

00001

1
2
3
4
5

COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC HEARING
BEFORE THE COUNCIL COMMITTEE ON FINANCE

6
7
8
9

- - -
Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, November 9, 1999
10:45 a.m.
- - -

10

11 BILL 990712 - An ordinance approving the Fiscal
Year 2000 Capital Budget providing for
12 expenditures for the capital purposes of the
Philadelphia Gas Works, including the supplying of
13 funds to be obtained in connection therewith, and
rejecting the Forecast bill for Fiscal Years 2001
14 through 2005.

15

16 PRESENT: COUNCILWOMAN JANNIE BLACKWELL, Chair
COUNCILMAN DAVID COHEN
17 COUNCILMAN JAMES F. KENNEY
COUNCILMAN MICHAEL A. NUTTER
18 COUNCILWOMAN MARIAN B. TASCO
COUNCILMAN BRIAN J. O'NEILL

19
20
21

- - -

22

23 VINCENT VARALLO ASSOCIATES, INC.
Registered Professional Reporters
24 Eleven Penn Center, Suite 600
Philadelphia, PA 19103
25 (215) 561-2220

00002

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

Page

Ben Hayllar, President and CEO, PGW.	5
Dennis Stinson	10
Vice President, Operations, PGW	
Al Webster, Director of Customer Service, PGW	19
Reverend Robert Shine, Chairman.	96
Civic and Social Committee	
Black Clergy of Philadelphia	
Joe Given, President	104
Gas Works Employees Union	
Abby Pozefsky, General Counsel, PGW.	109

00003

1

2

P R O C E E D I N G S

3

COUNCILWOMAN BLACKWELL: Good morning.

4

Thank you very much. The Finance Committee is now
5 in session.

6

7 Today, we are here to talk about Bill
8 No. 990712. We have students who are shadowing
9 many members of Council. We have one young lady
10 with us today. Her name is Charmin Frank, from
11 Prep Charter High, which is one of my wonderful
12 charter schools that I absolutely love. And we're
13 going to give her the honor of reading the title
14 of the bill. Charmin?

15 MS. FRANK: Bill No. 990712, an
16 ordinance approving the Fiscal Year 2000 Capital
17 Budget providing for expenditures for the capital
18 purposes of the Philadelphia Gas Works, including
19 the supplying of funds to be obtained in
20 connection therewith, and rejecting the Forecast
21 bill for Fiscal Years 2001 through 2005.

22 COUNCILWOMAN BLACKWELL: Thank you very
23 much, Charmin, very good job, and we're very glad
24 to have you here this morning.

25 As many members of the committee have
now learned, and we've talked to the members of

00004

1

2 PGW, we do have some problems this morning, and
3 those problems include a press conference that is
4 presently going on in front of the Philadelphia
5 Gas Works with regard to the leader, Mr. Hayllar,
6 and some other issues that are going on with
7 personnel with the gas company.

8 Now, we will say certainly that it is
9 our responsibility, and this committee's
10 responsibility, to do everything we can to help
11 the City move forward in a positive direction and
12 certainly to make sure that its citizens are
13 protected. So we will begin our hearing at this
14 time, and we will entertain questions from members
15 of the committee. We did receive some information
16 this morning, a fax sheet that we thank you for,
17 Mr. Hayllar, with regard to billing problems, but
18 certainly, the committee will decide what happens
19 certainly before our hearing ends.

20 And with that let me ask the committee
21 members if they have any questions.

22 (No questions.)

23 COUNCILWOMAN BLACKWELL: Please
24 identify yourself for the record and proceed with
25 your testimony.

00005

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

MR. HAYLLAR: Ben Hayllar, President of the Philadelphia Gas Works. I am here to testify on behalf of Bill 990712, which is PGW's proposed Fiscal Year 2000 Capital Budget. In the interest of time, Madam Chairwoman, I think it would be appropriate if I summarized my testimony since you have it in writing.

With me is Vice President for Operations, Dennis Stinson, and numerous other officers from PGW who are prepared to answer any questions that might arise.

PGW seeks the approval of the Finance Committee, and ultimately the entire City Council, on our Fiscal Year 2000 Capital Budget totaling \$59,618,000. The proposed budget supports a program to replace existing plant and facilities and some level to acquire new assets.

The proposed Capital Budget reflects the continuing refocussing on our core business functions. A total of 83 percent, or \$49.9 million, is requested to be allocated to our distribution, field service, and gas processing areas. Eleven percent, or \$6.6 million, is directed primarily toward transportation and

00006

1
2 building facilities requirements. The remaining
3 request is to be authorized for new systems and
4 technology initiatives.
5 The Year 2000 Capital Budget includes
6 \$14 million to complete the first phase of the
7 LNG, or Liquification Plants Program. Prudent
8 replacement of liquification is critical to ensure
9 the reliable gas supply since plant failure could
10 impel PGW's supply for design day and supply
11 requirements.
12 The program requests: \$28.3 million to
13 provide for the necessary resources to maintain
14 the integrity of distribution facilities to the
15 existing company; 22 million for the replacement
16 of existing mains and services; with an additional
17 request of 5.3 million for new-customer
18 requirements.
19 The program for the Field services
20 Department totals 6.6 million; 1.8 is allocated
21 for the installation of the Automatic
22 Meter-Reading Program.
23 In addition, 3.7 million is for
24 vehicles and mobile equipment replacement.
25 The Capital Budget proves for continued

00007

1

2 investment in systems and technology, amounting to
3 approximately \$3.6 million. This includes
4 \$453,000 for information technology infrastructure
5 and hardware requirements, 3.1 million for new
6 application systems, including material and
7 purchasing systems and a new payroll system.

8 Before we go forward, I would point out
9 what I think every Councilmember knows -- that we
10 have completed the installation of what amounts to
11 the heart of the company, and that is the billing,
12 collection and customer service system. This is
13 the computer software that allows us to maintain
14 over 514,000 individual accounts, histories of
15 their billing and their payments, and is basically
16 the center of where a customer goes to PGW in
17 order to have their problems answered or fixed.

