL PRESIDENT VERNA: Thank you.
7 Do you have any other questions of this
8 panel Mr. Rizzo?
9 COUNCILMAN RIZZO: (Shakes head.)
10 COUNCILWOMAN VERNA: Thank you very
11 much.
12 MR. CERTAINE: Thank you, Madam
13 President.
14 COUNCIL PRESIDENT VERNA: Our next
15 witness is Mitchell Chester.
16 (Mitchell Chester comes forward.)
17 COUNCIL PRESIDENT VERNA: Good morning.
18 MR. CHESTER: Good morning.
19 COUNCIL PRESIDENT VERNA: Please
20 identify yourself for the record and proceed with
21 your testimony.
22 MR. CHESTER: Good morning,
23 Councilwoman Verna. I'm Mitchell Chester. I'm
24 the Acting Chief Information Officer for the
25 School District of Philadelphia. And I have one

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2 to its own staff, the use of a number of
3 consultants to assist us, and we've looked at four
4 basic areas as we've gone ahead with our efforts
5 to ensure School District readiness for
6 uninterrupted functioning into the new year.
7 Those four areas are the areas of information
8 technology, our computing and networking systems,
9 our facilities, our supply chain, and desktop
10 computing in the School District. I'll say a few
11 words about the efforts in each of those areas.

12 In the area of information technology
13 and networking, we have two major efforts. One is
14 focused on our business systems, our finance,
15 accounting, human resources, payroll, purchasing
16 systems. The others are our administrative
17 systems and applications, our student systems.

18 In the area of business systems, we are
19 in the process of installing new business
20 software, working with American Management
21 Services. That project has been ongoing since
22 about the first of the year, '98. The project is
23 well along in its work. We've begun unit testing,
24 systems testing. And beginning April 1st, we'll
25 be moving into acceptance testing for that

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2 project.

3 We have a number of other systems on
4 our administrative side, the nonbusiness systems
5 around student accounting that we are looking at
6 largely in-house, using our own staff. Those
7 systems have been renovated. We've put the code,
8 the computer code through an assessment phase.
9 We've revisited the code as a result of the
10 assessment, and we are now involved in unit
11 testing and systems testing of those
12 applications.

13 In the area of facilities, we are
14 conducting a systemic inventory of every school
15 building that the School District owns. That
16 inventory is more than halfway completed at this
17 point and should be completed fully within a
18 couple of weeks. We've trained --

19 COUNCIL PRESIDENT Verna: Excuse me.
20 How about the buildings that the School District
21 rents?

22 MR. CHESTER: We are also dealing with
23 lease facilities. And we are contacting each of
24 the landlords for lease facilities and seeking
25 their assurance and asking them questions about

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 the level of preparedness for those lease
3 facilities. We have between 60 and 70 lease
4 facilities.

5 We are in the process of contacting
6 vendors who represent our supply chain to ensure
7 their Year 2000 readiness, to get their
8 assurances. With all contracts going forward,
9 we're insisting, and for all bidding processes,
10 we're requiring certification by potential
11 contractors of their Year 2000 readiness.

12 We're also in the process of evaluating
13 the desktop computers, which, as you know, are
14 used widely, not only for administrative functions
15 but also for curriculum instruction functions in
16 the School District. We're in the process of
17 assessing the readiness of those machines and
18 providing guidance on their remediation.

19 In each case, we've taken a tact of
20 conducting an inventory, assessing and annualizing
21 where things are likely to fail, prioritizing
22 which are critical, which are non-critical, coming
23 up with a remediation plan, proceeding with the
24 remediation plan, working on contingency planning
25 and resource allocation throughout.

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2 That's the general approach that the
3 School District has taken. We're confident that
4 we're on top of the situation and making very good
5 progress in regards to ensuring uninterrupted
6 functioning.

7 I'd be happy to take any questions.

8 COUNCIL PRESIDENT Verna: Thank you.

9 The Chair recognizes Councilman Rizzo.

10 COUNCILMAN RIZZO: Thank you, Madam
11 President.

12 Some of the information that has been
13 developed, some information, things that we've
14 learned in dealing with this Y2K situation, are
15 you going to in the out-years utilize some of the
16 this information? Like you mentioned and
17 President Verna indicated about some of our lease
18 property. But maybe in future leases generation
19 or some of the things that you're identifying
20 today should be included in those leases because,
21 like the Managing Director said, this generator
22 for the mainframe is something that they really
23 wanted, and this is accelerating the purchase and
24 the installation of that.

25 I would hope that this learning

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2 experience will be utilized to ensure that we
3 don't have problems in the future just on
4 day-to-day business.

5 MR. CHESTER: Your point is well taken,
6 Councilman Rizzo. We are indeed trying to learn
7 from this experience lessons that will serve the
8 City and the District well beyond simply
9 remediating for Year 2000 problems.

10 COUNCILMAN RIZZO: Thank you very
11 much.

12 Thank you, Madam President.

13 COUNCIL PRESIDENT Verna: Thank you.

14 Thank you, gentlemen. We appreciate
15 your coming in.

16 Our next witness is David Lee, and I
17 would suggest that Mr. Lee take anyone he desires
18 up to the witness table with him.

19 (Gregory Martin et al. comes forward.)

20 COUNCIL PRESIDENT Verna: Good
21 morning. Please identify yourself for the record
22 and proceed with your testimony.

23 MR. MARTIN: Good morning, Madam
24 President. My name is Gregory Martin, I'm
25 Executive Vice President and Chief Operating

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 Officer for PGW.

3 Along with me today are Mr. David Lee,
4 our Chief Information Officer and Vice President,
5 and Mr. Raphael Mason, who is PGW's Y2K Project
6 Director.

7 COUNCIL PRESIDENT VERNA: Excuse me,
8 Mr. Martin. Councilman Rizzo, did you receive
9 this morning?

10 COUNCILMAN RIZZO: Madam President, I'm
11 not sure at this point that I've received the
12 document.

13 COUNCIL PRESIDENT VERNA: Well, it's
14 too late, I guess, to really look into it.

15 Okay, please proceed with your
16 testimony.

17 MR. MARTIN: Madam President and
18 Members of Council, in brief, PGW, two and a half
19 years ago retained IBM consulting to assist us in
20 reviewing and evaluating our information
21 technology and our other systems and to develop a
22 strategic plan for the information systems that
23 impact our critical operations.

24 We're in the process of implementing
25 that strategic plan and we're confident that the

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2 primarily technical, it is more accurately
3 described as a business problem, and Y2K affects
4 people and businesses that operate or depend on a
5 personal or mainframe computer or chip.

6 Y2K is also very much a collective
7 issue. Few programs and systems exist in
8 isolation, they interact with an individual
9 company as well as with external business partners
10 and customers. And given the complex partnerships
11 that exist today, any one company's success in its
12 Y2K effort is dependent upon the success of all
13 other significant industry participants.

14 So PGW has anticipated this millennium
15 issue as early as 1996 and has a comprehensive
16 plan in place to achieve our goal, that our
17 systems will perform without material disruption
18 as we move into the Year 2000.

19 PGW's plans for preparing and testing
20 its computer systems for Y2K compliance have been
21 approved by senior executive team, and the project
22 is being funded in the normal course of the
23 company's funding and approval. Our remediation
24 plan involves every area of business within the
25 company. PGW has engaged outside experts, as Mr.

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 Martin, has noted to provide 100 percent coverage
3 in assessment, inventory evaluation, and
4 prioritization of all Year 2000 issues.

5 Experienced teams, including
6 professional managers, programmers and
7 consultants, are working on the Y2K challenge at
8 PGW. These teams are responsible for analyzing
9 and remediating PGW's technology -- that is, the
10 mainframe applications information technology
11 assets and embedded systems in the operational
12 areas and facilities.

13 Several Y2K project teams are
14 responsible for the inventory and assessment of
15 systems, systems remediation, testing prior to
16 implementation of remediated systems,
17 implementation and post-installation testing to
18 confirm the Y2K are readiness of our systems. The
19 team is working with significant vendors, and
20 business alliances are exploring alternatives to
21 reduce the risk of Y2K errors and systems, which
22 exchange data among PGW and other firms.

23 The teams also supply project
24 management services, internal and external
25 communication services, risk assessment and

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 contingency planning, strategies for avoiding Y2K
3 risk in connection with new vendors, internal
4 audits, and project management metrics and support
5 with respect to legal and regulatory issues.

6 In addition to these operational teams,
7 the accountability structure include an Executive
8 Steering Committee providing senior management
9 oversight and an Advisory Steering Committee
10 providing tactical guidance to the operational
11 teams.

12 Our strategic initiatives, starting as
13 early as 9/1/97, formed the core of our
14 replacement strategy for our mainframe application
15 portfolio. The portfolio is scheduled to be
16 completed by the end of April. We are on
17 schedule, and this provides more than 90 percent
18 coverage of our business. The remaining 10
19 percent will be covered by the mainframe
20 remediation strategy until they can be scheduled
21 for replacement.

22 To provide additional insurance and
23 coverage, and inventory of our current mainframe
24 system was completed in July of 1998 by IBM. This
25 effort amounted to about 2 million lines of code,

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 the mainframe represented 100 percent
3 vulnerability. This effort is now completed as of
4 February 1999, which is what we had scheduled its
5 completion for and testing will be completed by
6 the end of June 1999.

7 This same process has been carried
8 forward to all our existing IT assets. Our
9 software, our voice and data hardware networks,
10 etc., and embedded systems. Our Scada systems,
11 our residential and commercial meter-reading,
12 distribution and control technology for gas
13 vaporization and others. These assets of PGW were
14 completely inventoried, assessed, evaluated, and
15 prioritized by outside consultants and also
16 completed in July of 1998. The information assets
17 represented about 40 percent vulnerability, and
18 our embedded system approximately 10 percent.
19 Remediation has already begun in this area since
20 July of 1998, with a projected completion date of
21 the end of June 1999.

22 In summary, our pipeline supplies,
23 totaling about five, is regulated by FERC, Federal
24 Energy Regulatory Commission. While PGW has done
25 its due diligence, these suppliers are monitored

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 by the federal government, and we expect them to
3 be compliant, if they are not already.

4 Our distribution network will be
5 prepared to provide continuous gas to the citizens
6 of Philadelphia through system remediation as well
7 as added storage capacity of gas in anticipation
8 of the new millennium. Our ability to provide
9 emergency and normal customer service will be
10 intact with our Year 2000 Remediation Program, and
11 emergency response planning, which will anticipate
12 this new millennium.

13 From a reporting and monitoring
14 standpoint, the Executive Steering Committee and
15 the PFMC Board will be updated on a monthly basis.
16 The Advisory Steering Committee and operation
17 teams meet biweekly and report on progress issues
18 and milestone completion. Detailed tracking will
19 be accomplished through database management
20 systems implemented by the Year 2000 Program
21 Director.

22 In regards to our third-party
23 interfaces and relationships, whether third-party
24 vendors and businesses alliances will achieve
25 satisfactory Y2K compliance in a timely manner is

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 one of the most significant issues for any Y2K
3 effort. Our success at PGW depends on parallel
4 efforts being undertaken by other entities, which
5 our systems interact with.

6 Our Y2K team is working with our
7 business alliances to enable us to continue our
8 business without material errors or interruptions
9 through the Year 2000 and beyond. We are taking
10 steps to determine the status of the Y2K
11 compliance plans of our significant vendors from
12 production, distribution, and retailing. For
13 instance, we have an extensive survey to all
14 significant vendors with whom we interact.
15 Requesting that they report their respective level
16 of compliance. We are exploring ways of
17 monitoring the progress of those business-critical
18 vendors who are still working towards achieving
19 compliance.

20 Both internal and external third-party
21 testings are included in our testing strategies.
22 The progress of testing against the plans is
23 monitored and reported regularly to project
24 management by internal audit and by project team
25 leaders and managers.

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2 Our testing is schedule to conclude in
3 the June-July 1999 time frame for all Y2K
4 categories, although additional testing may occur
5 due to subsequent developments in the course of
6 our project or external circumstances.

7 Contingency planning will be in place
8 by the end of June, with simulations taking place
9 throughout the remainder of the year. A 24/7
10 plan, including escalation procedures for alerting
11 personnel and suppliers, will be defined in
12 anticipation of the new millennium coming in.

13 That is the sum total of our testimony
14 and how we are prepared at PGW to continue to
15 supply gas to Philadelphia, and we would like to
16 entertain any questions at this time.

17 COUNCIL PRESIDENT VERNA: Thank you.

18 The Chair recognizes Councilman Rizzo.

19 COUNCILMAN RIZZO: Thank you, Madam
20 President.

21 The pipeline companies, you indicated
22 that they're regulated and you believe that
23 they're Y2K-compliant. Being that this could be
24 in the height of your heating season, possibly a
25 little colder next winter than it's been for you

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 your technology on board your vehicles, like many
3 other operating departments, your technology for
4 your technicians to respond to gas leaks, and
5 again, in the same category of safety, the
6 odorization process where you add an odor to the
7 gas in the event there's a leak, it can be
8 detected by a customer, is that process all
9 secured, your own board technology to your
10 technicians? And also the ability to maintain a
11 safe gas supply that can be detected by
12 customers?

13 MR. MARTIN: Councilman, yes, we are
14 able to inject in various segments of our
15 distribution system deodorant for natural gas, and
16 we don't need electricity to do that, it's a
17 mechanical process.

18 With respect to the vehicles, we do
19 have the communication system which is a wireless
20 system, and we're pretty much confident that the
21 communication system would be intact during that
22 time also.

23 COUNCILMAN RIZZO: And, Mr. Lee, that's
24 all been Y2K-tested to make sure that you're not
25 going to be without communication to your

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 technical people?

3 MR. LEE: Yes. And even so as when we
4 have our emergency response plan in place, they
5 will include manual procedures as well so that we
6 are not completely reliant on that.

7 COUNCILMAN RIZZO: You said "when" you
8 have it in place?

9 MR. LEE: The emergency response plan,
10 the contingency plan, which is scheduled to be
11 completed by the end of June.

12 COUNCILMAN RIZZO: Thank you. Thank
13 you all for coming today.

14 Madam Chair, thank you.

15 COUNCIL PRESIDENT VERNA: Thank you.

16 Thank you, gentlemen.

17 MR. MARTIN: Thank you.

18 COUNCIL PRESIDENT VERNA: Cassandra
19 Matthews, and I would suggest she take to the
20 testifying table whoever she thinks is necessary.

21 (Cassandra Matthews et al. come
22 forward.)

23 COUNCIL PRESIDENT VERNA: Is Mr.
24 Buckley to be a part of your panel? Mr. Buckley,
25 are you to be a part of the panel?

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2 MR. BUCKLEY: At your pleasure.

3 COUNCIL PRESIDENT Verna: Miss

4 Matthews, identify yourself and proceed with your
5 testimony.

6 MS. MATTHEWS: Madam President, I'm
7 Cassandra Matthews, and I am joined by Mickey
8 Gallitola, who is our Year 2000 Director; and also
9 Robert Farrington, who is our Year 2000 Embedded
10 Technology Manager for the Distribution Company.

11 I am the Vice President of Information
12 Technology and Chief Information Officer for PECO
13 Energy. The company, which delivers electricity
14 to more than 620,000 homes, schools, businesses,
15 and other consumers in the City of Philadelphia.
16 I joined PECO Energy in November of 1996. I am
17 responsible for the overall management of the
18 company's computer and information technology
19 strategy, architecture, business solutions, and
20 services.

21 I am here today to update City Council
22 on PECO Energy's progress in addressing and
23 resolving the Year 2000 issue for ongoing service
24 to our customers and for our continued business
25 success. I will have a short overview of our

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 systems that can be impacted by dates before
3 January 1, 2000, and are concentrating on those
4 systems with the greatest business impact and the
5 highest degree of complexity. We've limited Year
6 2K impact by focussing on external interfaces and
7 on applications used across the enterprise,
8 followed by applications specific to a single unit
9 or departments of the company.

10 PECO Energy's Year 2000 Program is
11 divided into four major sections: computer or IT
12 systems; embedded technology -- that is devices
13 used to control, monitor or assist the operation
14 of equipment machinery or plants; the supply
15 chain, which is third-party vendors; and
16 contingency planning.

17 The general phases common to IT and
18 embedded technology sections are determining
19 inventory, assessing readiness, preparing or
20 replacing non-ready systems, and testing.

21 Our Year 2000 organization is
22 corporate-wide, with all divisions of the company
23 represented. At daily leadership meetings, we
24 review both strategic and immediate plans to
25 ensure we meet scheduled commitment. A Big Five

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 accounting and auditing firm conducts quarterly
3 assessments of our program and progress. The
4 assessment results are reported directly to PECO
5 Energy's Board of Directors.

6 Now, let me provide you with the status
7 of our activities. We have completed our entire
8 inventory, prioritized all items that we believe
9 are mission-critical, and determined the strategy
10 for them. Mission-critical systems are those
11 believed by the company to be essential for the
12 safe and reliable delivery of electric and natural
13 gas services and business services to our
14 customers.

