

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON TRANSPORTATION
AND PUBLIC UTILITIES

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, June 20, 2012
1:53 p.m.

PRESENT:

COUNCILMAN KENYATTA JOHNSON, CHAIR
COUNCILMAN WILLIAM K. GREENLEE, VICE-CHAIR
COUNCILMAN BOBBY HENON
COUNCILMAN BRIAN J. O'NEIL
COUNCILMAN CURTIS JONES, JR.

BILLS NO.: 120561

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2 COUNCILMAN JOHNSON: Good afternoon. This
3 hearing is called to order. I am Councilman
4 Kenyatta Johnson, Chairman of the Committee.
5 This is a Public Hearing for the Committee on
6 Transportation and Public Utilities.

7 A quorum is present of Councilman Greenlee,
8 Councilman Henon, Councilman O'Neill and
9 Councilman Jones. Thank you.

10 Will the Clerk please read the title of the
11 Bill.

12 THE CLERK: Bill No. 120561, an Ordinance
13 authorizing the City of Philadelphia to enter
14 into purchase obligations for the delivery of
15 electric supply for use by facilities owned and
16 leased by the City, including agreements that
17 obligate payments for delivery of electric
18 supply in Fiscal Year 2015, subject to certain
19 terms and conditions.

20 COUNCILMAN JOHNSON: I would like to call
21 the first witness for testimony. Mr J. Barry
22 Davis. Will you please approach the witness
23 table and state your name for the record and
24 proceed with your testimony.

1 MR. DAVIS: Good morning, Chairman Johnson
2 and Members of the Committee for Transportation
3 and Public Utilities. My name is Barry Davis.
4 I'm the Chief Deputy for Regulatory Law in the
5 City's Law Department. I'm here in support of
6 Bill 120561, which authorizes the purchase of
7 electricity supply for the City's facilities for
8 delivery during Fiscal Year 2015.

9 In 2010, City Council authorized the City
10 to make electricity supply purchases for Fiscal
11 Year 2011, through Fiscal Year 2014. At the
12 same time, the Mayor issued Executive Order
13 creating Electricity Supply Advisory Committee.
14 City Council Committee Chairs for
15 Transportation, Utilities, Public Works and the
16 Environment were the representatives who served
17 on the Committee. I served on the Committee as
18 a representative for the City Solicitor, which
19 is why I am here today.

20 The Electricity Supply Advisory Committee
21 has reviewed the City's electricity purchasing
22 strategy, has been kept abreast of the
23 purchases. All City Council Members are
24 provided with copies of the approved Electricity

1 Purchase Plan and quarterly reports on
2 electricity supplied purchases.

3 City Government's electricity costs are
4 very significant. The cost for all City funds,
5 General Fund, Aviation Fund, and Water Fund were
6 approximately \$69 million in Fiscal Year 2011.
7 The cost of the General Fund for 2011 was \$35.7
8 million with 14.7 million of that going to
9 street lighting and traffic signals. The
10 remainder of that was spent on buildings, large
11 facilities and small.

12 The electricity supply portion of the total
13 electricity bill is about two-thirds. The
14 remaining third of the cost make up the PECO
15 distribution charges, capacity charges that
16 ensure that there is adequate supply during
17 periods of high demand, transition costs,
18 ancillary costs and the energy suppliers'
19 margin.

20 The City has successfully managed our
21 supply cost by purchasing in the wholesale
22 electricity market. We make purchases several
23 times a year when electricity markets are
24 favorable in order to keep the average price we

1 pay for electricity as low as possible. Markets
2 have been favorable for the last few years and
3 continue to be. Electricity prices are
4 currently at historic lows for 2015.

5 For example, we can now purchase a megawatt
6 of electricity for delivery in Fiscal Year 2015
7 for about 30 -- for about \$50. Last year that
8 same purchase again for 2015 would have cost
9 about \$65 dollars a megawatt. The current
10 prices represent six years lows and do reflect
11 the lower demand associated with slow economic
12 growth and low natural gas prices.

13 The proposed Ordinance would authorize the
14 City to make agreements for deliverly of
15 electricity in Fiscal Year 2015 using our State
16 regulated license service provider. Our
17 licensed service provider, PPL Energy Plus, was
18 selected through a competitive process and acts
19 as the City's agent in making purchases in the
20 Regional Electricity market place.

21 The City also contracts with a highly
22 qualified energy consultant ENERNOC, which
23 provides market information and other support
24 for the City's purchases. Building on a strong

1 and growing relationship with the Philadelphia
2 Energy Authority, I am pleased that the
3 Ordinance now includes a provision that requires
4 the Administration to advise a designated
5 representative of the Energy Authority of the
6 City's intent to make electricity supply
7 purchases. And to fully consider timely advice
8 provided by the Authority on those intended
9 purchases.