18 We converted to the new system on July
19 5th of this year. Within the first month, it was
20 recognized that there were a series of errors in
21 the conversion that took place. Some of them
22 seemed to be relatively minor, but as we worked
23 through most of the areas during the course of the
24 summer, it became obvious to everyone, including
25 our customers, that there were some serious

00008

1
2 embedded problems in the new system that we are
3 still dealing with.
4 I have given you a handout, at the
5 request of the Chairwoman, dealing with the
6 problems that we are currently confronting now.
7 Many of the problems that we have encountered over
8 the summer have been fixed, but these are the ones
9 that I think are most significant and are still
10 requiring remediation.
11 Of the 512,000 customers, most bills
12 that go out are accurate, but significant pools of
13 inaccuracies are out there. For example, we have
14 bills that have not been received. Sometimes we
15 are now -- we are holding bills to make certain
16 that they go out without errors in them. Every
17 day, we send out approximately 22,000 bills, they
18 get mailed. We've held some right now simply
19 because we know there are errors in those cycles,
20 and we want to get those erroneous bills out.
21 The biggest problem we have right now
22 is that the estimation device on bills for
23 customers who do not have automatic meter-readers,
24 whose bills are estimated, the logic that has been
25 prepared by the vendor is incorrect. About 20

00009

1
2 percent of our bills are estimated, so we have a
3 significant issue concerning finding a correct way
4 to estimate our bills. This has been a
5 reoccurring problem that, of course, has resulted
6 in, as of yesterday, I think we had some 12,000
7 phone calls on billing alone to the call system,
8 which we're simply unable to handle in a
9 satisfactory way.

10 We've had some budget bills that have
11 been inappropriately cancelled. We believe we
12 understand the problem there and are fixing it.
13 Bill messages appear on bills that may not be
14 related to the bill itself. For example,
15 suggesting that people will be thrown off the
16 budget program when they're not on the program,
17 where the messages have been removed until that
18 problem is fixed.

19 Customers who are on payment agreements
20 often have their bill computed correctly, but the
21 box saying "Please pay this amount" shows "0" on
22 it, which is another area that is causing us a
23 great deal of concern.

24 You have in front of you the list of, I
25 think, our top problems to date. We believe that

00010

1

2 they can be worked through, but we make no excuse
3 that these are problems that are confronting us
4 and are seriously concerning our customers.

5 PGW has undertaken a philosophy that we
6 are accountable to our customers for what do. We
7 stand accountable for fixing these problems and
8 providing the service that our customers have a
9 right to expect from us going forth.

10 The Capital Budget before you would
11 allow the company to continue to maintain its
12 essential infrastructure to supply natural gas
13 safely to our heating and our other users for the
14 next year. We ask that Council approve the
15 authorized Fiscal Year 2000 Capital of Budget of
16 \$59,600,000.

17 I will be more than happy to answer any
18 questions that you may have. Thank you.

19 COUNCILWOMAN BLACKWELL: Thank you.

20 Are you like wise going to testify?

21 MR. STINSON: No.

22 COUNCILWOMAN BLACKWELL: All right.

23 The Chair will now entertain questions from the
24 committee.

25 Councilwoman Tasco?

00011

1

2 COUNCILWOMAN TASC0: Good morning.

3 MR. HAYLLAR: Good morning.

4 COUNCILWOMAN TASC0: Mr. Hayllar, you
5 talked about your information technology system.
6 Could you give us an idea of where you are in the
7 revitalization process for getting this system up
8 to speed?

9 MR. HAYLLAR: We have retained about
10 two months ago Ram Technologies and Myra
11 Management who have done extensive work on City
12 installations of this nature. They have been on
13 site. They now have, I believe, five people in
14 the building, assisting the IT people in getting
15 their arms around these problems.

16 Much of the problems that we have seen
17 over the last six months have simply been bad data
18 being put through the new system and turning out
19 bad bills or incomprehensible bills for some
20 people -- not all, but enough to cause a serious
21 problem. Ram has instituted procedures that we
22 previously did not have, protocols that we did not
23 have, so that we would stop literally shooting
24 ourselves in the foot.

25 For example, we would often put in a

00012

1
2 fix to a problem without testing it in a proper
3 environment first. And if the fix didn't work, we
4 created a whole new problem. These procedures, I
5 think, are essential to being able to resolve
6 these remaining issues and reduce the amount of
7 bad bills going out and the calls before us.

8 We've also retained Sherry Rubin, who
9 will be the new Chief Information Officer. She
10 comes to us from MOIS. Most recently, she has
11 been the Chief Information Officer for Community
12 Behavior Health. They are a \$400 million
13 managed-care nonprofit. Then she has seen many of
14 the problems that we are confronted with now, and
15 when she went to CBH, was introduced to the same
16 kinds of problems that we have seen. She starts
17 on the 15th of November, but she has actually been
18 part-time at PGW for the past week.

19 COUNCILWOMAN TASC0: Is there any kind
20 of ongoing training for the employees on the
21 system?

22 MR. HAYLLAR: Yes. Al Webster, who is
23 in charge of the customer information, the
24 Customer Service Center, can, I think, speak more
25 completely about the training that has gone into

00013

1
2 -- that has been provided to our customer service
3 reps and others who are now manning the phones.
4 We have on an average day now almost 100 people
5 dealing with the phones. Some of them are not
6 experienced but are taking only, for example,
7 service calls. That has assisted us in getting
8 calls answered, and particularly calls for
9 service, where we're doing, I think, almost an
10 adequate job. It's in the billing area -- which
11 is the most difficult area to work because you
12 have to understand the billing system very acutely
13 -- that we have fallen behind.

14 We do have ongoing training -- we are
15 training people who have not been experienced on
16 the telephones. They have performed quite, quite
17 well. And that has been helpful to us in that
18 we've had to avoid an issue of going to an outside
19 vendor and creating a capacity problem with our
20 union. Right now, I think we have almost 100
21 people. Many of them have been trained just for
22 this assignment. They've done quite well.

23 COUNCILWOMAN TASCO: So those are
24 employees who were taken from other departments?

25 MR. HAYLLAR: Yes.

00014

1

2 COUNCILWOMAN TASC0: So what is not
3 being done now in those departments they were
4 taken from?

5 MR. HAYLLAR: The biggest problem we've
6 had is in the collections area, in collecting
7 past-due accounts. While that is being done to a
8 limited degree, the collections people, who are
9 very familiar with the BCCS system and very
10 familiar with the billings program, they have been
11 back-stopping the customer service people for much
12 of the day. They have also been doing LIHEAP
13 calls, where we call LIHEAP recipients, or people
14 who would be LIHEAP recipients with low-income
15 indicators to make certain that we get that grant
16 for the coming winter season.