15 The Year 2000 Program has identified
16 227 critical IT systems. The readiness status of
17 those systems is as follows: 122 systems are Y2K
18 ready and 105 systems are currently being
19 upgraded, modified or tested.

20 With respect to embedded technology,
21 again, these are controllers and other devices
22 that monitor or assist in the operation of
23 equipment and utilize a date-sensitive microchip.
24 We have identified 137 critical functional
25 systems, and I don't want that to be mistaken to

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 be that we only have 137 embedded components, all
3 right? We've examined over 100,000 embedded
4 components throughout the company.

5 The readiness status of those systems
6 is as follows: 66 of the embedded systems are
7 Year 2000-ready; 66 of the systems are being
8 modified, upgraded and tested; and 5 systems have
9 not yet started.

10 We plan to have all systems Year
11 2000-ready by January 1st -- excuse me, by July 1,
12 1999, except for a small number which are impacted
13 by vendors, dates and schedule plans. The
14 contingency planning and supply management aspects
15 of our program are in progress. These sections
16 are scheduled to be complete by July 1, 1999.

17 As a utility whose business success
18 relies on providing reliable service to customers,
19 contingency plans play a vital role in our
20 everyday operations. PECO Energy's current
21 contingency plans are being modified to address
22 how the company will respond to Year 2000 events
23 that may disrupt normal operations. Contingency
24 plans are being developed for all critical
25 suppliers as well.

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2 Additionally I am very pleased to
3 report on PECO Energy's joint Y2K effort with the
4 City of Philadelphia's Year 2000 Readiness Team.
5 We are meeting weekly with City staff to develop
6 joint contingency plans. The areas of particular
7 interest include emergency management and
8 communication. Our working relationship is quite
9 beneficial.

10 We are also working with large
11 customers on their Year 2K Readiness programs and
12 any concerns that they may have. We have visited
13 almost 300 large customers as a part of this
14 effort. We also plan to work with suburban
15 governments.

16 Promoting awareness of our Year 2000
17 corporate-wide effort is an important aspect of
18 our overall program. We've developed a strategic
19 communications plan for employees and customers.
20 Internal and public communications in various
21 forms is well underway.

22 The communication plan includes:
23 workshops, both external and internal; an Internet
24 Web page, which can be accessed through
25 www.peco.com; a voice mailbox number with program

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 status, which is 215-841-6000; brochures and
3 direct mailings. We understand the increased
4 public sensitivity to this issue, and we are
5 committed to maintaining effective communications
6 about our Year 2K Program.

7 With respect to Year 2000 readiness for
8 PECO Energy's nuclear facilities, let me assure
9 you that our preparations at our two plants --
10 Limerick and Peach Bottom -- are focused on public
11 safety and continuity of power. We work closely
12 with the Nuclear Regulatory Commission (known as
13 "NRC"), which is the federal agency responsible
14 for monitoring nuclear plant safety.

15 In November of 1998, the Limerick plant
16 was audited, and the NRC audit report concluded
17 that the PECO readiness program is, one,
18 comprehensive and based on Nuclear Energy
19 Institution guidelines; two, that the program is
20 receiving proper management, support, and
21 oversight; and, three, project schedules are being
22 aggressively pursued with no adverse findings to
23 the public. Information regarding the utility
24 industry and Year 2K can be accessed on Website
25 www.puc.paonline.com.

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2 PECO Energy also submits detailed
3 quarterly updates to the Securities and Exchange
4 Commission.

5 Two nationwide Y2K-readiness drills
6 will be, one in April and another in September.
7 PECO Energy will participate in both drills.
8 Similarly, the Pennsylvania-New Jersey-Maryland
9 interconnection -- that's PJM -- which manages the
10 day-to-day activities of the Mid-Atlantic region's
11 power transmission is preparing regional
12 commission plans, tests and drills in cooperation
13 with PECO Energy and other neighboring utilities.
14 As you can see. PECO Energy and its customers
15 benefit from interaction with these agencies. All
16 utilities and their regulatory agencies are
17 working together to achieve a smooth transaction
18 to the Year 2000.

19 In conclusion, it is PECO Energy's
20 business to generate electricity and natural gas
21 service to our customers in the face of the
22 constantly changing technology; it has been our
23 business for the last 120 years. And part of this
24 business includes being prepared for adverse
25 conditions. We plan for snow and wind storms with

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 extra crews at strategic locations to react to any
3 problems that Mother Nature can cause. Likewise,
4 even though we have a plan to make our
5 computer-related systems ready to avoid Year 2K
6 problems, just in case of unforeseen events, we
7 plan to have teams in place to respond quickly.

8 Madam President, this concludes my
9 testimony. I will be glad to answer any questions
10 that you or members of City Council may have.

11 Thank you.

12 COUNCIL PRESIDENT Verna: Is anyone
13 else at the table, with the exception of Mr.
14 Buckley, that wants to testify at this time?

15 MS. MATTHEWS: No.

16 COUNCIL PRESIDENT Verna: Thank you
17 very much, Miss Matthews.

18 I read recently that PECO Energy
19 performed a Y2K simulation at one of the nuclear
20 plants and it failed miserably with a loss of
21 power for a significant period of time. Can you
22 please tell us or give us some assurance that
23 necessary steps are being taken to correct such
24 problems and that such breakdowns will not occur
25 in the future?

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2 MS. MATTHEWS: What I would like to do
3 is address what happened at Peach Bottom. We
4 experienced a computer failure -- it was last
5 month during our Year 2K readiness testing. Newly
6 installed hardware and software was set up to the
7 test, and it was not a problem with the equipment
8 but there were hundreds of tests that we continued
9 to perform across PECO Energy. But most
10 importantly for you to know is that Peach Bottom,
11 like most power plants, relies on older control
12 and monitoring technology that is less vulnerable
13 to the Year 2000 problem. The upgraded systems
14 for more modern technology are backed up in
15 supplemental systems to the plant. At no time
16 last month was the plant or its safety systems
17 threatened. The plant has continued to run at
18 full power and is unimpacted by any Year 2K
19 problems.

20 COUNCIL PRESIDENT Verna: Thank you.

21 MS. MATTHEWS: You're welcome.

22 COUNCIL PRESIDENT Verna: We see on
23 television quite frequently that it's being
24 suggested that families stock up on certain types
25 of food just in the event of a failure. Tell me,

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 are you personally ready in the event of a Y2K
3 failure?

4 (Laughter.)

5 MS. MATTHEWS: No, I'm not doing
6 anything different about the Year 2K at my home,
7 and I really do not believe that people should
8 succumb to the hype and fear tactics that we
9 currently hear in advertising and on the news.

10 PECO Energy, I believe, has been very
11 diligent in its responsibilities and in our
12 preparation for Year 2K. I also believe that most
13 government officials and service-providers are
14 doing the same.

15 I would suggest that if individuals
16 want to do anything, they might check their home
17 PC's and laptops or call the manufacturers and
18 find out if there are any devices that can avert
19 any problems.

20 COUNCIL PRESIDENT Verna: Thank you.

21 The Chair recognizes Councilman Rizzo.

22 COUNCILMAN RIZZO: It appears there's a
23 lot on PECO Energy's plate. Many of the operating
24 departments indicated the importance of
25 maintaining electrical service at the Y2K

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 changeover.

3 Will you have extra -- obviously, there
4 will be some attention to this. Many people take
5 this, like you just said, that they're not going
6 to do anything differently, but I hope PECO Energy
7 would do something differently. What will be the
8 staffing when this changeover occurs? Will there
9 be extra people available to deal with emergencies
10 that exist?

11 I just experienced a situation
12 yesterday with -- technology's great and PECO
13 Energy's trying to save its rate payers, but
14 during the recent storm, the 800 reporting didn't
15 seem to respond well, and there were interruptions
16 of service.

17 So I'd like to know what you plan to
18 do. Even though many of the executives of PECO
19 Energy are just going to go about their life,
20 there's many people out there concerned. Could
21 you just describe what your strategy will be?

22 MS. MATTHEWS: Yes. Our contingency
23 plans, our upgrade contingency plans for Year 2000
24 will not be completed until the end of the year.
25 And what we are currently doing is establish a

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 process prior to December 31st because it would be
3 prudent to do that. We plan to have 24-hour crews
4 available and placed at strategic locations. Some
5 will be at the main office in the Energy Control
6 Center, and some will be distributed out in the
7 field, and we'll run that way -- we plan to run
8 that way for at least two, three weeks, depending
9 on what's necessary.

10 Also, we're very closely linked with
11 the City right now with its contingency plans in
12 place that will allow us to assist the City should
13 there be any problems in emergency services.

14 We're also working with institutions
15 and hospitals to make sure that they understand
16 how they should be establishing contingency plans
17 as well.

18 In terms of the problems that we
19 experienced yesterday, we are upgrading our
20 technology to overcome that problem because it is
21 load-related, and we have plans to increase the
22 capacity that we have on our IVR system.

23 COUNCILMAN RIZZO: Thank you very much.

24 Madam President, thank you.

25 COUNCIL PRESIDENT VERNA: Thank you.

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2 The Chair recognizes Councilman

3 Mariano.

4 COUNCILMAN MARIANO: Thank you, Madam
5 President.

6 Miss Matthews, is PECO coordinating
7 with organizations that provide emergency
8 services?

9 MS. MATTHEWS: Yes, we are currently
10 coordinating -- as I said, we're coordinating with
11 emergency management within the City. We're
12 coordinating with hospitals as well, and we've
13 also had special off-site external seminars for
14 some of these institutions and work very closely
15 with them to help make them understand what they
16 need to be sensitive to. We've actually done
17 walk-downs in their critical locations, and it's
18 being defined by the City, the priority of the
19 locations, so we have done walk-downs to look at
20 their equipment and then give any updates we can.

21 COUNCILMAN MARIANO: Let me ask you
22 about this. You spoke about this with Councilman
23 Rizzo. The grid, the amount that you sell, the
24 load's not going to be any worse the last day in
25 December of '99 than it will be at that magic hour

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 same load might even be less. Who knows, look at
3 New Year's Eve.

4 MS. MATTHEWS: Right.

5 COUNCILMAN MARIANO: There's probably
6 plans just in case everybody puts their computer
7 on at the same time, everybody uses air
8 conditioners, blow dryers in the City of
9 Philadelphia, so the grid of service may be from
10 Maine or Virginia or somewhere.

11 MS. MATTHEWS: No. In this region, we
12 have enough capacity to manage anything that you
13 could potentially do. There is no problem with
14 capacity in the region.

15 COUNCIL PRESIDENT VERNA: The Chair
16 recognizes Councilman Rizzo.

17 COUNCILMAN RIZZO: You could tell
18 Councilman Mariano uses a blow dryer regularly.

19 In your contractual commitment, you
20 indicated that you have significant generation
21 capacity right here to support our needs, but I
22 read that you have made some very significant
23 contractual arrangements with other utility
24 companies especially at Limerick in the event we
25 had a problem is your capacity designed to meet

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 load requirements here, contractual equipment. Or
3 did you shed those agreements?

4 MS. MATTHEWS: For contractual
5 commitments as well as any load spikes that we
6 have in the region, there is no problem.

7 COUNCILMAN RIZZO: Could you just
8 comment on something that's concerning me? I had
9 brief conversation with Ed McBride -- believe it
10 or not, running out to Home Depot stores to buy
11 generators to deal with this issue.

12 A generator, if properly installed, I
13 hope that PECO Energy would do some communication
14 piece to caution people that they really need to
15 know that you just can't install a generator at
16 your facility because you're jeopardizing the
17 safety of your peak workers, the safety of their
18 family if they don't know how to isolate from
19 PECO.

20 So I would hope that maybe the
21 communications department could put something out
22 in the electric bills or whatever. I see so many
23 people going out and buying these generators who
24 just don't realize the dangers of installing
25 portable generators at home or in their

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 businesses.

3 MS. MATTHEWS: No, we understand and we
4 know that you understand, based on the work that
5 you've done at work in the safety division, that
6 it's difficult to install a generator on their
7 own. What we are suggesting is that any decision
8 to purchase a generator really should be based on
9 business needs as well as personal needs, and that
10 a qualified electrician should do that
11 installation so that we can add some additional
12 information in the communications that we have to
13 put inserts in bills. I think that would be a
14 very good idea.

15 COUNCILMAN RIZZO: Thank you.

16 Thank you, Madam President.

17 COUNCIL PRESIDENT Verna: Thank you.

18 Are there any other questions from
19 members of the committee?

20 (No further questions at this time.)

21 COUNCIL PRESIDENT Verna: At this time,
22 we want to recognize Mr. Buckley. Thank you very
23 much.

24 Our next witness is Dennis Buckley,
25 Counsel to the Chairman, Y2K Coordinator of PUC.

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K

2 MR. BUCKLEY: Thank you very much for
3 the opportunity to appear before you today.

4 Again, for the record my name is Dennis
5 Buckley. And I am the counsel and also the Y2K
6 coordinator for the Honorable John M. Kane, who is
7 the Chairman of the Pennsylvania Public Utility
8 Commission. The comments that I make here today
9 are attributable to the Chairman's Office, and I
10 had previously filed remarks and I would ask that
11 they be accepted into the record as if I read them
12 in their entirety.

13 What I would like to do is talk to you
14 a little bit about the Pennsylvania PUC's
15 oversight and stand ready to answer any of your
16 questions.

17 Driving down here today and coming down
18 the Schuylkill Express, I heard one of your news
19 radio stations ask very solemnly in tone, Will we
20 be watching the mummies on TVs powered by
21 batteries? No, not unless you're at a bus
22 terminal and you're feeding quarters into those
23 TVs.

24 Ladies and gentlemen, I think that it's
25 very important that everybody take a step back,

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2 Pennsylvania PUC's jurisdiction. You should
3 understand that, for example, the Philadelphia Gas
4 Works are not under our jurisdiction, but our
5 friends at PECO our on the record saying that
6 there are plans being made by our utilities to
7 continue to provide mission-critical services
8 through the Year 2000 and beyond. That
9 investigation has concluded.

10 The presiding administrative law judge
11 has filed his report with the Commission and the
12 Commission is going to act on that report and make
13 recommendations this month, on March 31st, at our
14 public meeting. Thereafter, the Commission's
15 order and the judge's report and recommendation
16 will be accessible on our Website, which Miss
17 Matthews gave you -- www.puc.paonline.com. So you
18 can go and read for yourselves about the readiness
19 with our utilities.

20 Now, I'm not a commissioner and I'm not
21 here today speaking on behalf of all five PUC
22 commissioners. I'm here talking on behalf of the
23 Chairman, and it would be presumptuous and
24 premature of me to start addressing the outcome of
25 that information.

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2 I can tell you that what we have seen
3 on the public record to date is very, very
4 reassuring. The electricity will stay on, the
5 phones will work, natural gas will flow, and water
6 will flow. That is the basic bottom line here.
7 We have asked our utilities to affirmatively
8 demonstrate that they will be Y2K-compliant by
9 March 31st or that they will have contingency
10 plans in place. And if exceptions are necessary,
11 then those exceptions are for good cause shown and
12 will be ruled on by the Pennsylvania Public
13 Utility Commission at its meeting on March 31st in
14 Harrisburg, Pennsylvania.

15 What I would like to do now throw the
16 floor open to questions and answers and would be
17 happy to respond to any that you may have.

18 COUNCILWOMAN BLACKWELL: Thank you very
19 much. What is your opinion of that experiment,
20 the Peach Bottom experiment?

21 MR. BUCKLEY: I think it was an
22 appropriate exercise. The whole point of Y2K
23 preparedness is to try these things out. When I
24 saw the article, I kind of winced a little bit. I
25 thought, Geez, here's a company getting beat up

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 because they trying to make it happen.

3 COUNCILWOMAN BLACKWELL: Any
4 questions? Councilman Rizzo?

5 COUNCILMAN RIZZO: Thank you, Madam
6 Chair.

7 Mr. Buckley, first of all, thank you
8 for joining us in Philadelphia today.

9 MR. BUCKLEY: My pleasure.

10 COUNCILMAN RIZZO: And please thank the
11 Chairman for allowing you to come and visit.

12 A lot of people not familiar with the
13 utilities also winced when they saw that article
14 in the paper. They winced with concern, but
15 knowing the utility business, I winced similarly,
16 thinking that here they are, trying to prepare,
17 and a failure occurs.

18 Now, there are people not as
19 knowledgeable as we are about the utility industry
20 and about nuclear power, that are very, very
21 concerned. I know that PECO Energy is prepared
22 but we have other reactors within this area that
23 could affect Philadelphia. Pennsylvania Power &
24 Light, I can't keep up with all the new names of
25 these companies. You know what I'm talking about.

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2 MR. BUCKLEY: Absolutely.