10 The purchase the City has taken and
11 proposes to follow under this Ordinance will
12 protect the City from rapid escalation and
13 electricity prices over the next several years
14 and will contribute to budget certainty for the
15 price we pay for electricity.

16 Thank you for the opportunity to testify
17 today. I would respectfully request that the
18 Bill be reported out of Committee, the Rules of
19 City Council be suspended to allow the first
20 reading at the next session of City Council.

21 Thank you. And if you have any questions,
22 I'd be happy to answer those.

23 COUNCILMAN JOHNSON: I do have a question.
24 Well, thank you for your testimony.

1 MR. DAVIS: Sure.

2 COUNCILMAN JOHNSON: When you talk about
3 the Ordinance has a provision that requires the
4 Administration to advise a designated
5 representative of the Philadelphia Energy
6 Authority, give me an idea about the
7 representative.

8 Who makes that appointment or how does that
9 actually work in terms of moving forward to get
10 the advice for the purchasing of electricity?

11 MR. DAVIS: Right. So, what will happen
12 going forward is that the Authority itself will
13 designate one of their Board Members as being
14 the contact for the notification that a purchase
15 is going to be made.

16 There is a board member on the Energy
17 Authority by the name of Ken Ogawa. You may
18 have met Ken. He is the Facility and Energy
19 Manager for the University of Pennsylvania. He
20 is a very experienced energy purchaser. And
21 is -- University of Pennsylvania purchases in
22 much the same way that the City does using the
23 wholesale markets to both keep the prices low
24 and to stabilize our costs over time.

1 COUNCILMAN JOHNSON: And elaborate more on
2 the contract with ENER --

3 MR. DAVIS: ENERNOC?

4 COUNCILMAN JOHNSON: ENERNOC.

5 MR. DAVIS: Okay. So ENERNOC is the -- is
6 a consulting company that has -- actually, do a
7 number of things in the energy field. But under
8 the contract that we have with them, they keep
9 an eye on the energy markets. They monitor what
10 the prices are in those markets. And they then
11 look at what we have identified in our -- in our
12 strategy for purchasing. And help us to
13 determine when is a good time to go in the
14 marketplace and to begin to make those purchase.

15 So, we get information from ENERNOC which
16 we then share with the Committee, with Council,
17 with regard to why this is a good time to make a
18 purchase. And they are doing this type of work
19 for other organizations including in the City
20 they provide the same kind of advice for
21 University of Pennsylvania, for Temple
22 University and for some of the other large
23 institutions.

24 COUNCILMAN JOHNSON: Okay. All right.

1 Thank you very much. You're.

2 MR. DAVIS: You're welcome.

3 COUNCILMAN JOHNSON: Thank you. Anyone
4 else here to testify?

5 (No response for further testimony.)

6 Seeing that no one else in the chambers is
7 here to testify, this now concludes the Public
8 Hearing of the Transportation and Public
9 Utilities Committee. We will now go into our
10 Public Meeting.

11 We are now in the Public Meeting of the
12 Transportation and Public Utilities Committee.
13 The Chair recognizes Councilman Greenlee for a
14 motion on Bill No. 120561.

15 COUNCILMAN GREENLEE: Thank you,
16 Mr. Chairman. I move that Bill No. 120561 be
17 reported in this Committee with favorable
18 recommendation. Further, move that the Rules of
19 Council be suspended so as to permit first
20 reading of this bill at the next session of
21 Council.

22 COUNCILMAN HENON: Second.

23 COUNCILMAN JOHNSON: It has been moved and
24 properly seconded that Bill No. 120561 be

1 reported from this Committee with a favorable
2 recommendation, and further move that the Rules
3 of Council be suspended to permit first reading
4 of this Bill at the next session of Council.

5 All these in favor of the motion will
6 signify by saying aye.

7 (Ayes.)

8 Those opposed?

9 (No response for opposition made.)

10 The ayes have it. The motion carries.
11 Bill No. 120561 will be reported from this
12 committee with the favorable recommendation; and
13 further recommended that the Rules of Council be
14 suspended to permit first reading of this Bill
15 at the next session of Council.

16 This conclude's the business of the
17 Transportation and Public Utilities Committee.
18 Thank you all for being here.

19 (Committee meeting concluded at 2:03 p.m.)

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

I, hereby certify that the proceedings and evidence noted are contained fully and accurately in the stenographic notes taken by me in the foregoing matter, and that this is a correct transcript of the same.

ANGELA M. KING, RPR, Notary Public

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