17 The biggest deficiencies have been in
18 collections. Much of that was caused by the fact
19 that the system does not yet provide the
20 detailed information that the collections people
21 need so that they were going to be without some of
22 their essential work to do anyway.

23 We have fallen behind in
24 correspondence. I know that we have fallen behind
25 in cases brought before the Gas Commission where

00015

1
2 there are appeals, and we normally were able to
3 address the case back to the Gas Commission in a
4 reasonable period of time. That is backlogged.
5 Field collectors have been on the
6 phones. They now spend the first hours of the
7 morning in the field doing collections. They have
8 been on the phones during the rest of the day,
9 doing -- for people who are not considered to be
10 computer-literate, they've really done a superior
11 job. They will be back in the field collecting
12 very shortly. We believe that that part of the
13 wave of calls is behind us.

14 COUNCILWOMAN TASCO: What is your
15 timeline for getting the system fixed?

16 MR. HAYLLAR: I would like not to be
17 embarrassed by the end of the year. That's not a
18 complete fix; there's always going to be
19 something.

20 Also, we believe that there were things
21 that should have been done initially that were not
22 done with the BCCS system that we're going to have
23 to put in. So we'll be limping for a while. But
24 the problems that we are confronting right now, I
25 would like to have it done by the end of December.

00016

1
2 COUNCILWOMAN TASC0: So this company is
3 putting the plan in place or working to reach that
4 goal?
5 MR. HAYLLAR: Yes.
6 COUNCILWOMAN TASC0: Have they mapped
7 out a plan for reaching that goal?
8 MR. HAYLLAR: They're doing that every
9 day.
10 COUNCILWOMAN TASC0: So it's an ongoing
11 process?
12 MR. HAYLLAR: It's an ongoing process.
13 What we want to do is stop creating a new problem
14 by something we've done, then generating a new
15 problem that needs to be fixed. We want to have
16 the criteria, the protocols that make certain that
17 when you've corrected a problem, you're not
18 creating a new one, and then correct these
19 problems I have on the list.
20 With SPL, since it's their logic that
21 does the estimation on a bill, I mean, we're
22 hoping that within a few days, we'll be able to
23 end this problem of the estimated bills.
24 COUNCILWOMAN TASC0: Well, in a perfect
25 situation, if your system were up and working

00017

1
2 properly, how many employees would be working on
3 the system, and how many of these 100 employees
4 would go back --
5 MR. HAYLLAR: I believe we --
6 COUNCILWOMAN TASC0: -- to their jobs?
7 'Cause while you have them over here working on
8 this problem, then you're exacerbating other areas
9 where they are not getting attention.
10 MR. HAYLLAR: That is correct.
11 COUNCILWOMAN TASC0: Because we have
12 gotten calls about people who've sent checks in
13 and the checks haven't been applied to their
14 account.
15 MR. HAYLLAR: I think that problem --
16 we had that problem -- I think that problem has
17 been fixed. We're not aware of posting problems
18 within the last few weeks. That's not to say that
19 it hasn't happened, but I think that's a problem
20 of previous months.
21 COUNCILWOMAN TASC0: What is
22 correspondence then?
23 MR. HAYLLAR: Pardon me?
24 COUNCILWOMAN TASC0: What is
25 correspondence?

00018

1
2 MR. HAYLLAR: People who write us
3 letters with a, you know, a problem, and we
4 haven't answered their correspondence. Now, some
5 of it got fixed anyway. Some of them got back and
6 got through to us on the phones, but it's piled
7 up. And, normally, you want to know that
8 everybody who sent you a letter at least got some
9 kind of a response.
10 COUNCILWOMAN TASC0: So given a perfect
11 world, how many people would be on the system?
12 And how many people would --
13 MR. HAYLLAR: I believe it's 65 on the
14 phones. There should be a full-time complement in
15 collections.
16 COUNCILWOMAN TASC0: Is that -- 65
17 people in a perfect world, would that be adequate
18 enough staff to handle all of the telephone
19 calls?
20 MR. HAYLLAR: With this system, with
21 this system, we believe that it could be done,
22 with perhaps even less, but we don't know.
23 Hang on a second.
24 (Mr. Hayllar confers off the record
25 with Al Webster.)

00019

1
2 COUNCILWOMAN TASC0: Please identify
3 yourself.
4 MR. HAYLLAR: This is Al Webster. He's
5 responsible for -- he's a Director in Customer
6 Affairs and is responsible for the --
7 COUNCILWOMAN TASC0: He has to
8 introduce himself for the record.
9 MR. HAYLLAR: Okay, okay.
10 MR. WEBSTER: I'm Al Webster, the
11 Director of Customer Service for the Philadelphia
12 Gas Works.
13 COUNCILWOMAN TASC0: So give me a
14 perfect day.
15 MR. WEBSTER: A perfect day would be
16 that we would have anywhere -- about 65
17 individuals that have started on our shift to take
18 care of our phone calls that we have coming in.
19 Those individuals would be assigned to handle
20 those calls, and we would have a staff that's in
21 the evening that would complement that as well,
22 that would take our calls up until 8 o'clock in
23 the evening.
24 COUNCILWOMAN TASC0: So if someone were
25 calling during the day and you had 65 employees on

00020

1

2 the phones, they could get through and not get a
3 voice mail?

4

MR. WEBSTER: Even in a perfect world,
5 they may have still a waiting time, but they will
6 get through eventually, yes. In a perfect world,
7 we're hoping that our customers would not have to
8 wait any longer than about five minutes or less to
9 get through to us.

10

COUNCILWOMAN TASC0: Mr. Hayllar, are
11 there enough resources in the proposed Capital
12 Budget to fix the problems? And if not, where
13 will PGW obtain these funds?