3 COUNCILMAN RIZZO: They're scattered
4 throughout this region, so I'd like to know what
5 the PUC is doing in concert with the NRC to ensure
6 PECO Energy is prepared and that the other
7 utilities are also as prepared with their reactors
8 as PECO Energy is with theirs. Could you describe
9 what's going on in other areas of Pennsylvania?

10 MR. BUCKLEY: Certainly. I've already
11 highlighted the interrelatedness of the systems
12 that we have but I want to pick up on a point that
13 Miss Matthews brought up.

14 We have a very great advantage over
15 other regions of the Pennsylvania- New Jersey-
16 Maryland interconnection. This is a high
17 transmission zone, an area that was established
18 after the New York City blackout in 1965, for the
19 purposes of ensuring system reliability. After
20 the blackouts in 1965, they took a very hard look
21 at what was taken by the North American Electric
22 Reliability Council to address those kinds of
23 problems, that problem of interrelatedness.

24 So when we initiated our PUC
25 investigation in July of 1998, we asked the staff

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2 of PJM, which is not jurisdictional but is an
3 interstate entity -- to cooperate with us to
4 answer our questions in addition to the questions
5 we've directed to other utilities as well. We had
6 questions like, Will your systems be ready? Have
7 you tested your nukes?

8 We maintain a liaison with the NRC and
9 we share information with them and perhaps one of
10 the most critical steps is that we have retained a
11 third-party independent contractor to do
12 verification testing on all of the responses that
13 the utilities have given us in the investigation,
14 and that third-party contractor is going out right
15 now to make an assessment to assure that what
16 we've been told about nuclear units, oil-fired
17 units are indeed correct.

18 COUNCILMAN RIZZO: Is the Nuclear
19 Regulatory Commission doing something independent
20 from the utility independent from what you
21 described the NRC's Public Utility Commission's
22 work? Do you have any information on exactly when
23 the NRC is doing in reference to Y2K?

24 MR. BUCKLEY: Obviously, I can't speak
25 on behalf of the NRC, but I can tell you that we

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 are pursuing parallel tracks. If you will, on
3 assessing utility compliance, and NRC has a
4 national mandate. The NRC has a different
5 timeline than we do; their compliance deadline is
6 July 1, 1999, while ours is March 31st of 1999.
7 So I do want to highlight that difference.

8 The other item we have is a formal,
9 on-the-record investigation; whereas I believe the
10 NRC -- and I'm a little bit hesitant because I
11 don't want to mischaracterize other agencies'
12 efforts -- is using a consult type of approach.

13 COUNCILMAN RIZZO: I have a question
14 for Miss Matthews. That July 1st date that the
15 NRC hags given companies that operate nuclear
16 reactors, can you tell me the status of PECO
17 Energy's timeline to meet that date?

18 MS. MATTHEWS: Yes. All of our systems
19 in the nuclear plants will be compliant by July
20 1st, with the exception of one or two -- the ones
21 that I had said had not been started. I think I
22 had quoted that there were a total of five. There
23 are some systems that cannot be remediated until
24 we go through an outage in the fall. That has
25 been reported to the NRC and they do understand

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2 that.

3 COUNCILMAN RIZZO: How do you explain
4 to the people watching this on television and who
5 will read about it or hear about it on the radio
6 that here we are, there's obviously a rational
7 explanation. Here we are in March of 1999 talking
8 about meeting deadlines in June, July for this
9 year that we've had a long, long time to prepare
10 for.

11 Why does it appear that we're under the
12 gun in dealing with this Y2K issue? Is it
13 something that big business and utility companies
14 -- and speaking for the utilities, is it something
15 that we've had to have this timeline on, or is it
16 something that was put on the back burner and now
17 all of a sudden last year, it's, Hey, we better
18 start focussing on this. Why is in April and
19 March that we're just really starting to meet
20 deadlines in July?

21 MS. MATTHEWS: All right, in terms of
22 our focus on Year 2000, we've been focussing on
23 Year 2K with very large teams since January of
24 '97.

25 When you look at the embedded

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2 technology, however, you cannot remediate that
3 technology until you go through an outage or from
4 production. So what we're doing is doing our
5 remediation based on our regular maintenance and
6 outage timelines, which is exactly why the
7 timeline stretches out into the October time
8 frame.

9 COUNCILMAN RIZZO: When was your last
10 outage?

11 MS. MATTHEWS: We're getting ready to
12 go into one in April, and we had one in September,
13 October. We did work then so what's happening is
14 with each outage, we are remediating the embedded
15 technology within the reactors. What happens is,
16 the outage that we have in the October time frame,
17 we've already remediated the sister unit to the
18 Peach Bottom unit taken down in the October time
19 frame, and we're very confident in our ability to
20 make those modifications so we've made them at
21 Limerick.

22 COUNCILMAN RIZZO: But there are going
23 to be some requests to the Nuclear Regulatory
24 Commission for some assistance?

25 MS. MATTHEWS: Yes.

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2 COUNCILMAN RIZZO: Going into the next
3 millennium?

4 MS. MATTHEWS: No, that's not what I'm
5 telling you. The time remediation at Peach Bottom
6 is October of 1999.

7 COUNCILMAN RIZZO: Everything.

8 MS. MATTHEWS: That's it, right.

9 COUNCILMAN RIZZO: Are there any
10 exceptions for --

11 MS. MATTHEWS: By July 1, 1999 already,
12 but we asked for an exception to get the work done
13 in October because we didn't want to bring that
14 unit down outside of the outage time frame.

15 COUNCILMAN RIZZO: I understand. Thank
16 you.

17 Thank you Madam Chair.

18 COUNCILWOMAN BLACKWELL: Thank you.

19 Any other questions?

20 (No further questions at this time.)

21 COUNCILWOMAN BLACKWELL: The next panel
22 is Telecommunications. We have Jeff Smith, Senior
23 Vice President of Comcast Mobile; Dan
24 VanOstenberg, Vice President of Information
25 Services, Comcast Mobile; Bernie Pfeiffer,

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 Executive Director of Bell Atlantic of PA; Dorothy
3 Brunswick of Bell Atlantic; and Jeff Coursen, Vice
4 President of Strategic Development ATX
5 Communications; as well as Renee Cohn, Legal
6 Counsel, ATX Communications.

7 (Telecommunications panel members come
8 forward.)

9 COUNCILWOMAN BLACKWELL: Thank you very
10 much. You can speak in any order you choose, but
11 please identify yourself for the record and
12 proceed with your testimony.

13 MR. VANOSTENBERG: My name's Dan
14 VanOstenberg, Vice President of Information
15 Services, Comcast Mobile. And with me are Jeff
16 Smith and Kyle Birch, our in-house counsel.

17 On behalf of Comcast, I would like to
18 thank City Council, and in particular, Councilman
19 Rizzo and Madam Chair, for this opportunity to
20 discuss the status of our Year 2000 efforts.

21 Comcast provides wireless
22 telecommunications to its customers throughout
23 Pennsylvania, New Jersey, Delaware and Maryland.
24 Among our customers are utilities which serve the
25 region as well as residents and businesses in the

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2 Greater Philadelphia area.

3 Our product consists of analog and
4 digital phones provided by third-party
5 manufacturers and used by our commerce for
6 wireless communications, switches, and cell sites.
7 Since services provided may be vital to its
8 commerce for ongoing communications, we recognize
9 that it's important that the services we provide
10 are not interrupted as a result of millennium
11 change milestones. The need for the Year 2000
12 compliance in our internal system is recognized,
13 and we are committed to compliance testing of the
14 systems which may affect Comcast's operations. We
15 do not contemplate problems among our billing
16 systems and our other operating systems at this
17 point in time.

18 At this point in our compliance
19 project, we have identified the key internal and
20 external computer systems and communications
21 elements that must be Year 2000-compliant for us
22 to continue to provide service to our customers as
23 well as those required to support internal
24 operations. We also have upgraded or replaced a
25 number of systems and are working with key vendors

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 towards ensuring compliance of systems.

3 Comcast Cellular, follows four general
4 functional areas:

5 First, the communication network,
6 including switching equipment, cell sites,
7 servers, and operation support systems;

8 Two, information technology
9 infrastructure hardware and software
10 communications equipment directly support daily
11 the Comcast cellular computer network;

12 Three, non-IT cooling systems
13 uninterrupted power supplying electricity and, of
14 course, heat, ventilation and air-conditioning and
15 security systems;

16 Fourth, billing processes, including
17 all aspects and provision of communication
18 services and related invoicing to our customers.

19 Comcast Cellular Year 2000 compliance
20 efforts are being directed by an interdepartmental
21 committee with subject matter representatives from
22 billing, engineering, and MIS, which encourages
23 marketing and finance relations as needed for
24 particular initiatives. This core group consists
25 of contract and consultant personnel in individual

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 areas and meets as needed with respect to specific
3 systems and meets as a whole.

4 Biweekly guidelines for Year 2000
5 project are as follows:

6 First, involvement by each functional
7 group to ensure full understanding of all
8 requirements;

9 Second, use of both spanning and
10 windowing techniques. The choice between these
11 two approaches will be situation-specific based on
12 the system itself and its nature;

13 Third, establishment of compliance
14 guidelines for vendors and internal applications;

15 And fourth, the formulation of
16 contingency plans with participation in this
17 planning by recommended financial leaders within
18 the company.

19 Comcast Cellular's goal is to be 2,000
20 compliant by July 1, 1999, in sufficient time for
21 the millennium. Individual elements and
22 interoperability testing will take place before
23 the Year 2K date change occurs, focussing
24 primarily our attention on customer-affecting
25 systems.

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2 Within our communications network,
3 Comcast Cellular's engineering department is
4 responsible for implementation of customer
5 products and services and the maintenance
6 company's telecommunications, network, and digital
7 cellular services, cellular data services, and
8 ancillary voice mail, short messaging, and Quick
9 Link.

10 A fundamental aspect of these services
11 is the cellular telephone and the ability to
12 operate. Cellular phones are not typically date-
13 or time-sensitive; therefore, it's not anticipated
14 to be a Year 2000 problem.

15 Lucent Technologies is our most
16 significant vendor and we're working closely with
17 Lucent to upgrade all components of the network.
18 According to Lucent, our current version of the
19 cell and the executive cell processor, the
20 networks that control call transmission and
21 switching are already compliant so we have
22 confidence that we have ample time for our
23 testing.

24 In addition to Lucent, Comcast Cellular
25 Telecommunications Equipment, Bell Tel Labs,

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2 Hewlett-Packard, Sentogram, and Octel Labs have
3 already identified current conversions to be Year
4 2K compliant.

5 Over the past four years, we have every
6 expectation that necessary Year 2000 project work
7 will have similar success. Comcast Cellular's
8 billing department is responsible for managing the
9 billing information systems to assure invoicing to
10 our customers as well as testing.

11 In 1997, we began an internal process
12 of inventorying and surveying readiness, which
13 gave us the understanding of which versions of
14 software and equipment will be needed to become
15 Y2K compliant and what upgrades to be installed to
16 have an environment that will allow us to
17 establish dates when the software is available for
18 installation. The result of this survey used
19 compliance efforts to make sure we're addressing
20 our most important efforts first in compliance
21 programming. We have a full-time team of
22 professionals assigned to this work.

23 The Comcast Cellular Facilities Group
24 is working with landlords and utility providers to
25 ensure that there's no interruption to operation

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2 due to a facilities-related issue.

3 In terms of testing, the Year 2000
4 certification of Comcast Cellular includes testing
5 at various level functions, certifying
6 interoperability requirements and types of
7 systems. Initial acceptance of software certified
8 as compliant individual or unit testing of the
9 function performed typically confirmation accurate
10 as well as testing to confirm stable information
11 from trade organizations, business partners, and
12 clients at the test level.

13 Interoperability testing within Comcast
14 Cellular operation's next level of testing in Year
15 2000 program where appropriate systems or elements
16 are tested to verify stand alone or work together
17 properly. For example a simulation environment,
18 where call are recorded with dates in the Year
19 2000 should be rated through the compliant
20 system.

21 For customer invoices, we plan to be
22 testing functions beginning in April, which gives
23 sufficient time for June 30, 1999. As the year
24 progresses, we'll be monitoring the status of
25 network elements on an ongoing basis, and plan to

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 identify critical areas in jeopardy of being
3 non-compliant.

4 In conclusion, Comcast Cellular has
5 recognized the Year 2K compliance problem since
6 1995. Personnel compliance of those systems is
7 critical to continue and service delivery. Still,
8 the telecommunications arena is actually a network
9 of networks with only a portion of this larger
10 infrastructure under our control dependent on
11 outside vendors. Although no plan is guaranteed
12 to address complex issues, we have made progress
13 to date in our commitment to success, and our
14 current compliance status reinforces our
15 confidence that we will continue to provide
16 service substantially unaffected by the Year 2000
17 problem.

18 That's the testimony on behalf Comcast
19 Cellular. I'd be happy to entertain other
20 questions.

21 COUNCILWOMAN BLACKWELL: Thank you.

22 How confident are you that the outside
23 vendors will be compliant?

24 MR. VANOSTENBERG: We have a good level
25 of confidence research behind why they believe

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 those dates are accurate in terms of software
3 versions being made available to us for testing.

4 COUNCILWOMAN BLACKWELL: Would anyone
5 else like to testify?

6 MR. COURSEN: Yes.

7 COUNCILWOMAN BLACKWELL: Please
8 proceed.

9 MR. COURSEN: I'm Jeff Coursen, Vice
10 President of Strategic Development, ATX
11 Communications. Also represented is our in-house
12 legal counsel, Renee Cohen, to my left.

13 COUNCILWOMAN BLACKWELL: Excuse me.
14 Before you proceed Councilman Rizzo has a question
15 for Mr. VanOstenberg.

16 COUNCILMAN RIZZO: I can hold my
17 question until I hear all of the testimony and
18 we'll get it all done at once.

19 COUNCILWOMAN BLACKWELL: Thank you.
20 Please proceed.

21 MR. COURSEN: We have a fivefold plan
22 inclusive of the organization of our efforts of
23 how we strategically planned for Y2K. The process
24 is in place to validate that plan.

25 The first component is organization.

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 We've established a Year 2000 Compliant Committee
3 to oversee all company efforts. We have senior
4 management of ATX Management Information Systems
5 that are dedicated senior managers of the company
6 and who are representing all of the departments.
7 They meet weekly, and at the direction of a senior
8 project manager, they monitor progress and
9 management from each key functional area of the
10 company.

11 And we've developed a Website to keep
12 customers up to date. It can be found at
13 www.atx.com/y2k.

14 Plans in the general areas of our
15 technological operations, and the sole control of
16 ATX is dependent in some way on one or more third
17 parties. Several of our mission-critical network
18 elements and operating systems have already proven
19 to be Year 2000-compliant. For those company-wide
20 compliance plans in place, Year 2000 goals
21 mission-critical stems Year 2000 compliant by July
22 1, 1999. Like all other telecommunications
23 providers, ATX interconnects end-to-end service to
24 our customers. While we cannot control Year 2000
25 readiness of those parties, we will work to

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 resolve any difficulty.

3 A cornerstone of our Y2K compliance
4 activities is to provide products and services.
5 As part of this program, we have prioritized and
6 determined those that are critical to provide each
7 service deemed mission-critical. We've asked our
8 vendors to assess their own Year 2000 readiness by
9 sending our questionnaires regarding their
10 compliance certification for them to complete and
11 return.

12 ATX has also developed a, quote, buddy
13 system where possible so that each vendor has a
14 buddy with a similar service. That if the primary
15 vendor failed to meet an area of compliance that's
16 mission-critical, it can be managed separately to
17 monitor compliance and testing.

18 Process. To approach and address the
19 situation systematically, this process involves
20 performing inventory of company systems and
21 determining the nature and extent of any potential
22 problems, remediation and modification of any date
23 conversation problems and development of
24 contingency plans, unit testing adequately, and
25 integration and system testing.

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2 To integrate our ability to provide top
3 priority, ATX assigned priority level to each
4 network element. The priority level is based upon
5 the impact the element or systems compliance would
6 have on our ability to continue to provide voice
7 and data services to our customers, plans to use
8 multiple efforts to address date remediation
9 fields to four-digit logically, and to physically
10 incorporate two-digit users by prefixes with
11 either a 19 or a 20.

12 And, third, where necessary, replace
13 with commercially-available products ATX products
14 by issuing date-related chips and controllers that
15 are installed in electronic devices.

16 Testing and contingency plans. We've
17 established company-wide for all mission-critical
18 operations a contingency plan for each
19 department. We've developed contingency plans,
20 ordering generators, powering systems, and
21 stockpiling extra paper for billing.

22 Fifth and finally, the
23 telecommunications industry's Preparedness Network
24 Reliability and Interoperability Council was
25 established to advise those in the industry about

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 Year 2000 readiness. The goal of this council is
3 to assess readiness across the telecommunications
4 industry, identifying hot spots and reporting
5 accurately on the status of industry preparedness
6 for Y2K report.