14

MR. HAYLLAR: The Gas Commission has
15 for quite some time raised the issue of the simple
16 replacement of pipe underground, particularly
17 cast-iron pipe, of which we have about 1700
18 miles. We have increased the allocation for the
19 replacement of cast-iron pipe, but we are hoping
20 that in the course of the next six months, we will
21 be able to, through a swap of fixed to potential

22

--

23

COUNCILWOMAN TASC0: I'm not talking
24 about that.

25

MR. HAYLLAR: Okay.

00021

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

COUNCILWOMAN TASC0: I'm talking how you're going to fix -- the resources to fix the computer problem.

MR. HAYLLAR: Oh, okay. We are -- one of areas that we hope to increase our allocation and come back to the Commission and Council is in the area of pipe replacement. In the area of technology, we believe that we can stabilize and get this system working appropriately.

However, there are pieces that are in this budget -- for example, a materials processing unit that should have been installed and it wasn't. And what the lack of this procurement piece does is, it makes financial control of contracts much more difficult. So we believe that we need to install that next year so that we will have much better control of our contracts.

Contract control, the ability to monitor that we have not exceeded the term or the amount on a contract, has been a serious problem. And by removing this module when the system was installed, it precluded us from being able to monitor appropriately our contracts. And that's a high priority.

00022

1

2 COUNCILWOMAN TASC0: Well, I think my
3 question was, in order to fix your information
4 system, do you have enough money? And if you
5 don't, where do you plan to get the money from?

6 MR. HAYLLAR: We hope that we have
7 enough money available. If we do not, we come
8 back to the Commission and to City Council.

9 COUNCILWOMAN TASC0: What was the
10 initial cost, budgeted cost for the system, and
11 how much is the overrun?

12 MR. HAYLLAR: The approved amount was
13 \$9.7 million. That was approved for billing,
14 collection, and customer service amount. To date,
15 we have spent \$25 million. So the difference
16 between 9.7 and 25 is the unauthorized expenditure
17 that amounts to the cost overrun.

18 COUNCILWOMAN TASC0: Is the Board
19 familiar with this situation, the PFMC Board?

20 MR. HAYLLAR: It is now, yes.

21 COUNCILWOMAN TASC0: Well, at what
22 point were they informed?

23 MR. HAYLLAR: They started asking for
24 accountings of the BCCS system. I know one
25 request was made by one member in July, and I

00023

1
2 believe there were requests prior to that. That
3 information was not forthcoming in a meaningful
4 way. Only in October were we able to secure --
5 the corporate counsel able to secure, with the
6 help of other individuals in the company, an
7 accounting of how much had been spent.

8 COUNCILWOMAN TASC0: What is the
9 responsibility of the staff to the Board to inform
10 them of what the operation is of PGW?

11 MR. HAYLLAR: I believe it is the
12 absolute responsibility of every employee to keep
13 their superior, their supervisor, aware of any
14 problems that exist. And, certainly, it is the
15 responsibility of senior staff to inform the Board
16 of any problem that they know to exist.

17 Regrettably, we've had a culture where
18 problems were kept under wraps in hopes that
19 perhaps they would go away, and that has proven to
20 be an extremely dangerous practice.

21 COUNCILWOMAN TASC0: Budgets submitted
22 to the Philadelphia Gas Commission, are they
23 reviewed thoroughly? Well, we can't answer that
24 question. Are they reviewed by the Board? And at
25 what point do you give that budget to the PFMC

00024

1
2 Board for review prior to coming to the
3 Commission?

4 MR. HAYLLAR: The Board reviews the
5 operating budget, I think, quite thoroughly
6 through its finance committee and also through its
7 own deliberations. As a matter of fact, this
8 year, I think it took the Board two meetings to
9 approve the Operating Budget before it was sent
10 over to the Gas Commission.

11 The Capital Program is done in the same
12 way, but I think with less intensity than the
13 Operating Budget, 'cause the Operating Budget
14 tends to be the more defining document in the
15 future of the company.

16 COUNCILWOMAN BLACKWELL: One question,
17 and then we will go to Councilman Nutter.

18 The current list of the billing
19 problems that you provided and that we're glad to
20 have, when did you say these will be corrected?

21 MR. HAYLLAR: I am hoping that it will
22 be stabilized by the end of December so that the
23 situation which we currently have where we
24 repeatedly send out the same kind of bad bill, the
25 same error, which is overcrowding our Customer

00025

1

2 Service Center, defined by that level, that we
3 will be in seriously better shape by the end of
4 December.

5 COUNCILWOMAN BLACKWELL: One last
6 question, and then we'll go to Councilman Nutter.

7 As a follow-up, Councilwoman Tasco
8 asked about a budget that you then go take to the
9 PFMC Board. In other words, we assume that you
10 are the top officer of "the buck stops with you."

11 In terms of -- all of my information is
12 that in terms of all billing processes and monies
13 spent, that your system is such that all paperwork
14 has to be okayed by you before it goes any
15 further; is that correct?

16 MR. HAYLLAR: No.

17 COUNCILWOMAN TASCO: All right. Where
18 does the buck stop, then?

19 MR. HAYLLAR: Under the current payment
20 system, each officer has a payment threshold or a
21 limit that they can sign for. In the case of
22 BCCS, the payments were made either through the
23 Chief Information Officer or the Chief Operating
24 Officer.

25 COUNCILWOMAN BLACKWELL: Everything

00026

1

2 that the Chief Information Officer and the Chief
3 Operating Officer sign off on that affects all the
4 citizens of Philadelphia, don't you see those
5 records?

6

MR. HAYLLAR: No.

7

COUNCILWOMAN BLACKWELL: You don't?

8

9 MR. HAYLLAR: No, I do not necessarily
10 see those vendor payments. Those are invoices
11 from the vendor, and they are reviewed at that
12 level and paid. I wouldn't see them.

13 I would see only the largest dollar
14 amounts -- and I can't remember offhand what my
15 limit is. But after a million dollars, it has to
16 go to the Board for approval.

17 COUNCILWOMAN BLACKWELL: So you only
18 see what you send to the Board, is what you're
19 telling us. You don't sign off on everything that
20 deals with public dollars, then, is what you're
21 telling us.

22 MR. HAYLLAR: No. Depending on the
23 size of the invoice -- and this is the payment of
24 the invoice for work done -- the dollar amount of
25 that invoice determines who has the authority to
approve it.

00027

1

2

In terms of the contracts that are let, those contracts were let, I believe, in '96 and in 1997. And while the Board approve the budgets and contracts for certain projects, they do not see, nor the Chief Executive Officer would not see the individual payments that occur on an ongoing basis after that. That's principally the CIO's job.

9

10 COUNCILWOMAN BLACKWELL: That's not clear to me.

11

COUNCILWOMAN TASC0: Who's tracking the budget, Mr. Hayllar? If you have a \$16 million cost overrun on your information system, who knows about that? And at what point do you know about it?

16

MR. HAYLLAR: We knew about it much too late. The tracking should have been done in the CIO's office and in the information technology area. And there should have been long ago red flags throughout the system so that people would have gone back to the Board and said, We cannot complete the system within this budget; we will need the authority for more. And that didn't happen.

25

COUNCILWOMAN TASC0: So how did you get

00028

1
2 the 16 million cost overrun? Was it in the
3 budget?
4 MR. HAYLLAR: No. They just continued
5 to spend money.
6 COUNCILWOMAN TASC0: So then it was
7 unauthorized spending?
8 MR. HAYLLAR: That is correct.
9 COUNCILWOMAN TASC0: And you weren't
10 aware of that?
11 MR. HAYLLAR: No, I was not aware of
12 it.
13 COUNCILWOMAN TASC0: And the Board
14 wasn't aware of that either?
15 MR. HAYLLAR: The Board most definitely
16 was not aware of it, and the Board repeatedly was
17 asking for an accounting and did not get an
18 accurate accounting.
19 COUNCILWOMAN TASC0: How are you, the
20 CEO, in control of the company if you aren't aware
21 of what is going on in terms of the spending?
22 MR. HAYLLAR: You're not. That's the
23 point. That's the point. If people are spending
24 without --
25 COUNCILWOMAN TASC0: What controls are

00029

1
2 in place? Which we have asked for before when we
3 were dealing with the Hawes situation. What
4 controls are in place to monitor the spending of
5 PGW?

6 MR. HAYLLAR: The fundamental control,
7 the procurement module that I spoke of a minute
8 ago, that was not installed. So that people who
9 paid the bills, unlike in the City of
10 Philadelphia, where invoices are sent in based on
11 a contract, they did not have a knowledge of what
12 the time limit of the contract is. In other
13 words, that the term of the contract had been
14 expired; nor did the people in treasury who paid
15 the bills know what the amount in the contract
16 was. So that once it was exceeded, they had no
17 way of knowing to stop payment. They just
18 continued to receive the invoices and were told to
19 pay them.

20 And that is a completely inappropriate
21 system.

22 COUNCILWOMAN TASCO: How do they track
23 it? You have a budget, they know that we approve
24 a certain amount for expenditures. So no one in
25 the Treasurer's Office --

00030

1

2

MR. HAYLLAR: That's right.

3

COUNCILWOMAN TASCIO: They don't know that there's a limit on how much they can spend, so that they can just spend infinitum?

6

MR. HAYLLAR: No. The Treasurer's Office simply pays the bills. They had no controls, such as is found in the Accounting Department, the Department of Finance in Philadelphia and in the Controller's Office. They had no documents to tell them that this contract had been exceeded. They just simply got bills and paid for it.

14

15

16

17

18

19

20

21

22

23

24

25

The accounting was supposed to be taking place in the Information Technology Department, and they were supposed to be managing their contracts. And that clearly was not being done.

COUNCILWOMAN BLACKWELL: That absolutely does not give us anything to take to the ratepayers about who we're paying and why. If you, the former Finance Director for the City, and you are the head of the gas company, and you say that there is no system, then why did you not then take steps to install one? How can we tell John

00031

1
2 and Jane Q. Public that money is spent and there's
3 no record, and that when it goes to the Board for
4 their approval, you haven't okayed it, and maybe
5 two other people have, and we don't know where
6 that money is, where it starts and where it
7 stops.

8 That's what you're telling us, that
9 there's no system, so, okay, there's just no
10 system.

11 MR. HAYLLAR: Well, we are moving far
12 along to have the system where every payment is
13 supported by a contract and the contracts are
14 monitored. The corporate counsel's office had
15 worked out a system to install the computer piece
16 that was missing so that it could have been done
17 this winter and this fall and completed. But it
18 was never implemented by the IT people, for
19 whatever reason.

20 COUNCILWOMAN BLACKWELL: I don't
21 understand any of this. I don't understand how we
22 can sit here and be asked to okay a capital budget
23 of this size and be told that there's no real
24 system but we should just continue the status quo,
25 that, you know, we kind of gotten along this far

00032

1

2 and that it's okay, let the citizens pay.

3 MR. HAYLLAR: No, I don't think we're
4 saying that.

5 COUNCILWOMAN BLACKWELL: We have got to
6 sit there and listen to senior citizens who can't
7 pay, senior citizens whose bills goes up every
8 year. It's tough enough to try to explain to them
9 that your gas bill is dependent upon the cost of
10 gas, but when they hear this kind of confusion, I
11 can't explain to them what their billing situation
12 is because I don't understand it myself and why
13 you can't give us clear answers on what billing is
14 at the gas company, especially given the current
15 social, political, and economic situation that the
16 gas company's facing.

17 I don't understand how you can come
18 here and not have clear-cut answers to such simple
19 questions. I don't -- well, maybe you do have
20 clear-cut answers, maybe the answer is that
21 there's no real system in place and when we get it
22 straightened out, it's okay. That seems to be
23 what I hear.

24 Let me defer to Councilman Nutter now.

25 COUNCILMAN NUTTER: Thank you, Madam

00033

1

2 Chair.

3

Mr. Hayllar, what is the current upper-management structure or team? There have been so many departures and arrivals here recently that PGW almost looks like Philly International Airport.

8

Who's working there now and who's not there and who's in charge?

10

MR. HAYLLAR: The Operations -- Vice President of Operations is Dennis Stinson to my right. That is all the field activity in the company.

14

COUNCILMAN NUTTER: Okay. When did he get there?

16

MR. HAYLLAR: About 30 years ago, and he has been in this position for a long time. He will also be given the responsibility for certain operations, support systems that were under somebody else. They're combining that now under him.

22

COUNCILMAN NUTTER: Who were they under?