7 The telecommunications industry is also
8 developing contingency plans associated with Y2K.
9 These contingency plans are the last line of
10 defense in Y2K preparation across the industry,
11 and users are responsible for taking appropriate
12 action to ensure that services and equipment that
13 access public telecommunications network are Y2K
14 compliant.

15 That concludes our testimony. I will
16 add that ATX is providing long-distance services
17 to the City at this point in time.

18 Thank you.

19 COUNCILWOMAN BLACKWELL: Thank you very
20 much.

21 MR. PFEIFFER: My name is Bernie
22 Pfeiffer, Executive Director, Bell Atlantic. My
23 remarks are geared to a series of visuals which I
24 had originally prepared but I will conform my
25 remarks to more of a testimony form.

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2 Good morning and thank you for the
3 opportunity to speak at this meeting of the
4 Philadelphia City Council to apprise you of the
5 overall steps Bell is taking to address, as
6 stated, the previously-filed responses with the
7 Pennsylvania PUC.

8 It is Bell Atlantic's goal to have its
9 network and other Year 2000 systems compliant by
10 the end of year June 1999. We believe Bell
11 Atlantic's communication services will continue to
12 be available in uninterrupted fashion on and after
13 New Year's Day of the Year 2000. This includes
14 Bell Atlantic's business-specific areas: network
15 facilities, switching, transmission equipment,
16 computer systems, hardware and software used in
17 monitoring networks, as well as conducting every
18 portion of the modern business buildings, garages,
19 central office, etc.

20 Bell Atlantic has underway a
21 corporate-wide program addressing the impact of
22 the Year 2000 issue. Our operations program,
23 which we began in 1995, is continuing as planned.

24 Year 2000 compliance is both a major
25 program and we must make clear corporate

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2 priorities and be committed to making January 1,
3 2000 just another day on the network.

4 Heading this up effort for Bell
5 Atlantic Joe Castellano, who reports directly to
6 the chairman of Bell Atlantic. Mr. Castellano has
7 been designated as the Program Y2K Compliance for
8 all Bell Atlantic systems. In addition, Mr.
9 Castellano also chairs an officer-level steering
10 committee across the company that manages all Bell
11 Atlantic Year 2000 efforts as well as monitoring
12 overall progress.

13 Project teams are in place for key
14 functional areas of the business, details of which
15 I'll address in a moment. These teams direct
16 actual detailed implementation of the program.
17 The Year 2000 Enterprise Program Office also has
18 been established to provide staff and support to
19 the steering committee to monitor progress and
20 certify remediated systems.

21 At this point, I'd like to switch to
22 the third page of the prepared visuals. And,
23 again, I'll go through the process that we have in
24 place to assure Year 2000 compliance.

25 As indicated by some of my colleagues

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2 here, clearly, Bell Atlantic doesn't manufacture
3 anything except dial tone. We are beholden to a
4 partnership with the vendors that we use, over
5 which we provide that dial tone. In addition,
6 once assessments have been made as to whether or
7 not particular vendor equipment is compliant, we
8 then move on to a decision to either remediate
9 that -- that is, to fix it -- or retire the item
10 because it cannot be remediated in any
11 cost-effective manner, or transfer it to other
12 systems.

13 Following that, we have a fairly
14 significant program of testing, including testing
15 of individual elements as well as integration of
16 testing across multiple elements and across
17 systems. This process -- and I'll describe this
18 in a little more detail later. This process, in
19 actuality, winds up being a fairly significant
20 effort carried out at multiple efforts. A
21 certification validation sign-off that the
22 remediation is effective follows the testing. The
23 hard part comes when you're deploying back into a
24 network which has well over 150,000 items that
25 have the potential to be remediated.

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2 Following the next visual, the
3 enterprise projects in place, many of which have
4 already been discussed here at the table, include
5 network elements, which, in our particular case,
6 is in excess of 150,000 items. A total of 75 of
7 those have been assessed as compliant, which
8 leaves about a quarter of the items which need to
9 be dealt with in some sort of a fix.

10 We have a network operational support
11 system, and of the 514 systems representing lines
12 of code of these, about 80 need some sort of a
13 fix. The telecommunications group information
14 system has 340-some-odd systems. In addition, we
15 have programs for finance, information technology
16 infrastructure, and facilities.

17 I'd also like to just mention briefly
18 the fact that unregulated subsidiaries -- Bell
19 Atlantic Mobile International and long-distance
20 companies -- are a part of the mix and have
21 similar goals and similar urgencies about getting
22 Y2K-ready. Bell Atlantic, in addition to the
23 actual remediation and certification process, Bell
24 Atlantic is set to make sure that in the event of
25 unforeseen events at the time the millennium

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 occur, that we have people and processes in place
3 to ensure that any problems are dealt with
4 quickly.

5 At this point, I'd like to skip ahead
6 and just mention the fact that for the
7 telecommunications industry generally, there are
8 three or four major groups working very diligently
9 in terms of making the Y2K transition a non-event
10 -- at least in the telecommunications industry.
11 One is the Telco Year 2000 Forum. A local
12 exchange of carriers recently issued a report
13 which details the results -- details over 1900
14 tests conducted by Telco on behalf of local
15 exchange carriers. Those 1900 tests, in fact,
16 turned up 6 problem areas identified throughout
17 those 1900, and those 6 problem areas were
18 addressed by the vendors and corrected and
19 retested with no further problems.

20 An alliance solution known as "ATIS
21 Testing" is also at work in terms of internetwork
22 operability. And the Telecom Industry
23 Association, CTIA, is working diligently on behalf
24 of the cellular companies on assurance.

25 In addition, the United States

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2 government, including the President's Year 2000
3 Council and the FCC's Year 2000 Commissioner
4 Michael Powell also instituted a Y2K program, of
5 which Bell Atlantic is a part, as well as many
6 other telecommunications providers across the
7 United States. In addition, the International
8 Telecommunications Union, an arm of the U.N.,
9 situated in Geneva, Switzerland is also a member.

10 At this point, I'll skip ahead in the
11 interest of time to some other issues and
12 interdependencies. I mentioned before that we
13 have embedded chips in various facilities such as
14 elevators and security systems in buildings and
15 garages that have a very close working
16 relationship with vendors and suppliers. The
17 E-911 Program that Bell has underway, the E-911
18 service is provided in three major components of
19 which Bell Atlantic supplies many.

20 The first is the actual network itself
21 so that when a customer dials 911, he has the
22 ability of an operator to get that call to the
23 E-911 Public Safety Answer Point. In addition to
24 that, there are modifications that are made in the
25 network to provide specific routing. Those

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2 modifications by Bell Atlantic are to be completed
3 by the end of June 1999.

4 The second area is an automatic
5 location information database, which is also being
6 completely revamped by Bell Atlantic to be ready
7 for the end of June 1999. This database includes
8 public safety answer points which Bell Atlantic
9 maintains on behalf of the police and local fire
10 departments. Bell conducted a specific inventory
11 of each, and every one of those maintenance
12 responsibilities and found them either compliant
13 or have been scheduled for remediation upgrade
14 before the end of June 1999.

15 In addition, Bell has a new Website
16 accessible at www.bell-atl.com.year2000.

17 There are customer premises equipment
18 that may or may not be maintained by Bell
19 Atlantic. And private systems, when left
20 unremediated, have the potential for having
21 businesses who use them be left without
22 communications, even though the public network
23 itself is functioning properly. So we have tried
24 to make a very concerted effort to make sure if
25 their private networks are, in fact, not

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2 maintained by Bell Atlantic, that they need to
3 work with their vendors for compliance of their
4 own networks.

5 I mentioned before that Bell Atlantic
6 is focussing on two areas. The first is customer
7 care. Should unforeseen events which we do not
8 expect to happen cause some serious or minor
9 disruptions in the network, we want to be able to
10 ensure continued customer care. And in addition,
11 operating an emergency operation center and
12 working with the emergency management agencies of
13 various states and municipalities across our
14 region.

15 Lastly, I would also like to mention
16 that Bell Atlantic is participating in a telephone
17 economy and electric utility dialogue as well as
18 participating with the North American Electrical
19 Liability Council along with AT&T power committees
20 in a Year 2000 mode.

21 Lastly, just for the record, I want to
22 indicate the level of concern and level of
23 importance of this in our recently-filed 10-Q.
24 Bell Atlantic expects to spend over half a billion
25 dollars. This level of commitment is an

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2 indication that Bell Atlantic not only looks at
3 this as an important issue but is also very
4 confident that at the time of the millennium that,
5 in fact, it will just another day.

6 Thank you.

7 COUNCIL PRESIDENT VERNA: Thank you
8 very much.

9 The Chair recognizes Councilman Rizzo.

10 COUNCILMAN RIZZO: Thank you, Madam
11 President.

12 I think the record should reflect that
13 all of the witnesses today provide services to the
14 City of Philadelphia. ATX provides our
15 long-distance service, and our local dial tone is
16 provided by Bell Atlantic Mobile Systems and
17 Comcast.

18 The question that I have is, I guess
19 it's best directed to Bell Atlantic since Comcast
20 I don't believe, at least, serves the City with
21 this. All of our on-board computers in police
22 vehicles are provided data through Bell Atlantic
23 Mobile, I believe it is. Can you tell me, is
24 there any concern with that aspect of the Police
25 Department's day-to-day operations as it pertains

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2 to Y2K?

3 MR. PFEIFFER: I can check to find that
4 out that information and get back to you on it.
5 However, I think on the traditional telephone
6 network and between and among telecommunications
7 providers, the exchange of date information does
8 not occur. What does occur is timing individual
9 calls -- when they start, when they stop. But in
10 fact, the transmission of date information does
11 not generally occur.

12 But in terms of Bell Atlantic Mobile's
13 specific service to the Police Department, I have
14 to admit that I'll have to have somebody get back
15 to you that.

16 COUNCILMAN RIZZO: Fine, if you'll send
17 that information to the Chair, to the President of
18 City Council, I'd appreciate that.

19 One of my staff submitted a question
20 that I wasn't going to ask, but I'll read it
21 instead to make sure I get it right. It pertains
22 to satellites. Are the satellites Y2K-compliant?

23 MR. COURSEN: In the emerging
24 technology of the telecommunications industry, 100
25 percent of our services provided to the City are

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2 wire-lined fiber optics or copper wires in the
3 ground; it's not even approaching the satellite
4 services.

5 I can get back to you on that, if there
6 are any specific satellite, microwave or other
7 capabilities in the network that we can find.

8 COUNCILMAN RIZZO: Bell Atlantic, are
9 you dependent on satellites?

10 MR. PFEIFFER: No, we are not dependent
11 on satellites.

12 COUNCILMAN RIZZO: You might need one.

13 I guess that's it, Madam President.

14 Thank you very much.

15 COUNCILWOMAN VERNA: Thank you all very
16 much.

17 At this time, we will take a
18 five-minute recess. Thank you.

19 (Short recess taken.)

20 - - -

21 (Proceedings resume.)

22 COUNCIL PRESIDENT VERNA: We will now
23 resume our public hearing.

24 Our next witness is Herb Taylor from
25 the Federal Reserve Bank.

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2 (Herb Taylor comes forward.)

3 COUNCIL PRESIDENT Verna: Please
4 identify yourself for the record and proceed with
5 your testimony.

6 MR. TAYLOR: Good afternoon, Madam
7 President.

8 COUNCIL PRESIDENT Verna: Good
9 afternoon.

10 MR. TAYLOR: My name is Herb Taylor,
11 Vice President and Secretary of the Federal
12 Reserve Bank of Philadelphia.

13 Thank you, Councilman Rizzo for
14 inviting me here today to talk about Y2K readiness
15 of the banking industry in the City of
16 Philadelphia. I am here on behalf of Federal
17 Reserve Bank here in Philadelphia, which serves as
18 the nation's central bank. As the central bank,
19 the Fed has a unique window on the banking
20 system's state of readiness for the century
21 roll-over.

22 People's questions about money and
23 banking during the century roll-over are basic:
24 Will my money be safe in the bank? Will my ATM
25 work? Will my direct-deposit paycheck or

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2 government benefit payment be there for me? Will
3 I be able to get my mortgage and other bills paid
4 on time? In short, people are asking: Will banks
5 be prepared to conduct business as usual when the
6 century roll-over comes?

7 We at the Federal Reserve believe the
8 answer is yes, based on the actions we've taken,
9 and are taking, as the core provider of cash and
10 other payment services. We also say "yes" on the
11 basis of the examination of banks that we have
12 made, and are making, as a federal bank regulator.

13 Let me begin with our role as core
14 provider of cash and other payment services. As
15 the central bank, the Fed supplies banks and other
16 depositories -- savings institutions and credit
17 unions -- with currency and coins they need to
18 meet their customers' demands. We also process
19 about one-third of the checks that banks present
20 to one another on behalf of their customers in the
21 everyday course of business.

22 In addition, we move literally
23 trillions of dollars every day through electronic
24 payment services. Large-dollar transactions
25 involving funds and government securities travel

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2 over our Fedwire network.

3 Small-dollar electronic payments are
4 processed through our automated clearinghouse. It
5 is through this ACH network that employers make
6 direct deposits of employees' paychecks, that the
7 Social Security Administration and our government
8 agencies make direct deposits of benefits payments
9 to our senior citizens, veterans, and others.

10 All in all, some 80 percent of payments
11 in the U.S. are processed through the Federal
12 Reserve. So clearly, the first order of business
13 in preparing the banking system for the century
14 roll-over is to make sure the Fed's own internal
15 payments processing systems are in good order.

16 The Fed has completed that task as of
17 the end of 1998. All of our cash and check
18 processing systems and our electronic funds
19 transfer systems were evaluated, remediated, and
20 tested successfully for Y2K readiness by that
21 time. The next step is to make sure that our
22 electronic communications links to depository
23 institutions will function properly so that
24 payments can continue to flow to them in the new
25 millennium.

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2 The Fed began testing these links with
3 banks and other depositories in July of last year,
4 and that process will continue for several more
5 months. The Philadelphia Fed has direct links to
6 348 financial institutions in the 3rd District --
7 which encompasses eastern Pennsylvania, South
8 Jersey, and the state of Delaware. Thus far, we
9 have tested successfully for connectivity with 269
10 of them. Another 30 have scheduled to test with
11 us, and all are required to test with us by June
12 30th.

13 The Fed also tested its connection with
14 the Treasury for whom we process payments. And
15 all of those connections have tested successfully.

16 The bottom line is that the Federal
17 Reserve's facilities for processing payments --
18 including direct deposit of payrolls and
19 government benefit payments -- are ready to go for
20 the Y2K roll-over.

21 We realize that public concerns about
22 potential problems during the Y2K roll-over will
23 occasion an increased public demand for cash so
24 the Fed has acted to make sure that there will be
25 enough cash to meet everyone's needs. We ordered

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2 an extra \$50 billion in new currency from the
3 Bureau of Engraving and Printing this year. This
4 \$50 billion, combined with money we already have
5 in our vaults, will give us enough supply to
6 double the amount currently in circulation here in
7 the United States. And if financial institutions
8 tell us they need still even more currency, we
9 have several options to accommodate that increased
10 demand.

11 The bottom line here is that the Fed
12 has plenty of cash on hand, and we are encouraging
13 bank customers to order enough cash early so that
14 they have enough in their vaults when customers
15 ask for it. When it comes to providing cash,
16 clearing checks, and moving funds electronically,
17 the Fed can deliver for the banks.

18 The next question is: Can the banks
19 deliver for their customers? Speaking now as an
20 agency that oversees and supervises banks, we at
21 the Fed believe the answer is yes.

22 The examination of banks proceed on a
23 regular cycle. In order to assess the overall
24 safety and soundness of a bank, examiners look at
25 every major aspect of the enterprise. Federal

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2 regulators began their formal oversight of banks'
3 Y2K preparations in 1996. Bank examiners were
4 given special training and focussed on banks'
5 Y2K-related vulnerabilities. The list includes
6 both those in banks' computer systems and in their
7 automated operations -- heating systems,
8 elevators, vault doors. It includes
9 vulnerabilities both in banks' in-house systems
10 and in the systems provided by outside vendors.
11 Banks' ATM machines are on that list.

12 What have we found? Evaluation of
13 banks' Y2K readiness is proceeding in three
14 phases. Phase 1 was completed at the end of 1998,
15 and the results were extremely encouraging. Some
16 97 percent of the nation's banks were found to be
17 making satisfactory progress in their Y2K
18 preparations. They had developed adequate plans
19 for remediation and testing of the systems, and
20 their boards of directors and senior management
21 were properly engaged in overseeing the process.

22 The results of the exams conducted by
23 our own Bank's examination staff at banks here in
24 Philadelphia involving the banks in our district
25 were consistent with these national results.