24

MR. HAYLLAR: They were under a separate vice president. They were individuals

25

00034

1
2 who reported to the Chief Operating Officer, Mr.
3 Bridges, who will report to Mr. Stinson 'cause
4 it's all operations support.
5 We will also have the liquification
6 plant operations, which were previously under gas
7 management. Craig White will be responsible for
8 -- is responsible for marketing and will be
9 responsible for gas procurement. Bud Karachiwala
10 who I believe you've met, will be responsible for
11 state regulatory affairs.
12 It's an entirely new operation that
13 must be constructed.
14 COUNCILMAN NUTTER: Oh, he's still
15 there?
16 MR. HAYLLAR: Yes.
17 COUNCILMAN NUTTER: Okay.
18 MR. HAYLLAR: Abby Pozefsky is
19 Corporate Counsel.
20 John Straub is Vice President for Human
21 Resources.
22 Sherry Rubin will be the Vice President
23 for Information Technology, starting Monday --
24 though she is there now.
25 Peter Yaffe is Vice President for

00035

1
2 Public Policy.
3 And the Chief Finance Officer position
4 is vacant, but Mr. Bob Denovitch (ph.), Mr.
5 Golden, and Mr. Gallagher function in their areas
6 of treasury and budget in that area.
7 Oh, and Karen Sweat is the vice
8 President of Customer Affairs.
9 COUNCILMAN NUTTER: Now, what happened
10 to the -- the three top positions are President
11 and CEO?
12 MR. HAYLLAR: Yes.
13 COUNCILMAN NUTTER: CFO?
14 MR. HAYLLAR: Yes.
15 COUNCILMAN NUTTER: And COO; is that
16 right.
17 MR. HAYLLAR: Yes.
18 COUNCILMAN NUTTER: Okay. You're,
19 obviously, President and CEO.
20 MR. HAYLLAR: Yes.
21 COUNCILMAN NUTTER: What's going on
22 with the other two positions?
23 MR. HAYLLAR: The Chief Financial
24 Officer position, we've held vacant for a number
25 of reasons, one of which is a scenario in which I

00036

1
2 have some experience. It was not an area we
3 needed to fill immediately.
4 MR. HAYLLAR: Who was in that spot?
5 MR. HAYLLAR: Ramon Sharbutt. He was
6 dismissed last January.
7 COUNCILMAN NUTTER: Okay.
8 MR. HAYLLAR: The Chief Operations
9 Officer was Gregory Martin; he was placed on
10 administrative leave, and the Board has terminated
11 his employment.
12 COUNCILMAN NUTTER: When did that
13 happen?
14 COUNCILMAN NUTTER: This morning.
15 COUNCILMAN NUTTER: Oh, okay. I just
16 wanted to make sure I wasn't late on my news.
17 Okay, so that was as of this morning.
18 MR. HAYLLAR: Yes.
19 COUNCILMAN NUTTER: Okay. And the
20 purpose of that was. . . ? What was the reason
21 for his termination?
22 MR. HAYLLAR: A number of reasons, one
23 of which is the unauthorized expenditure of money
24 for BCSS. Another reason was, it was found that
25 the company paid for work on his private

00037

1

2 residence, which is, of course, completely
3 inappropriate.

4 COUNCILMAN NUTTER: Now, how did that
5 happen?

6 MR. HAYLLAR: Which are you referring
7 to?

8 COUNCILMAN NUTTER: Well, the one, I
9 guess, you were engaged in back and forth with
10 Councilwoman Tasco and also Councilwoman Blackwell
11 is still not completely clear to me how you have
12 the numbers upwards of \$16 million in unauthorized
13 expenditure for this BCCS system. You're saying
14 it happened because no one knew that there was a
15 \$9 million limit?

16 MR. HAYLLAR: I think the people who
17 were doing it knew that they had exceeded the
18 limit, but I think that they believed that with
19 just a few dollars more, they could get it to work
20 and make the conversion. They just didn't --

21 COUNCILMAN NUTTER: Just a few dollars
22 more?

23 MR. HAYLLAR: Yeah, and it went on and
24 on. They certainly weren't sharing the
25 information with anyone.

00038

1

2 COUNCILWOMAN TASC0: Sounds like the
3 Commission.

4 COUNCILMAN NUTTER: Well, I mean, if
5 you said that it went from 9 to 10, I mean, that
6 might be in the category of "a few dollars more."

7 MR. HAYLLAR: Yes.

8 COUNCILMAN NUTTER: But 9 to 25 is
9 obviously not a few dollars more. So, I mean, we
10 do end up going back to the discussion of, how do
11 you spend \$16 million that's unauthorized, even
12 for what I assume is a good purpose? Although
13 there doesn't appear to be an end in sight at the
14 moment.

15 I mean, did you think that everyone was
16 going fine at the \$9 million level and that they
17 were just, you know, everything was peachy-keen?

18 MR. HAYLLAR: I wasn't there at the
19 \$9 million level. The information that --

20 COUNCILMAN NUTTER: When were you
21 there? Well, you've been on the Board for --

22 MR. HAYLLAR: I've been on the Board
23 since '94. I have been the part-time acting
24 president since November of last year. I have
25 been President since October of this year.

00039

1
2 COUNCILMAN NUTTER: When was the
3 \$9 million authorized?
4 MR. HAYLLAR: I believe in 1997, and I
5 can't tell you the exact month.
6 COUNCILMAN NUTTER: Okay. And what was
7 your position in 1997?
8 MR. HAYLLAR: I was a member of the
9 Board.
10 COUNCILMAN NUTTER: No acting manager
11 or other position yet?
12 MR. HAYLLAR: No.
13 COUNCILMAN NUTTER: Okay. And the
14 threesome was, I guess, still in place?
15 MR. HAYLLAR: Yes.
16 COUNCILMAN NUTTER: Okay. So you were
17 on the Board, and you voted on the \$9 million
18 authorization?
19 MR. HAYLLAR: Yes.
20 COUNCILMAN NUTTER: Okay. And what
21 kind of updates would the Board get on this
22 project and what the spending levels were?
23 MR. HAYLLAR: Periodically, they would
24 get reports from the CIO on the progress of
25 implementation -- of not this, but the other

00040

1
2 projects that were underway. It was a massive
3 rebuilding of all the infrastructure of the
4 company.
5 I believe when we go back and look at
6 the reports that were given, that some of the
7 information given to the Board was just plain
8 wrong, that they were showing an expenditure of
9 \$12 million at one point, when the actual
10 expenditure, after we looked at it recently, had
11 exceeded that by many millions of dollars.
12 COUNCILMAN NUTTER: Well, when did you
13 get --
14 MR. HAYLLAR: So the information that
15 was coming was incorrect.
16 COUNCILMAN NUTTER: Well, when did you
17 get the \$12 million update?
18 MR. HAYLLAR: It was April.
19 COUNCILMAN NUTTER: April?
20 MR. HAYLLAR: Of this year.
21 COUNCILMAN NUTTER: When did it hit \$9
22 million?
23 MR. HAYLLAR: I don't know. It was
24 prior to that.
25 COUNCILMAN NUTTER: Well, I assume

00041

1
2 that. Was the Board told that they had reached
3 the 9 million limit?
4 MR. HAYLLAR: No.
5 COUNCILMAN NUTTER: They were never
6 told?
7 MR. HAYLLAR: No.
8 COUNCILMAN NUTTER: Did the Board
9 inquire?
10 MR. HAYLLAR: The Board inquired and
11 got reports that all is well. The Board inquired
12 again in July of this year during the --
13 COUNCILMAN NUTTER: Fine, let me -- let
14 me stop you right there.
15 MR. HAYLLAR: Okay.
16 COUNCILMAN NUTTER: So the Board of the
17 company asked the management team what's going on
18 with the BCCS system installation and what the
19 dollars are to date spent. And you're saying that
20 the response was, "All is well"?
21 MR. HAYLLAR: Basically.
22 COUNCILMAN NUTTER: And the Board said
23 what?
24 MR. HAYLLAR: I think the Board became
25 increasingly dubious about the scenario. The

00042

1
2 fundamental concern was to make the conversion,
3 and we had a Y2 issue coming -- it was done on
4 July 5th.

5 The accounting information that was
6 repeatedly requested by the then-acting CEO and
7 the corporate counsel was not forthcoming --
8 until, I guess, the fall or September -- it
9 started coming, I guess, in September of this
10 year, from other sources.

11 COUNCILMAN NUTTER: All right. Now,
12 you became acting CEO when?

13 MR. HAYLLAR: November of last year.

14 COUNCILMAN NUTTER: November of last
15 year. So when you became acting CEO, did you
16 inquire as to what the dollar amount that had been
17 spent was and what the progress of BCCS was?

18 MR. HAYLLAR: Yes.

19 COUNCILMAN NUTTER: And the response
20 was. . . ?

21 MR. HAYLLAR: That while there was a
22 general spending of -- that more money had been
23 spent than anticipated, that they were well within
24 the overall budget. And that's not the case.
25 What was happening is, they were taking -- they

00043

1

2 were not doing certain things in other information
3 technology initiatives to move money into BCCS.
4 That was not something that was explained by the
5 IT people at the time.

6 COUNCILMAN NUTTER: Okay. And then you
7 said in April, you were told that it was \$12
8 million?

9 MR. HAYLLAR: Yes.

10 COUNCILMAN NUTTER: So the Board was
11 told that it was \$12 million.

12 MR. HAYLLAR: Yes.

13 COUNCILMAN NUTTER: So what happened at
14 that point? Even if 12 million was wrong or under
15 the amount that it may have been actually been at
16 that time, 12 is obviously more than 9. So did
17 anyone put the brakes on or say, Why are we 3
18 over? Or where is this thing going?

19 MR. HAYLLAR: I think the fundamental
20 concern was to get it done. Nobody realized,
21 'cause nobody was told, that that amount of money
22 was going out the door principally to one vendor
23 to get it done. Efforts to get an accounting were
24 met with lack a of response, particularly when the
25 corporate counsel was attempting to get that data

00044

1
2 and could not get it from the IT section or from
3 the IT section superior.
4 COUNCILMAN NUTTER: Well, I mean, what
5 is your, I guess, level of involvement or
6 responsibility at this stage or at those stages or
7 going back to the fall of last year or whenever
8 you -- I mean, you've been in a number of
9 different positions. I think we had some of this
10 discussion at some hearing.
11 MR. HAYLLAR: Mm-hmm.
12 COUNCILMAN NUTTER: You were a Board
13 member and acting President and CEO and Finance
14 Director all at the same time.
15 MR. HAYLLAR: Right.
16 COUNCILMAN NUTTER: I mean, what --
17 some of this happened at the time that your
18 involvement increased.
19 MR. HAYLLAR: Yes.
20 COUNCILMAN NUTTER: What's your
21 responsibility in any of this?
22 MR. HAYLLAR: My belief is that when
23 people believe that there's an opportunity -- that
24 they may outwait you, then --
25 COUNCILMAN NUTTER: I'm sorry?

00045

1

2

3 MR. HAYLLAR: That they may outwait
4 you, that sooner or later you're going to be gone
5 -- probably sooner -- they're not forthcoming
6 with information, particularly if it's bad news.

7

8 PGW suffered from, and suffers from, a
9 culture of hiding problems, particularly in the
10 financial area. It's not healthy. I believe that
11 the people responsible just thought that I would
12 go at some point and that they didn't have to --
13 they wouldn't have to respond.

14

15 Once the affirmation of my appointment
16 was made and then I started full-time on October
17 1st, the amount of information we were able to get
18 was vastly different and vastly better than prior
19 to that, because at that point, I was part-time
20 and I was perceived as someone that would not be
21 there.