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2 Bank regulators now approaching the end
3 of Phase 2 of their examinations. In this phase,
4 examiners are checking to see that banks are
5 taking the remediation steps they planned, and
6 banks must also be on target for completing their
7 testing with the Fed and any other external
8 service providers by the mandated June 30th
9 deadline. And banks must be on course to complete
10 their Y2K contingency plans by June 30th. The
11 overall results of the Phase 2 examinations will
12 be available nationally in May or June.

13 Meanwhile, the third phase, Phase 3,
14 begins on April 1st. Examiners in the third phase
15 will concentrate on the largest national and
16 regional financial institutions and on any
17 institutions that are behind schedule in their
18 preparations.

19 The bottom line here is that banks and
20 their regulators have been focussed on managing
21 the Y2K roll-over for some time. Regulators are
22 actively assessing banks' progress, and will
23 continue to do so. And, as always, banks that
24 fail to meet regulatory safety and soundness
25 standards are subject to formal enforcement

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2 actions, and those actions would be publicly
3 disclosed.

4 We recognize that no amount of work by
5 banks and no amount of oversight by regulators can
6 guarantee every transaction at every bank will go
7 flawlessly when the century roll-over occurs. But
8 any glitches should be localized, short-lived, and
9 manageable.

10 Now we come to the last link in the
11 chain of assuring that bank customers find the
12 transition to the new century to be a relatively
13 smooth one: the preparations that we all make
14 ourselves as bank customers. The Fed joins fellow
15 regulators, other organizations, and the banks
16 themselves in urging people to take a common-sense
17 approach.

18 First, get good information and start
19 with your bank. Your bank should be prepared to
20 answer any questions you have about the best way
21 to meet your needs during the roll-over.

22 Second, take reasonable precautions.
23 Our fellow regulator, the FDIC, recently published
24 a handy "to-do list" for bank customers. Some of
25 the items on the list: save your receipts from

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 bank transactions like loan payments or ATM
3 withdrawals; if you do your banking at home by
4 computer, make sure that your own PC is
5 Y2K-compliant; and be wary of people offering
6 products "guaranteed" to fix or prevent Y2K
7 problems.

8 The third step in the common-sense
9 approach is to avoid extreme measures that will
10 only increase your risks. Stockpiling and
11 carrying around unusually large amounts of cash is
12 risky business because cash is not insured against
13 fire, against theft, or against loss. On the
14 other hand, nobody has ever lost a penny of
15 FDIC-insured deposits ever. One practical
16 approach suggested in a popular Red Cross
17 publication was to hold as much cash as you would
18 expect a snowstorm -- timely advice this week in
19 Philadelphia.

20 I would add that a special Y2K
21 information page on our Website provides updated
22 information on what we're doing at the Fed, the
23 Red Cross, and the FDIC, and we invite you to
24 visit it under the "What's New?" button on our
25 Website at www.phl.frb.org.

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2 The fed in its fellow regulators and
3 service providers have all been very hard at work
4 for a long time to meet the Y2K roll-over
5 challenge. We at the Fed believe that this hard
6 work will pay off, and that the roll-over to the
7 new millennium for the banking industry will be
8 generally a smooth one.

9 That concludes my remarks, Madam Chair.

10 COUNCIL PRESIDENT VERNA: Can I give a
11 sigh of relief? I have heard so many people who
12 have said, What do I do with my money? Do I take
13 it out of the bank? And if I do, what do I do
14 with it?

15 But I'm glad to hear that we're well on
16 the road to making certain that there will be no
17 problems. Thank you.

18 The Chair recognizes Councilman Rizzo.

19 COUNCILMAN RIZZO: I concur 100 percent
20 with the President's comments. I myself have
21 heard many people suggest that they were going to
22 withdraw their money and cash in bank
23 certificates, which I think you alluded to, which
24 would be devastating to cash in a security.

25 So I would hope that the people

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2 watching us on television today will settle down a
3 little bit after hearing your testimony and not do
4 anything that could be very disruptive to their
5 finances by reacting inappropriately. I would
6 also hope that the banking community would also
7 work with us to assure, through advertisements or
8 handouts within their statements to assure
9 customers. Certainly they want to retain all
10 customers they have. Especially some of our
11 seniors are very, very concerned, like President
12 Verna said, about this Y2K issue.

13 I think today your testimony and
14 whatever the banking community can do to
15 communicate the fact that this shouldn't be a
16 concern would be very, very helpful. And I thank
17 you today for coming here, Mr. Secretary.

18 MR. TAYLOR: Thank you Councilman.

19 COUNCIL PRESIDENT VERNA: I agree.
20 There has to be some communication with customers
21 in verbal and in written form.

22 MR. TAYLOR: One of the processes that
23 we are engaged in at this point is having banks
24 include flyers in their statements to their
25 customers, for example, discussing this Y2K issue

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2 and inviting customers to ask your bank for more
3 information and on how to proceed.

4 COUNCIL PRESIDENT VERNA: When will
5 they start going out?

6 MR. TAYLOR: Actually,, we got one in
7 our bank statement this month, so I expect that
8 you'll be seeing them more and more.

9 This was a great opportunity, and I
10 want to thank you for the opportunity to make
11 those words available.

12 COUNCIL PRESIDENT VERNA: Fine. Thank
13 you very much.

14 Next is Mr. Charles Isdell, Acting
15 Director of Philadelphia International Airport.

16 (Charles Isdell comes forward.)

17 COUNCIL PRESIDENT VERNA: I understand
18 that there's a panel that will testify with Mr.
19 Isdell. Dave Roberts from Amtrak. Do we have
20 anyone here from the Delaware River Port
21 Authority?

22 (Barbara Jones comes forward.)

23 COUNCIL PRESIDENT VERNA: And Ralph
24 Menzano, from SEPTA.

25 (Ralph Menzano comes forward.)

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2 COUNCIL PRESIDENT Verna: Mr. Isdell.

3 I think you'll be the first to testify.

4 MR. ISDELL: Good afternoon, Madam
5 President.

6 COUNCIL PRESIDENT Verna: Good
7 afternoon.

8 MR. ISDELL: I'm Charles Isdell, Acting
9 Director of Aviation for the City of
10 Philadelphia. And I'm joined today by Jeff Shull,
11 who's our Director of Security and Systems
12 Technology.

13 In the interest of Council's schedule
14 and because the airport is actually a division of
15 the City's Commerce Department, I would refer to
16 the earlier testimony in terms of formal testimony
17 that was presented by Brian Anderson, the City's
18 Chief Information Officer.

19 From the airport's specific
20 perspective, we began efforts to address the Y2K
21 problem in August of 1996. Since that time, we
22 have been upgrading and replacing systems as
23 appropriate to prepare for the end of this year.
24 Throughout 1998 and up to the present, we've also
25 cooperated with the airlines, particularly through

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2 U.S. Airways, our hub carrier, on a survey done by
3 the Air Transport Association, the airline trade
4 association. We've also been cooperating with the
5 FAA and the General Accounting Office on surveys
6 of airport preparedness for Y2K, and we've been
7 reviewed successfully in each of those surveys.

8 In addition to that, as I earlier
9 mentioned, as part of the City government, we have
10 been working with the Mayor's Office of
11 Information Services, the Managing Director's
12 Office on their Business Risk Assessment Project,
13 and we also participate now on the City's Y2K
14 Steering Committee.

15 Internally, the airport has identified
16 38 separate systems which requires some
17 remediation or upgrade, and we have already -- we
18 now have -- 22 of those 38 systems are 100 percent
19 Y2K-compliant; the remaining systems will be by
20 June 30th of this year.

21 We continue testing systems. We also
22 are preparing for those contingencies which have
23 been mentioned throughout the testimony earlier
24 today, such as power outages that might occur that
25 would be beyond our control. And our contingency

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2 planning is also being coordinated with the City
3 government. We will participate in the
4 simulations being planned. We do emergency
5 electrical power generator switch-overs on a
6 quarterly basis. We're asking doing them on a
7 monthly basis for the remainder of this year. We
8 have not actually started that.

9 But, in general, we feel that the
10 airport is well prepared, and we're here to answer
11 any questions that you may have.

12 Thank you very much for the
13 opportunity.

14 COUNCIL PRESIDENT VERNA: Thank you.

15 Supposing we hear from everybody from
16 the panel and then we could ask questions. I
17 believe Mr. Roberts is next to testify.

18 MR. ROBERTS: I'm Steve Roberts, from
19 Amtrak. I'm the Chief Information Officer, in
20 charge of all the technology plus the Year 2000
21 which, encompasses everything from computer
22 systems to tracks fuel to electricity. I'm the
23 spokesman.

24 COUNCILMAN RIZZO: In the schedule?

25 MR. ROBERTS: Excuse me? In the

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2 schedule, right.

3 Amtrak began our Y2K preparedness in
4 October of 1996. We established a permanent
5 project office that was dedicated to it at that
6 time and continues to this day. We also hired
7 external people to evaluate our systems. And
8 we've actually employed two companies -- one of
9 which is IBM -- to renovate all the systems that
10 we have.

11 I'm happy to report at this date that
12 one of our main systems, which is our reservation
13 system, which drives 100,000 travel agents in 240
14 stations across the country, has been taking
15 reservations since February 6th for the Year 2000,
16 so people are actively making reservations. So
17 we're in business, as far as all that goes.

18 The majority of our other systems are
19 already back in production. We have some that are
20 still in final testing. Final target date is the
21 end of June to put everything back in shape.
22 Because we actually own the railroad between
23 Washington and Boston here, we have an engineering
24 department which has basically been evaluating all
25 the infrastructure or the embedded systems that we

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2 have.

3 And we have detail reports from them
4 which basically itemizes all of our embedded
5 systems, which includes things like track circuits
6 interlocking, timers, battery chargers, crossing
7 predictors, data recorders, engines, global
8 positioning units. Most of them are not
9 date-dependent. In the railroad, if you talk to
10 anyone in the Class 1 railroads or some of the
11 commuter lines, you'll find out that the railroad
12 -- the equipment or the embedded systems is
13 primarily event-driven, which means it's triggered
14 by trains passing by, rather than by dates.

15 For the embedded systems that do have
16 microprocessors in them, very few of them actually
17 have a date in them, and virtually none of them is
18 the date used in any safety or operational
19 consideration. Where the ones do have it, which
20 is basically dates that are used for recording
21 events, it is primarily a logging function, and
22 all of those have been inventoried. The few that
23 need attention are receiving it, but we really see
24 no safety-related or operational concerns in our
25 embedded systems.

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2 In addition to that, we run a fairly
3 large network across the country, communications
4 to all our offices. We work with IBM, who is
5 responsible for it, and mainly all of the
6 infrastructure looks pretty good. We've looked at
7 all of the telephone systems, the computer
8 networks and so forth and so on, and they appear
9 to be on track for the Year 2000.

10 In addition to that, we, as everybody
11 else here in the hearings here, have been working
12 closely with the power companies up and down the
13 corridor here. We're quite confident that the
14 power grid looks pretty good, as you've heard here
15 today. We are making certain contingency plans
16 with upper management and the operational people
17 to play the "what-if game" -- if the worst
18 happens, what would we. We have both electric and
19 diesel engines in the systems since outside of the
20 corridor, we're exclusively diesel. And we're
21 looking at some of the nuances of that primarily
22 in the New York City area, where we have some
23 restrictions on us.

24 Fuel is -- we've had a detailed
25 analysis of our fuel situation and talked to all

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2 of the suppliers. Most of the fuel is actually
3 gravity feed; it's not highly dependent upon any
4 computer systems to fill up the fuel trucks.

5 The facilities. We are doing a detail
6 review of all the system inside of there -- which
7 is the elevators, the air-conditioning, those
8 kinds of things. Many of the facilities are
9 leased, so we're in contact with our landlords
10 across the country.

11 By the nature of the beast known as
12 "the railroad," our normal day-to-day, minute-to-
13 minute operation is based on safety and getting
14 the public moved around, especially in the
15 corridor here. So there are mandated work rules
16 that we have that have to do with if the switch
17 freezes in the wintertime, which it does; if a
18 backhoe cuts through some power, which it does on
19 our system. So there are embedded procedures in
20 place to handle all of those contingencies.

21 We've pretty much looked at after our
22 review of all these plans and details that, you
23 know, Y2K, if there's anything that happens, will
24 just be another day on the railroad. But not to
25 kind of leave that the way it is, we are going

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2 ahead with some additional contingency planning.
3 We also intend to, later in the year, set up a
4 training program for our staff to basically review
5 those operating procedures that are in place.

6 I'd be happy to entertain any
7 questions.

8 COUNCIL PRESIDENT Verna: Thank you.

9 I believe our next witness will be from
10 the Delaware River Port Authority.

11 MS. JONES: Good afternoon, Madam
12 President.

13 COUNCIL PRESIDENT Verna: Good
14 afternoon.

15 MS. JONES: I'm Barbara Jones, the
16 chief Administrative Officer of the Delaware Port
17 Authority. With me today is Steve (inaudible),
18 conceive our Director of Technology and Management
19 Information Systems.

20 We are here today representing our
21 chairman, Manuel Stamitakis. And Councilman
22 Rizzo, Mr. Stamitakis asked us to extend his
23 appreciation to you for inviting us to participate
24 in this hearing.

25 The Delaware River Port Authority of

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 Pennsylvania and New Jersey is a bistate agency
3 that owns and operates four bridges connecting
4 Pennsylvania and New Jersey: the Commodore Barry,
5 Walt Whitman, Benjamin Franklin, and Betsy Ross
6 Bridges. Through its subsidiary, the Port
7 Authority Transit Corporation, it operates the
8 PATCO High-Speed Line, providing rail service
9 between Lindenwold, New Jersey and Philadelphia,
10 Pennsylvania. The Port of Philadelphia in Camden
11 is a DRPA subsidiary that promotes regional port
12 development. Additionally, the DRPA supports and
13 promotes economic development throughout
14 southeastern Pennsylvania and southern New Jersey.

15 The DRPA, PATCO, and PPC have been well
16 aware of the Year 2000 issues for quite some
17 time. To assist us in addressing those issues,
18 we've adopted the approach suggested in the United
19 States General Accounting Office's "Year 2000
20 Computing Crisis and Assessment Guide."
21 Essentially, that guide outlines five-phased
22 process that consists of awareness, assessment,
23 renovation and conversion, validation, and
24 implementation. The following describes what the
25 DRPA, PATCO, and PPC have done in each areas:

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K

2 Staff began an awareness campaign last
3 year. An internal steering committee representing
4 all facets of our operations was formulated and
5 charged with the responsibility of monitoring Year
6 2000 progress and taking steps to assure that the
7 organization moves towards compliance. Thus far,
8 our awareness efforts have been internally
9 focused, providing information to staff,
10 commissioners, and directors. The steering
11 committee meets periodically, and monthly status
12 reports are provided to commissioners and
13 directors.

14 The DRPA, PATCO, and PPC understand the
15 seriousness of the Year 2000 problem and its
16 potential adverse impacts, and we are working
17 diligently to minimize our risks to the greatest
18 extent possible.

19 In the assessment phase, we worked with
20 our hardware and software vendors to define
21 potential areas of risk and the options for
22 minimizing or limiting those risks. DRPA
23 determined that its hardware and most of its
24 software was compliant. Three software
25 applications were identified as non-compliant and

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 targeted for replacement.

3 PATCO determined that all of its
4 mission-critical systems would be compliant upon
5 the replacement of its Unisys A-4 mainframe, and
6 that hardware was targeted for replacement and
7 replaced in January of this year.

8 PPC determined its hardware to be
9 compliant and identified two software applications
10 to be replaced.

11 Essentially, DRPA, PATCO, and PPC
12 assessment revealed their information systems to
13 be compliant. As problems were uncovered,
14 upgrades and patches were identified and applied
15 to ensure Y2K compliance.

16 Because we realize the ramifications of
17 Y2K go far beyond whether or not our computer
18 systems recognize 00 properly, we retained the
19 services of Law Risk, Inc., a Boston-based
20 consulting firm to further assist us in
21 determining potential risk. Law Risk is working
22 with the DRPA, PATCO, and PPC employees to
23 determine our Y2K readiness and technological,
24 business, and legal risk. Law Risk has provided
25 us with an assessment and recommendations in areas

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 such as key business relationships, contracts,
3 insurance, financial services and systems,
4 facilities, utilities, etc.

5 Our overall Law Risk assessment
6 revealed that we are in pretty good shape and have
7 made great strides towards compliance, but we
8 still have a few areas to concentrate on within
9 the next few months to further minimize risk.

10 "Renovation" is defined as the phase
11 in which code is actually changed to become
12 Y2K-ready. Conversion involves modifying product
13 components and business applications to become
14 Y2K-compliant. In this phase, the work to correct
15 Year 2000 projects is actually carried out. The
16 DRPA, PATCO, and PPC have upgraded applications
17 programs, firmware, operating systems, and
18 hardware over the past year. The problems
19 identified during our assessment phase have been
20 rectified or are scheduled to be remedied by the
21 end of this month. PATCO, and PPC have completed
22 their conversions; DRPA is still scheduled to
23 replace two packages.

24 The validation phase involves actual
25 testing. Complete systems are tested, using

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 software specifically designed to test for Y2K
3 problems. DRPA, PATCO, and PPC have tested and
4 continue to test their hardware and software
5 systems. Most testing has been done by staff.
6 PATCO also utilized the services of a consultant
7 to assist in verifying that all of their code
8 sources are compliant. I would add, however, just
9 as the gentleman from Amtrak did, that PATCO's
10 system, in terms of train operations, is not
11 date-sensitive.

12 To date, all testing has gone well.
13 Neither DRPA, PATCO, nor PPC have experienced any
14 problems or system failures to date. January 1,
15 1999 was targeted as a potential date on which to
16 expect Y2K-related problems. Fortunately, we did
17 not encounter any such problems.

18 Testing and validation is expected to
19 be complete at PATCO by March 31, 1999; DRPA and
20 PPC will complete testing and validation May 28,
21 1999. Additional testing as required will occur
22 throughout the year.

23 The final phase is implementation. In
24 this phase, tested systems and applications are
25 put back into production. As the DRPA, PATCO, and

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 PPC complete the phases outlined above, once a
3 system is tested and no errors are found, it will
4 be immediately put back into operation.

5 In summary, the DRPA, PATCO, and PPC
6 have worked toward achieving Y2K compliance for
7 over a year. We have identified areas of
8 potential risk and attempted to eliminate those
9 risks. Over the next several months, we will
10 continue our testing efforts and put contingency
11 plans in place to assure our Y2K readiness and
12 minimize the risk of our services being
13 interrupted on January 1, 2000. We will do all we
14 can to continue to provide safe and efficient
15 transportation services well into the new
16 millennium.

17 That concludes our testimony, and we're
18 prepared to answer any questions.

19 COUNCIL PRESIDENT Verna: Thank you.

20 Our next witness is Ralph Menzano, who
21 is the Chief Information Officer from SEPTA.

22 MR. MENZANO: That's correct. Thank
23 you. Good afternoon. Thank you for allowing me
24 to appear here in front of City Council.

25 In January of 1997, I was working for

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 Chase Manhattan Bank in New York, and we had put a
3 lot of effort into the Year 2000 already. And I
4 had to come back to Philadelphia, where my roots
5 are -- I was born in South Philadelphia, went to
6 school at St. Joe's Prep in North Philadelphia,
7 went west to Villanova University, and I'm glad to
8 be back here and helping the City with its Year
9 2000 efforts.

10 COUNCIL PRESIDENT VERNA: We're glad
11 you're back.

12 MR. MENZANO: You've done a great job
13 with the place. It's a beautiful city once again.

14 SEPTA had a late start with the Year
15 2000 effort. When I came on board, it had not
16 started, although the board of directors had
17 vigorously pursued the topic.

18 I have provided you with materials that
19 are a presentation of sorts as well as our
20 official Year 2000 Readiness Disclosure.
21 Everything that I will say here are included
22 within that handout.

23 In spring of '97, we actually started
24 the project. The Board of Directors provided the
25 initiative, and we started to get funding. By

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 summer, we did an assessment -- or an inventory,
3 really, of all of our systems. We came up with
4 195 systems that we needed to validate and see if
5 they were Year 2000-compliant or not.

6 By fall of 1997, we had to provide
7 money to the project. The board of directors
8 awarded \$3 million. It has since been expanded to
9 \$5 million for the project.

10 By winter of 1998, we actually started
11 work on the project -- that is, to change code and
12 to check all of these systems.

13 Right now, we're tracking 349 systems
14 from the 195 that we started with. The difference
15 is, the traditional systems where code is involved
16 can't be calculated. You know, you have millions
17 of lines of code and dollar per item. But we did
18 not take into account embedded systems -- that is,
19 processors and signal switches, elevators,
20 escalators and the likes, and now we've added
21 those to our inventory.

22 As of this point in time, we are
23 compliant for most of our critical systems. We
24 are 80 percent complete in the total project, and
25 our General Manager, Jack Leary, says that on

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 January 1, 2000, the train might be the best place
3 to be. You know, January 1, 2000 is a work day
4 for SEPTA. Even though that's a Saturday, it's
5 one of our biggest days of the year in terms of
6 ridership, and we're proud to say we will be
7 ready.

8 I agree with Amtrak's Steve Roberts
9 that the train systems are definitely ready to go.
10 We were together at the Federal Railroad
11 Administration meeting, and that was the general
12 feeling amongst all the railroads -- Union-
13 Pacific, Wisconsin Central, you name it, CSX, they
14 all agree that the trains are ready to go for the
15 Year 2000.

16 We do worry about things like grade
17 crossings and wayside equipment that measure
18 events, but all of those are triggered by non-date
19 issues. So we're ready for the railroad.

20 We do have some things that we need to
21 cover -- things like fare boxes and turnstiles.
22 For example, in a fare box, you have a logic
23 board, and on that logic board, there is a chip.
24 That chip in and all of our fare boxes today is
25 not Year 2000-compliant. We have a project where

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 we're taking each logic board out, replacing the
3 chip, and putting it back in. It's 1500 fare
4 boxes, and we'll get that done, but it's a
5 time-consuming evident, but at least we've
6 recognized it.

7 We're also ready to do things with what
8 is known as the "automated train dispatch
9 system." You'll see that at Market Street East or
10 Suburban Station, where we have the sign saying
11 "Your Train Is On Time" -- or, actually, it says
12 "On T." But you'll note that that system is
13 date-driven and time-driven, and we will have
14 ready for the Year 2000 as well.

15 So we're not tracking just January 1,
16 2000. In my handouts, I have a series of dates
17 that we're tracking that all of you should be
18 aware of. Besides January 1, 1999, we're also
19 looking at April 9, '99, this coming April, where
20 the electrical systems will be tested nationwide.
21 We're very interested in the results of that test.

22 We're tracking September 9, '99 -- or
23 in systems terms, it would appear as 9/9/99, a
24 date field that many programmers used in the olden
25 days of ten years ago.

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2 We're tracking, of course, December 31,
3 1999, January 1, 2000.

4 We'll look very carefully at February
5 29, 2000. Well, why is that important? Well,
6 it's because uses a tertiary rule of the Gregorian
7 calendar. The first rule is that every four years
8 is a leap year. But the second rule is that if
9 that leap year is an end-of-century year, it is
10 not a leap year; except if that end-of-century
11 year -- and this is the third rule -- is divisible
12 by 400, which the Year 2000 is.

13 So the Year 2000 is a leap year,
14 February 29th does exist. But back in 1900, 1900
15 was not a leap year, so it's a very interesting
16 occurrence, and we wonder if our systems are smart
17 enough to handle that. So when we test our
18 systems, we're testing for that date as well.

19 One other date. You mentioned,
20 Councilman, about mobile communications and
21 satellite. We're also interested in August 22,
22 1999. That is the date when many of the
23 satellites will change their calendar and their
24 clocks, and we did have to make a change in many
25 of our mobile data terminals for our paratransit

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 vehicles and for our transit police systems. So
3 you were right to be concerned about satellite
4 communications.

5 And I'm ready, as everyone else, to
6 answer.

7 COUNCIL PRESIDENT Verna: Thank you
8 very much. You all gave very good testimony.

9 The Chair recognizes Councilman Rizzo.

10 COUNCILMAN RIZZO: Thank you, Madam
11 Chair. As you just stated, the testimony was
12 complete, and I have no questions of these
13 witnesses.

14 Thank you.

15 COUNCIL PRESIDENT Verna: Fine. Thank
16 you all very much.

17 Rob Giacometti, Counsel for the
18 Delaware Valley Health Care Council.

19 (Mr. Giacometti et al come forward.)

20 COUNCILWOMAN Verna: Good afternoon.
21 Please identify yourself for the record.

22 MR. GIACOPETTI: Council President
23 Verna, Councilman Rizzo, and members of City
24 Council, my name is Robert Giacometti, and I'm
25 here on behalf of the Delaware Valley Health Care

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 Council, which represents and advocates more than
3 160 --

4 COUNCIL PRESIDENT VERNA: I'm sorry,
5 could you pull the microphone closer to you,
6 please.

7 MR. GIACOPETTI: I am here on behalf of
8 the Delaware Valley Health Care Council, which
9 represents and advocates for more than 160 health
10 care organizations in the region.

11 Joining with me today are Patricia
12 Harsche, Fox Chase Cancer Center; Loretta Lawler,
13 Temple University Health System; and John Rooney,
14 of the University of Pennsylvania Health System.

15 DVHC of HAP and its members are
16 committed to taking whatever steps are necessary
17 to prevent potential Year 2000 problems from
18 interrupting the delivery of quality health care.
19 We appreciate this opportunity to update you today
20 on our efforts.

21 As others have discussed this morning,
22 the potential for problems across society is
23 tremendous. Nearly every area of activity is
24 affected -- electric grids, banks, stock markets,
25 shipping, and health care. No segment of the

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 economy can afford to ignore the possibility of
3 disruption on January 1st and afterwards.

4 Hospitals and health systems face the
5 same types of concerns as most other
6 organizations. Cellular phones, pagers, security
7 systems, elevators, and heating systems can all be
8 affected by Y2K problems. However, hospitals are
9 distinctive organizations, and in addition to
10 numerous disruptions that could emerge at any
11 organization, there are several unique Y2K
12 concerns specific to the delivery of health care
13 that I will address today.

14 The practice of medicine is
15 increasingly dependent on the use of technology.
16 The reliability of technologically advanced
17 medical devices and equipment is crucial to the
18 delivery of quality care. Ensuring that all
19 medical equipment is Y2K-compliant is a priority
20 for all of our city's hospitals.

21 In addition to being reliant on
22 high-tech medical equipment, delivery of quality
23 health care is also very dependent on the adequacy
24 of sufficient medical supplies. Should Y2K
25 problems prevent adequate distribution of medical

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 supplies to hospitals, the access to quality care
3 for patients could be adversely affected. Many
4 organizations that rely so heavily on supplies to
5 perform their mission can prepare for this
6 possibility by stockpiling; hospitals cannot, for
7 three reasons:

8 First, many health-care supplies have
9 expiration dates and cannot be stockpiled. This
10 is especially true for pharmaceuticals and blood
11 products, which have limited shelf life.

12 Second, widespread efforts to stockpile
13 these supplies with longer shelf lives may create
14 widespread shortages.

15 Third, hospitals in this region operate
16 on thin margins and do not have the resources at
17 their immediate disposal to stockpile supplies.
18 For fiscal year 1996, data compiled by the
19 Pennsylvania Health Care Cost Containment Council
20 illustrated that approximately two-thirds of the
21 City's general acute care hospitals operated on
22 margins less than 2 percent of net patient
23 revenue.

24 Perhaps the greatest difficulty
25 associated with hospitals' and health systems'

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 preparations for potential millennium problems is
3 a dependency of suppliers upstreamed to provide
4 adequate information about Y2K compliance of their
5 products and services.

6 Additionally, hospitals and health
7 systems are vulnerable to possible financial
8 disruptions from third-party payers. As mentioned
9 earlier, hospital margins are thin. A severe Y2K
10 disruption in claims processing could hinder a
11 hospital's ability to pay suppliers, meet its
12 payroll, and thereby affect the quality of patient
13 care.

14 For example, most hospitals and health
15 systems in Philadelphia receive roughly more than
16 half of their revenues from public programs such
17 as Medicare and Medicaid. If that much revenue
18 were to be cut off because of Y2K failure of
19 claims processing and/or payment by either the
20 Health Care Financing Administration or its fiscal
21 intermediaries or carriers, hospital operations
22 could be seriously disrupted. The same concern
23 would apply if one of the Delaware Valley's major
24 health insurers experienced widespread Y2K
25 troubles that slowed their processing of claims.

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2 Further, the ability of hospitals and
3 health systems to provide quality patient care is
4 not only dependent on vendor and payor Y2K
5 compliance, but also in the possible increase of
6 demand for services that could be generated as a
7 result of other Y2K and crises in the community.
8 Individuals who cannot necessary medications at
9 home, widespread failure in home heating, and
10 industrial equipment malfunctions would result in
11 an in emergency department visits and
12 hospitalizations from associated health problems
13 and injuries. Increased demand on inpatient
14 service this time of year could put a significant
15 strain on the region's health-care delivery
16 system.

17 To help address these concerns,
18 disaster planning is an integral part of the
19 region's health-care delivery system. Hospitals
20 have in place disaster plans designed to manage a
21 wide range of problems in our communities.
22 Hospital disaster plans are continually revised
23 and improved to be able to accommodate any number
24 of occurrences that could range from a severe
25 weather condition, a major transportation

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 catastrophe, or terrorist attack.

3 For example, DVHC has collaborated with
4 the area leadership of the National Disaster
5 Medical System to form the Philadelphia Local
6 Emergency Planning Committee's Hospital
7 Subcommittee. The goals of this committee include
8 creating a forum for discussing and promoting
9 joint disaster planning activities among Delaware
10 Valley hospitals and local agencies, as well as
11 heightening awareness of the potential for
12 disasters that would go beyond the capability of
13 an individual hospital. This committee will
14 consider Y2K issues and the implications for
15 hospitals in our emergency medical system. And I
16 also offer the resources of this committee to
17 Council in future consideration for Y2K planning.

18 Hospitals and health systems are
19 committed to ensuring that patient care is not
20 disrupted on January 1, 2000 and are making the
21 financial investment needed to see this mission
22 through. What exactly are the costs of Y2K
23 compliance and health care expected to be? The
24 American Hospital Association estimates that the
25 average hospital, with 100 to 300 beds, of which

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 there are approximately 20 in this city, will
3 spend an average of \$1.2 million to ensure
4 compliance. Much of the money hospitals will need
5 to spend on Y2K compliance will be spent this
6 year.

7 For our communities, Madam Chairman,
8 this expense couldn't come at a worse time. The
9 immense challenge of ensuring Y2K compliance for
10 hospitals comes on top of a series of financial
11 pressures that include declining Medicare
12 reimbursement brought on by the federal Balanced
13 Budget Act of 1997 that will reduce payments in
14 this region by approximately \$1 billion.
15 HealthChoices, the State's mandatory managed-care
16 program for Medicaid patients in Philadelphia has
17 also resulted in a decrease of patient revenue.
18 Further, hospitals are caring for increasingly
19 uninsured and under-insured City population.

20 DVHC of HAP believes that hospitals and
21 government agencies, utilities, financial
22 organizations, and others in the community must
23 work together to meet this challenge. While
24 hospitals have been working on this issue for some
25 time, we hope that all key parts of our regional

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 infrastructure are conducting internal risk
3 assessments, inventories of potentially affected
4 systems, and the development of contingency plans
5 while working closely with community partners at
6 each step.

7 Obviously, the best approach to manage
8 potential disruptions on January 1st is to
9 anticipate them. Specifically, it is incumbent
10 upon hospitals to prepare now to respond to the
11 potential loss or disruption of any essential
12 hospital process or service. These efforts need
13 to be directed both internally across the
14 hospitals' facilities, and externally in the
15 broader community. This would include working
16 with such entities as utility companies, emergency
17 medical services, government agencies, and other
18 health-care providers.

19 The area's hospitals and health systems
20 look to City government to help facilitate this
21 process of coordination between City services,
22 utilities, and health-care organizations, and we
23 applaud the action of Councilman Rizzo and City
24 Council of convening this hearing.

25 COUNCIL PRESIDENT VERNA: Thank you.

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2 MR. GIACOPETTI: To date, DVHC of HAP
3 is taking a number of steps to inform, educate,
4 and our assist our members with Y2K compliance,
5 which I will not go through but which are included
6 on the written testimony.

7 The initiatives undertaken by DVHC
8 complement programming offered at the nation level
9 -- by the nationwide level of the AHA. And
10 together, we have been working to make sure that
11 hospitals and health systems are informed,
12 educated, and have assistance in Y2K contingency
13 planning.

14 And at this time, I'd like to introduce
15 my colleagues to discuss specific the Y2K
16 initiatives being undertaken at City hospitals and
17 health systems. I thank you for this opportunity
18 and I will be available to answer any questions
19 following the remarks of my colleagues.

20 MS. HARSCHE: Thank you, Madam
21 President and Councilman Rizzo for this
22 opportunity to speak. I am Pat Harsche, Vice
23 President of Business Development and Regulatory
24 Affairs at the Fox Chase Cancer Center, and I
25 chair the Y2K Steering Committee.

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2 Fox Chase has been engaged in Y2K 2000
3 planning for the last five years in order to
4 assure the continuity of our core business
5 operations and key support functions. We've
6 dedicated staff in a center-wide effort to
7 ensuring that we will be absolutely ready -- and I
8 can assure you that we will be.

9 We build on a high-tech infrastructure
10 that is natural for a national cancer center, and
11 so our Y-2000 efforts parallel the system of
12 upgrading our technology that would be natural in
13 order to continue our business operations. It is
14 a dynamic process, it is ongoing. Nearly every
15 month, we install major new systems to support
16 science and medicine, and we ensure during that
17 process that they are Y-2000-compliant. We've
18 established an internal Website to provide staff
19 at Fox Chase up-to-date information on resources
20 on all computer assets, and we have a vibrant and
21 healthy communication process -- not only with
22 staff but with members of the board and the
23 community.

24 We have focused on five main areas:
25 our administrative and research computing, our

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 financial operations, our patient-care operations,
3 building systems, and utilities. And in addition
4 to our hardware, software embedded systems which
5 are on campus, in house, we are also looking at
6 those vendors in our value chain, many of whom
7 you've heard speak today: medical and drug
8 suppliers, third-party payers, banks, and so on.
9 We're concerned as well about our key suppliers
10 and were very relieved to hear the testimony of
11 the water, electric and gas utility providers this
12 morning.

13 All managers, laboratory heads, and
14 physicians have been consulted regarding Y-2000
15 matters. And we're working with, among others:
16 the Commonwealth; the Hospital Association of
17 Pennsylvania; the Joint Commission on Hospitals; a
18 variety of Y-2000 databases, many of whom you've
19 heard about this morning; outside vendors to test
20 and patch our systems; and our colleagues at
21 Jeanes Hospital, with whom we share a campus which
22 is a part of the Temple University System.

23 So where are we? We've inventoried all
24 assets in all of our focus areas. All vendors and
25 suppliers of our hard and software have been asked

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 to certify Y2K compliance, and when we haven't
3 received that certification -- and we have not
4 from a number of vendors -- we've gone ahead and
5 tested their equipment anyway. We are now at 98
6 percent compliant for all systems, and all
7 critical systems are 100 percent compliant.
8 Contingency plans have been formulated in all
9 critical areas in the event of equipment
10 breakdown, failure of hardware or software,
11 failure of key utilities to provide power or
12 water, or failure of payers to transmit payment.

13 Disaster planning at Fox Chase is built
14 on a long history of disaster planning with our
15 sister organization, Jeanes Hospital, and so we
16 have a long and healthy history of understanding
17 what can happen during a disaster. The hospital
18 staff are educated and included in all aspects of
19 contingency planning at every level, every
20 individual.

21 What kinds of contingency questions are
22 we asking? We're wondering what do we do to
23 ensure electricity, water and heat, what do we do
24 in the event that there is a breakdown? How do we
25 safeguard patients in the event of a 12-hour

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 failure, a 24-hour failure, a 48-hour failure?
3 Will distributors with computerized inventory
4 management systems be able to deliver medicines
5 and supplies? And as has been noted, we're not
6 depending upon those inventories; we're taking a
7 look at what we can do in order to put in supplies
8 ahead of time to be safe.

9 What steps should we take to safeguard
10 patients in the event that critical supplies are
11 not available? How do we pay our bills and meet
12 our payroll in the event of payer breakdown?

13 I can tell you that we have detailed
14 contingency plans in answer to all of those
15 questions. Insofar as our reliance on the City,
16 we would hope and congratulate City Council in
17 convening this effort to take a look at public
18 information, traffic control, and public safety
19 and the supply of water and gas, and we're
20 grateful for your ongoing activities.

21 This concludes my testimony. I'll be
22 happy to answer any questions at the proper time.

23 COUNCIL PRESIDENT VERNA: Thank you.

24 Perhaps we can hear from the next
25 person to testify, and then we'll ask questions.

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2 MS. LAWLER: Good afternoon, Madam
3 President and Councilman Rizzo. My name is
4 Loretta Lawler. I'm the Assistant Director of the
5 Year 2000 Project, from Temple University Health
6 System. Temple University Health System consists
7 of Temple University Hospital, Temple Children's
8 Hospital, Episcopal, Jeanes, Temple Lower Bucks,
9 Neumann Medical Center, Northeastern, Temple
10 Physicians Incorporated, Elmira Jeffries, and
11 Northwood Long-Term Care facilities.

12 Temple University Health Systems is
13 committed to the delivery of high-quality and
14 high-value health services. In support of its
15 commitment, TUHS has formed a project team to
16 coordinate the Year 2000 compliance efforts of its
17 participating hospitals and other entities. This
18 System-wide initiative began in January of 1998.

19 A major component of our Y2K readiness
20 is our reliance on products and services that are
21 required for manufacturers and suppliers outside
22 the health system. The following steps describe
23 Temple University's strategy to determine and
24 achieve readiness:

25 We've provided an inventory of all

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 date-sensitive systems, which includes -- without
3 limitation-- the following: all computer
4 hardware, software, operating systems (both
5 mainframe and PC-based); network hardware,
6 software, and operating systems; communications
7 systems; systems interfaces; biomedical equipment;
8 environmental equipment, such as air-conditioning,
9 heat; safety-related equipment, security and fire
10 systems. We've also implemented a change
11 management strategy to ensure the ongoing accuracy
12 of this inventory.

13 As far as our strategies, we've
14 assessed manufacturer Year 2000 readiness via
15 direct correspondence with the manufacturers, the
16 information gleaned from manufacturer Internet
17 sites, by contracting with third-party consultants
18 for independent product assessments, for
19 information provided through industry and
20 government-sponsored resources such as the FDA.
21 We've also targeted specific testing on selected
22 equipment and systems within our health system.

23 We've ranked and performed remediation
24 based on the number-one priority, which is patient
25 safety; and secondarily, institutional viability.

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2 We've identified and assessed critical business
3 partners whose potential and ability to provide
4 contracted services could directly impact our
5 operations. And, again, we've heard from several
6 of those today -- utilities, government agencies,
7 and other critical suppliers. We also are working
8 to identify alternate sources and potential
9 on-site storage and generation capabilities as
10 part of our ongoing contingency plans.

11 We've incorporated Year 2000 compliance
12 provisions in all contracts for the purchase of
13 goods and services. We are also reviewing each
14 site's contingency and disaster plans and are
15 implementing appropriate changes to ensure
16 preparedness.

17 We also provide awareness throughout
18 the health system with informational newsletters,
19 a Website, posters, and awareness events at each
20 of the hospital locations.

21 The current status is, we are in the
22 process of ongoing testing and remediation. The
23 biomedical and facilities components and systems
24 will be Y2K-ready by July 1, 1999. We have
25 already identified and remediated several

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 information systems, applications, and systems.
3 We will be completely finished by October 31,
4 1999.

5 Some of the problems that we've
6 encountered on the journey specifically in the
7 area of dealing with vendors and manufacturers of
8 various equipments and systems are matching the
9 exact vendor information to model numbers that we
10 have; locating vendors who have, as a result of
11 mergers and acquisitions, changed names. Many
12 vendors still do not have reliable information
13 available for some of their equipment. And we've
14 identified the need and are making plans within
15 our project team to provide ongoing monitoring of
16 compliance information.

17 As far as contingencies, as part of our
18 overall review and update of our business
19 continuity plans, we are developing contingencies
20 for backup generation, assuming the possibility of
21 up to a three-day power outage, as well as
22 contingencies for water supplies and
23 pharmaceuticals. We are also evaluating the
24 readiness of our major suppliers and critical
25 business partners and are preparing contingency

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 plans accordingly.

3 Our most pressing concerns are around
4 the availability of critical business partners to
5 supply the critical services we discussed today --
6 electric power, water, telecommunications, fire
7 and police emergency services, waste management,
8 government funding, pharmaceutical and laboratory
9 services.

10 We appreciate again the actions that
11 Councilman Rizzo and the City Council have taken
12 to provide this forum today. We ask that you
13 continue to heighten the awareness of this issue
14 and balance prudent action versus some of the
15 media hype that's surrounding this issue.

16 We also suggest that public information
17 be made available similar to the information
18 provided through the Red Cross regarding prudent
19 preparations Year 2000.

20 We'd also encourage a citywide
21 initiative that would include the City of
22 Philadelphia, PECO, the police and fire emergency,
23 telecommunications, and area hospitals to provide
24 an ongoing forum to coordinate efforts and
25 contingency plans.

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2 Thank you again.

3 COUNCIL PRESIDENT Verna: Thank you
4 very much.

5 Do we have anyone else to testify?

6 MR. GIACOPETTI: No. We're available
7 for your questions.

8 COUNCIL PRESIDENT Verna: Fine. Thank
9 you.

10 Are there any questions?

11 (No questions.)

12 COUNCIL PRESIDENT Verna: Thank you all
13 very much.

14 MR. GIACOPETTI: Thank you.

15 COUNCIL PRESIDENT Verna: Robert
16 Eckert, Senior.

17 (Robert Eckert, Senior comes forward.)

18 COUNCIL PRESIDENT Verna: Mr. Eckert,
19 before you start testifying, I just want to say
20 that I want to thank everybody for their patience
21 today, and I think that everybody's testimony was
22 really very good, and I know that it's going to
23 help us go a long way.

24 And I do want to thank Councilman Rizzo
25 also for insisting upon a public hearing on this

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 issue, and I think that it has proved to be very,
3 very interesting. And I want to thank you again
4 for your patience.

5 Please proceed.

6 MR. ECKERT: Madam President, good
7 afternoon. My name is Bob Eckert, and I am the
8 Chief Executive Officer of both North American
9 Networks and its sister company, I-BOB Internet
10 Services, and I'm here today representing the
11 Northeast Philadelphia Chamber of Commerce. We
12 are both a computer manufacturer and a tier-one
13 nationwide Internet service provider.

14 It is truly an honor and a pleasure on
15 my part to address this distinguished Council
16 today on the subject that is a difficult problem
17 for both the general public as well as the
18 business community. My presentation this morning
19 will address both the business community,
20 focussing -- will address the small-business
21 community, small- to medium-size businesses in the
22 Philadelphia metropolitan area.

23 I was impressed with the testimony
24 today from some of the larger corporations and the
25 rigorous programs that they've embarked on and the

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2 achievements that they have made to date on the
3 issue of Y2K compliance. It was very impressive.

4 Larger businesses are generally more
5 specialized, and it was apparent in the compliance
6 requirements anyway, and they have devoted
7 considerably time, money, and resources -- and
8 other resources to the resolution of the problem.

9 Small businesses, on the other hand,
10 are -- do not have these kind of resources
11 available to them, nor the time and personnel to
12 devote to resolution of the problem. Yet,
13 collectively, the impact of Y2K on that community
14 is considerable, both in terms of employment and
15 economics, so I will address the small-business
16 community issues.

17 The issue is a simple one, yet very
18 complex, due in part to its pervasiveness. It
19 resulted from a common practice of using two
20 digits to represent the year, a practice that was
21 first started in the 1800s by the accounting
22 community. When programmers in the early '60s
23 wrote their instructions for computers, they used
24 logic in their design that depicted by the last or
25 least two significant digits, omitting the two

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2 century digits, or most significant. However, we
3 aren't talking just about very old systems alone.
4 Many systems sold up to 1996 may have some type of
5 problem, and those sold after '96 similarly could
6 have a problem with Y2K compliance.

7 The Year 2000 issue is, though, not
8 just a large system problem. Most small
9 businesses incorporate PC's from one degree to
10 another. PC's have unique characteristics that
11 must also be addressed. In addition, embedded
12 systems must also be looked at in many
13 organizations. Many businesses underestimate the
14 effects of supply chain also on their business
15 operations. These factors must also be
16 considered.

17 Starting today, businesses must stop
18 thinking of this just as a computer issue; it's
19 really a business issues. If a business is not
20 prepared for Year 2000 transition, that business
21 could fail. It can't simply hand the issue over
22 to its computer people and tell them to come up
23 with a solution; it must implement a business plan
24 approach to address every aspect of the issue.

25 By addressing the Year 2000 now, a

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 business has the opportunity to maintain its
3 competitive edge, and estimates are that anywhere
4 from 1 to 7 percent of the total U.S. businesses
5 will fail due to the Year 2000 compliance issue.
6 The National Federation of Independent Businesses
7 estimates that up to 330,000 small businesses in
8 the U.S. may fail due to the Year 2000 issue.
9 Further, up to 82 percent could have problems with
10 their mission-critical system, yet only 50 percent
11 have done anything about it to date. These are
12 staggering statistics and indicate the severity of
13 the problem in the small-business community.

14 By aggressively preparing, a company
15 sends a message to its customers and suppliers
16 that it is ready to meet the Year 2000 challenge,
17 a position that could attract new business as well
18 as enhance its competitive status in the
19 marketplace. There is no within single remedy and
20 no silver bullet to address the issue.

21 Every business and issue is unique.
22 The only way to approach it is to implement it
23 through a plan to take action. We don't have 15
24 months left in the Year 2000. Indeed, if my
25 memory serves me correctly, I saw in the post

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 office that we have 240 days, but who's counting?
3 That's the nature of the problem, who's counting
4 correctly as we transition to the Year 2000?

5 The Y2K issue is everywhere, including
6 in PC systems. In a large business that relies on
7 PC's for field tracking of information or
8 spreadsheet analysis or their business is tracked
9 on one, they may be at risk. Spreadsheets may
10 contain date-related data in non-date fields.
11 This can cause major problems when sorting or
12 comparing dates, and these problems can start
13 occurring today.

14 The good thing is that solutions are
15 available, but they won't come to you; you must
16 seek them out. There are numerous automated tools
17 available to fix the issue; some are free of
18 charge. If you install the tool prior to the Year
19 2000, it automatically addresses the issue. Most
20 are easy to install and relatively inexpensive.
21 These tools are very effective, unless they are
22 inadvertently removed from the system prior to the
23 Year 2000. If for any reason you should reinstall
24 any portion of the operating system, you should
25 verify that your Year 2000 fixes are still

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2 installed and operating. This is prior to the
3 transition to the new millennium.

4 Businesses must become educated about
5 this problem. The Small Business Administration,
6 for example, has schedules near-term Y2K
7 educational events in the Philadelphia and West
8 Chester area, and I bring this as an attachment
9 just for information to any parties that may be
10 interested in learning more about the subject in a
11 forum or environment. These events take place
12 March 29th through April 1st of this year. And as
13 I said, I have a copy of that.

14 Further the SPA Website can be found at
15 www.psa.gov/y2k, and that also links to many other
16 vendor sites that provide Y2K information. In
17 addition, the United States Chamber of Commerce
18 Website, uschamber.com, also provides very useful
19 information on the entire subject. These are
20 places that are readily accessible to the public.

21 Having recently gone through a mini Y2K
22 compliance exercise in our own company, I felt
23 that it would be beneficial to share that
24 experience, as we are a small business, and many
25 of the problems and experiences we had might be

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2 very helpful to other small businesses. In an
3 Internet service industry such as ours, there are
4 several mission-critical real-time applications
5 that potentially could be impacted by Y2K. For
6 instance, we routinely process Internet traffic;
7 that is data packets and e-mail. We host Websites
8 on our servers that are accessed on the Internet
9 in real time, and we provide dial-up and dedicated
10 Internet connections for businesses across the
11 area. Our approach to the Y2K problem was
12 accomplished as follows:

13 One was awareness or assessment of our
14 business and processes. We looked very long and
15 hard at all areas of our business and its
16 associated processes and identified major
17 functions such as accounting, payroll, customer
18 billing, customer database, and Internet service
19 computers and components.

20 The second phase was to develop a plan
21 to evaluate each of these areas to determine and
22 verify Y2K compliance. In some cases, we
23 determined this could not be done by direct
24 testing, particularly with the embedded systems
25 and processors; while in other instances,

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 verification could be done readily.

3 The third phase was to begin testing.
4 And we performed specific tests on each of our
5 servers to determine if the Y2K problem even
6 existed; and if so, to what extent as much as was
7 practical to do. We set each computer, for
8 example, the date to December 31, 1999 at 11:58
9 p.m. and shut each one down and allowed it to
10 transition through the midnight hour into the new
11 year 2000. We turned the systems back on and
12 observed that they booted up properly, and allowed
13 them to run and produce reports that we could
14 verify that the accuracy of the data, and more
15 importantly, the time of them. And we could
16 manipulate that data on a time basis accurately.

17 We currently tested unit servers. We
18 have a Windows NT server, Window '95, and Windows
19 '98 operating systems in our office. All of
20 these were tested. The unit servers were no
21 problem they are the ones that do radius
22 authentication, I don't mean to get too technical
23 here. I'm sorry if I am.

24 COUNCILWOMAN VERNA: That's okay.

25 MR. ECKERT: But they do radius

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2 authenticating and they do e-mail and they also
3 host Websites. They're the primary functions of
4 those where the business applications are done in
5 a Windows '95 and '98 environment. The network is
6 Windows NT.

7 These are common operating systems and
8 common to -- a lot of small businesses use them.
9 So what we did and what we found out would be very
10 useful to any small business having them.

11 All of our -- as I said, our Windows NT
12 servers are not yet Y2K-compliant, as we're
13 working to Microsoft's schedule. You can visit
14 their site on the Internet and obtain the various
15 packets of Y2K software patches and download them
16 to your computer for implementation. The fifth
17 packet on the Windows NT server is expected to be
18 released in the second quarter by Microsoft, and
19 it's not yet available, so therefore, there's only
20 a beta version there, so we're waiting till that's
21 released officially.

22 Okay, in addition to testing the
23 various operating systems and real-time
24 applications, we've proceeded to address work
25 station applications -- specifically Microsoft

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 a proactive approach to work with suppliers and
3 customers, both to see that they're prepared to
4 handle Year 2000 compliance. And starting now,
5 businesses can develop alternate plans if
6 necessary to minimize any impact. And that's
7 pretty good advice.

8 Are there any questions?

9 COUNCIL PRESIDENT Verna: Councilman
10 Rizzo, do you have any questions?

11 COUNCILMAN RIZZO: (Shakes head.)

12 COUNCILWOMAN Verna: Thank you very
13 much.

14 MR. ECKERT: Sure thing.

15 COUNCILMAN RIZZO: Thank you for being
16 here since very early this morning. I appreciate
17 that very much. His testimony was very
18 informative.

19 COUNCIL PRESIDENT Verna: Excellent.

20 COUNCILMAN RIZZO: Especially talking
21 about some of those home systems. I'm sure that
22 people watching this on television will appreciate
23 that.

24 MR. ECKERT: Well, all of it applies to
25 home systems and to small businesses alike.

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2 COUNCIL PRESIDENT VERA: Wonderful.

3 Thank you again.

4 MR. ECKERT: You're welcome.

5 COUNCIL PRESIDENT VERA: Tarren Gaddy,
6 from Red Cross.

7 (Tarren Gaddy comes forward.)

8 COUNCILWOMAN VERA: Good afternoon.

9 MS. GADDY: Good afternoon. Good
10 afternoon, Madam President and members of City
11 Council. This will be very short and sweet. I am
12 Tarren Gaddy, Community Education Program
13 Coordinator in Emergency Services at the
14 Southeastern Pennsylvania Chapter of the American
15 Red Cross.

16 I am happy to be here today to
17 represent the Southeastern Pennsylvania Chapter in
18 addressing the Year 2000 computer issue for the
19 City of Philadelphia and its surrounding counties,
20 including Montgomery, Chester, Bucks, and
21 Delaware. Our testimony today is to put forth our
22 commitment to the City of Philadelphia that we
23 will be there to respond, be it Y2K or every day.

24 For more than 100 years, the American
25 Red Cross has been on the cutting edge of disaster

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2 relief, helping people to prevent, prepare for,
3 and cope with disasters and other emergencies. We
4 were there 100 years ago, and we will be there
5 tomorrow and beyond the Year 2000.

6 The American Red Cross, a humanitarian
7 organization, led by volunteers and guided by its
8 Congressional Charter and the fundamental
9 principles of the International Red Cross movement
10 will provide relief to victims of disasters and
11 help people prevent, prepare for, and respond to
12 emergencies. The American Red Cross response to
13 disasters, such as hurricanes, floods,
14 earthquakes, and fires, or other situations that
15 cause human suffering or create human needs that
16 those affected cannot alleviate without
17 assistance.

18 The American Red Cross is a support
19 agency responsible for mass care, and we will work
20 in conjunction with local City officials if large
21 emergencies occur as a result of the Year 2000
22 computer complications. We will help to open and
23 manage shelter sites for those evacuated or
24 displaced by a disaster, and provide meals and
25 snacks to families and to emergency workers in

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2 impacted areas if the need arose. The Red Cross
3 also lets people know about other available
4 community or government resources and helps those
5 needing long-term recovery assistance when other
6 resources are not available.

7 On an everyday basis, we provide common
8 sense, preparedness, education, and awareness
9 information regarding Y2K and other emergencies
10 and disasters to the general public through our
11 Community Disaster Program.

12 Thank you our community disaster
13 education program. That concludes my testimony,
14 Madam President. I would like to thank Councilman
15 Frank Rizzo, Jr.'s office for inviting the
16 American Red Cross here today. Thank you.

17 COUNCIL PRESIDENT VERNA: Thank you.
18 And may I say publicly that I think that the
19 American Red Cross has done such a magnificent job
20 for years and, as you say, will continue to do it
21 for many more years to come.

22 Thank you very much for coming in.

23 MS. GADDY: Thank you.

24 COUNCILMAN RIZZO: Madam President.

25 COUNCIL PRESIDENT VERNA: Yes.

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2 COUNCILMAN RIZZO: Just to add to what
3 you've said, I've experienced just recently in my
4 neighborhood two emergencies involving fire. And
5 I'll tell you, what a difference with the American
6 Red Cross there to give aid at an apartment
7 complex fire on Stenton Avenue. Those folks were
8 just without -- didn't even have a toothbrush and
9 emergency prescriptions.

10 And it was just nice to see personally
11 how this organization made a difference in so many
12 people's lives, and I want to thank the American
13 Red Cross and all the people that --

14 MS. GADDY: Thank you.

15 COUNCIL PRESIDENT VERNA: And they do
16 that throughout the City. And, as I said, I just
17 had to publicly applaud you. I think they do a
18 magnificent job. Thank you again.

19 MS. GADDY: Thank you.

20 COUNCILMAN RIZZO: Thank you, and
21 thanks for hanging in here.

22 COUNCIL PRESIDENT VERNA: Ron Weikers?
23 Is there anyone else here to testify on
24 this resolution?

25 UNIDENTIFIED AUDIENCE MEMBER: Yes.

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2 (Ron Weikers comes forward.)

3 COUNCIL PRESIDENT Verna: Good
4 afternoon, sir.

5 MR. WEIKERS: Good afternoon. Madam
6 President, I would like to thank Councilman Rizzo
7 for inviting me to attend today's hearing. I
8 would also like to thank the City Council for its
9 attention to this important matter.

10 My name's Ron Weikers. I am an
11 attorney and I handle software litigation matters
12 in federal courts across the country. I regularly
13 speak on the topic of the Year 2000 problem and
14 have just written book about Year 2000 litigation,
15 which will published by West Group at the end of
16 this month.

17 Today I will speak about two issues. I
18 have more extensive testimony which I'd like to
19 submit for the record. (This testimony was not
20 submitted to stenographer and, therefore, not
21 attached.)

22 MR. WEIKERS: Today I'll just cover two
23 issues: one, real world instances of harm that
24 have already been caused by the Year 2000 problem;
25 and two, pending Year 2000 litigation matters and

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 the potential legal implications for the City of
3 Philadelphia. By my testimony, I hope to convey
4 the following message to this esteemed Council:

5 First, harm has already occurred as a
6 result of the Year 2000 problem and additional
7 harm is readily foreseeable. Second, it will be
8 less expensive for the City to remediate the
9 problem before it occurs rather than to litigate
10 it after it occurs. I'd like to cite a few
11 examples of real world harm:

12 In Australia, on January 1, 1999, some
13 hospital defibrillators and patient monitors
14 experienced date-related problems, causing them to
15 cease.

16 In Canada, notices of fines for traffic
17 violations were sent out to 300 drivers. The
18 notices indicated that the violations occurred 100
19 years in the future, that the drivers were
20 convicted 100 years and 1 month in the future, and
21 that failure to pay the fines may result in
22 suspension of driver's licenses, liens on houses,
23 garnishment of wages, arrests around the year
24 2100.

25 England. Supermarket scanners are

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2 currently rejecting use by bar code dates, the bar
3 code dates that say that you must use certain
4 perishables, which indicate the Year 2000. This
5 is already occurring as well in South America.

6 In England, a loading dock crane locked
7 up when its embedded chip thought that it was
8 overdue for an inspection.

9 In Hong Kong, January 1, 1999, a
10 computer system used by the harbor master to track
11 the movement of vessels crashed.

12 In Illinois of 1998, a University of
13 Chicago hospital billing system prevented
14 patients' names from being entered for a day
15 because the system was unable to project 18 months
16 into the future, as it had been programmed to do.

17 In Maine, in 1995, a Portland insurance
18 company's list of brokers with whom it does
19 business was destroyed as a result of the Year
20 2000 problem.

21 In Michigan, in 1997, a computerized
22 point-of-sale cash register crashed whenever
23 credit cards containing expiration dates after
24 1999 were processed, repeatedly preventing a
25 produce store from completing sales. This

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 resulted in a lawsuit.

3 Currently Visa, the credit card
4 company, receives roughly 100 to 150 reports per
5 months of other date failures.

6 In Missouri, on January 1, 1999, the
7 unemployment insurance system, which automatically
8 projects claim eligibility forward by one year
9 shut down completely due to Year 2000 compliance.

10 In Nebraska, software that's used by
11 large credit-card dispute resolution company would
12 not accept expiration dates after 1999. This also
13 resulted in a lawsuit.

14 In New York, on January 1, 1999,
15 employees of an insurance company were locked out
16 of their offices due to a non-compliant security
17 access system.

18 Also in New York, computers that print
19 automobile inspection stickers with two-digit year
20 fields were unable to print stickers that expired
21 in the year 2000. Instead, they printed stickers
22 with the year '91 on them, causing a number of
23 people to receive tickets as they drove around
24 with their uninspected cars.

25 In New Zealand, a smelting plant

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2 suffered a million dollars in damages.

3 In Oregon, the state's Office of Risk
4 Management ran a report for its self-insurance
5 reserves, which resulted in gibberish.

6 In Oregon, in Portland again, in 1997,
7 the Water Bureau's inventory management system
8 failed when it attempted to project water
9 inventories into the Year 2000.

10 Also in Oregon, in the year 1998, a
11 county's budgeting system rejected data that
12 contained the Year 2000.

13 Now, in Pennsylvania, in the mid-1980s,
14 the Philadelphia Police Department's own computer
15 system, which automatically deletes parolees'
16 records after their parole has ended erroneously
17 deleted the records of parolees who were given a
18 20-year parole term because it appeared to the
19 computer that the parole terms had ended decades
20 earlier. Thus, the City of Philadelphia was one
21 of the first entities to become aware of the Year
22 2000 problem in real terms.

23 A Pennsylvania mortgage company 30
24 years ago started experiencing the same problems
25 when they were issuing 30-year mortgages.

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2 Also in Pennsylvania, in 1998,
3 approximately 75 hospitals suffered a shutdown of
4 their computer system when dates after the Year
5 2000 were entered.

6 Also, as the Council is aware, the
7 Peach Bottom facility suffered a problem when they
8 were running Year 2000 testing.

9 Now, all those instances which I just
10 mentioned were actual Year 2000 failures. The
11 testing is obviously of concern because of the
12 loss of the monitoring capability, which is what
13 occurred at Peach Bottom. In my opinion, it's
14 kind of like driving a car that's fully functional
15 but without looking where you're going. I'm sure
16 that the Peach Bottom situation is unique, won't
17 occur again in the Year 2000, and that everything
18 will be resolved normally. But it's a sign of
19 things to come.

20 Most of the problems that will occur
21 will not be catastrophic; most will be headaches.
22 For example, you may find that your thermostat
23 just dies unexplainably.

24 And I'll skip to a couple more
25 examples. United States, nationwide, January 1,

10 So in sort, the Year 2000 is coming,
11 we've seen that harm has already occurred, and
12 additional harm is readily foreseeable -- again,
13 not catastrophic but of the headache type.

25 For those Year 2000 problems that are

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2 over looked, however, it has been estimated that
3 over \$10 trillion in legal damages will result,
4 \$3 trillion of which will make its way into
5 attorneys' pockets.

6 Now, as I stated earlier, litigation
7 involving non-compliant software embedded systems
8 has already erupted. And 39 lawsuits have been
9 filed, 20 of which are still pending. There are
10 also a number of cases that have not been brought
11 to the public's attention.

12 Of the 19 cases that have been
13 resolved, only 7 were disposed of in court; 6 were
14 dismissed due to lack of harm -- that is, in those
15 cases, the software hadn't actually crashed yet.
16 One case was dismissed based on the party's
17 contract; the judge found that the contract waived
18 warranties. Another case was decided in
19 Pittsburgh by an arbitrator in favor of the
20 defendant because the party's contract
21 specifically did not provide for Year 2000
22 remediation work.

23 Eleven cases, however, were settled,
24 and they were outside of the court system without
25 going to trial. These settlements, however, came

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2 at a substantial cost to the defendants. Each
3 case was settled for hundreds of thousands of
4 dollars, and that amount does not take into
5 account attorneys' fees, which were probably also
6 in the range of hundreds of thousands of dollars
7 for each case.

8 Now, the legal theories, as discussed
9 earlier by City Solicitor Franklin-Suber, include
10 tort claims, such as negligence and breach of
11 contract claims. Now, these legal theories are
12 very important to the City of Philadelphia when it
13 comes to the Year 2000 issue.

14 Negligence in the Year 2000 context is
15 the failure to take reasonable precautions to
16 prevent harm resulting from Year 2000 failures.
17 For example, if a number of cities have spent
18 considerable sums of money on making sure that
19 their utilities, police departments, fire
20 departments, housing services, and more are
21 compliant, then it may be unreasonable if the City
22 of Philadelphia fails to do the same in any
23 particular instance. And it may result in a
24 negligence claim.

25 Also, breach of contract in the Year

1 3/16/99 COMM. OF THE WHOLE - RES. 980756 - Y2K
2 2000 context is the failure of a party to continue
3 to provide a service or working product beyond
4 December 31, 1999 when it has agreed to do so.
5 For example, if the City of Philadelphia has
6 expressly or implicitly promised to deliver
7 utilities to its citizens and companies within its
8 boarders after the year 1999, but the City fails
9 to do, then this may lay the groundwork for a
10 breach-of-contract claim.

11 Now, the City of Philadelphia may be
12 immune from liability from some claims under
13 Pennsylvania sovereign immunity laws, and those
14 are 42 Pennsylvania consolidated statutes 8541.
15 The City, however, is not immune from liability
16 for certain types of negligence and
17 breach-of-contract claims -- in particular, also
18 under Section 42 Pennsylvania consolidated statute
19 Section 85-42, the City may be subject to
20 liability for negligent acts involving, among
21 other things, damage to personal property and
22 bodily injury resulting from utility services that
23 are in a dangerous condition. The city may also
24 be liable for breach of contract such as the
25 failure to provide various types of services, like

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2 the provision of utilities, police protection.
3 Fire protection. And much more.

4 Regardless, however, of whether the
5 City is or is not protected by any sovereign
6 immunity, the City may indeed find itself a
7 defendant to a number of lawsuits resulting from
8 City services that were not provided or were
9 improperly provided as a result of the Year 2000
10 problem. The result will be that the City may
11 spend large sums of money on defense attorneys and
12 it may spend even larger sums of money on
13 settlements or damage awards.

14 This may directly impact the City's
15 financial coffers. This may also indirectly
16 impact the City's bond rating and cost of
17 borrowing money if sometime during 1999, the
18 City's found to be in a poor state of Year 2000
19 readiness by any other credit rating agencies.
20 From the testimony today, however, it doesn't
21 sound, however, like that's the case.

22 At the moment, there is one bill
23 pending in the Pennsylvania General Assembly which
24 attempts to provide sovereign immunity to the
25 Commonwealth and to municipalities specifically

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2 for negligent acts that fail to prevent Year 2000
3 harm. I spoke with the senator who had proposed
4 that bill last week, and they informed me that a
5 hearing was held in October of last year and that
6 they expect that it will move shortly onto the
7 Senate floor. I am not hopeful, however, that
8 this legislation will be passed, and the City
9 should not act as if it will get passed because 38
10 states have proposed similar legislation, but only
11 7 have passed such laws. The U.S. Senate is also
12 considering legislation that limits but does not
13 absolve liability.

14 It should be noted that the Information
15 Readiness and Disclosure Act, also referred to
16 earlier by City Solicitor Franklin-Suber, does not
17 limit liability for Year 2000 failure. There is
18 no such law that would protect the city at the
19 moment.

20 In short, the City must remediate and
21 it must remediate quickly for two reasons: first,
22 it will be less expensive for the City to
23 remediate rather than to litigate; second, the
24 City should remain vigilant to prevent harm to its
25 citizens, harm that may result from a foreseeable,

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2 technologically simple problem.

3 Thank you.

4 COUNCIL PRESIDENT Verna: Thank you
5 very much. Did you want us to make all of your --
6 I don't know if you read your entire testimony,
7 and I don't know whether you want us to give it to
8 the stenographer.

9 MR. WEIKERS: I will submit it by
10 e-mail later to Councilman Rizzo' office in its
11 entirety.

12 COUNCIL PRESIDENT Verna: That's fine.
13 Thank you for your patience.

14 This will conclude the public hearing
15 for today, and we will continue the public hearing
16 until the call of the Chair.

17 Thank you all very much.

18 (Adjourned at 1:42 p.m.)

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RE: COUNCIL COMMITTEE OF THE WHOLE

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RESOLUTION NO. 980756

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JOSEPHINE CARDILLO,

Registered Professional Reporter