22

23 COUNCILMAN NUTTER: Your answer,
24 though, leaves me with the impression that you,
25 even though you were in position as far as back as
the fall, you have no responsibility until
sometime here in October of 1999, because people
were either spinning you around or maneuvering
around you or not being responsive. Now, I mean,

00046

1
2 that's a non-responsive response.
3 What's your overall responsibility in
4 all of this?
5 MR. HAYLLAR: I believe I am -- my
6 error was to accept information that I was given
7 without double-checking it, without trying to
8 verify it. I was given incorrect information and
9 told it was true, and obviously, I'm responsible
10 for accepting that. However, we continue to try
11 to --
12 COUNCILMAN NUTTER: Did that happen to
13 other people in the company?
14 MR. HAYLLAR: Pardon?
15 COUNCILMAN NUTTER: Did that happen to
16 other people in the company as well?
17 MR. HAYLLAR: Yes, yes.
18 COUNCILMAN NUTTER: And is their level
19 of responsibility or error the same as yours?
20 MR. HAYLLAR: I think they tried very
21 diligently to get information that was withheld
22 from them. I accept my responsibility throughout
23 the period of time from '94 to today when there
24 were certain errors that have made. I didn't make
25 them, I didn't do anything dishonest, but I can't

00047

1

2 say that about other people. But I have to be,
3 perhaps, the easiest guy in the world to lie to,
4 because that's what happened for that period of
5 time.

6 COUNCILMAN NUTTER: What's the
7 dishonesty?

8 MR. HAYLLAR: There are occasions where
9 individuals falsified reimbursement requests so
10 that they would get money that they were not
11 entitled to.

12 COUNCILMAN NUTTER: Like what?

13 MR. HAYLLAR: The relocation costs
14 which one individual was entitled to, the cost of
15 the sale of the principal residence which --

16 COUNCILMAN NUTTER: I mean, haven't all
17 those issues been the topic of various public
18 hearings over a year or so ago? I mean, we're not
19 back to relocation expenses, are we?

20 MR. HAYLLAR: Well, I think we will be
21 next week because the District Attorney has been
22 vigorously looking into this and has been for 13
23 months.

24 COUNCILMAN NUTTER: Those are old-news
25 issues.

00048

1
2 MR. HAYLLAR: Okay.
3 COUNCILMAN NUTTER: I'm talking about
4 currently. You made a statement that people have
5 been, I think, dishonest. I'm asking you for
6 current examples of dishonesty.
7 MR. HAYLLAR: I believe that having --
8 I believe that it --
9 COUNCILMAN NUTTER: -- as it relate to
10 this contract.
11 MR. HAYLLAR: Oh, in this contract?
12 No, I don't think people were dishonest regarding
13 this contract. I think they believed that if just
14 get a little more done, it would work, and they
15 just kept putting money in it. I don't think
16 there's anything dishonest in the BCCS. I know of
17 no reason to believe that.
18 COUNCILMAN NUTTER: Okay, well, that's
19 what we were talking about. I was wondering --
20 MR. HAYLLAR: Okay, I'm sorry.
21 COUNCILMAN NUTTER: When I asked you,
22 Like what? that's what I was talking about.
23 MR. HAYLLAR: Okay.
24 COUNCILMAN NUTTER: Okay. Now, with
25 regard to this security system issue, again, how

00049

1
2 does your system allow something like that to
3 happen? How does somebody -- if the allegations
4 are even half correct, how does your system allow
5 a company to pay for something for someone
6 privately at a non-PGW-owned property? How does
7 that happen?

8 MR. HAYLLAR: In writing, the CEO at
9 that time authorized the installation of security,
10 \$5,000 security systems in the houses of the CEO,
11 the CFO, and the COO. And that authorization was
12 given to the appropriate person who had a
13 contractor go out and do it.

14 COUNCILWOMAN TASC0: Based on whose
15 request? Who requested that -- on whose advice
16 did the CEO authorize that?

17 MR. HAYLLAR: Hang on just a second.
18 I'm sorry.

19 (Mr. Hayllar confers off the record
20 with Ms. Pozefsky.)

21 MR. HAYLLAR: I am advised by corporate
22 counsel that the request was made by the Chief
23 Operating Officer to the CEO.

24 COUNCILWOMAN TASC0: And on whose
25 advice did the COO request the installation?

00050

1
2 MR. HAYLLAR: On his own.
3 COUNCILWOMAN TASC0: On whose advice?
4 MR. HAYLLAR: On his own.
5 COUNCILWOMAN TASC0: Was there a
6 recommendation by the security forces at PGW that
7 that should happen?
8 MR. HAYLLAR: He has denied that.
9 COUNCILWOMAN TASC0: Go ahead.
10 COUNCILMAN NUTTER: So the system is
11 set up such that the President or the COO or other
12 high-ranking individuals can, whether or not there
13 was a recommendation -- and maybe there was and I
14 wasn't around for that Q and A or whenever that
15 took place, but again, I guess I'm just slightly
16 perplexed that a system would allow the
17 installation of any equipment or any work to be
18 done at a private residence that's off PGW
19 property.
20 MR. HAYLLAR: That's absolutely -- your
21 astonishment is shared by many others. It was
22 ordered, people implemented the order, contractors
23 went out, and in one case, did not put in one
24 system -- but because that system, which was then
25 \$7,000, was not to the individual's liking, they

00051

1

2 went back and put in a \$10,000 system. So now we
3 have the one house with \$17,000 worth of security
4 systems in it.

5 COUNCILMAN NUTTER: And when did the
6 Board find out about this?

7 MR. HAYLLAR: The Board found out about
8 it last week.

9 COUNCILMAN NUTTER: Well, what's the
10 Board's responsibility in all of this? I mean,
11 what's the Board doing?

12 MR. HAYLLAR: The Board has
13 responsibility for the direction and the oversight
14 of the company.

15 COUNCILMAN NUTTER: Well, if that's the
16 case, then how did these things happen?

17 MR. HAYLLAR: Because they were
18 hidden. You can hide an awful lot of stuff from
19 people if that's what you want to do. And that's
20 what they were doing.

21 COUNCILWOMAN TASCO: Mr. Hayllar, last
22 year when we were here regarding the credit cards
23 and all of that, we talked about, and I believe
24 you testified that you all were going to put in
25 place an internal audit system.

00052

1

2

MR. HAYLLAR: Mm-hmm.

3

COUNCILWOMAN TASC0: Is that in place?

4

MR. HAYLLAR: Much of it is. The piece that is missing is the procurement system that I talked about several times. That was not done. But internal audit is functioning, and they are at work. The Treasury Department has been charged with the much more --

9

10 COUNCILMAN NUTTER: Let me just -- see
11 -- I mean, how did the place run before all of
12 this technology came around? And was all of this
13 kind of activity going on? I mean, you can have
14 all the technology in the world; if you don't have
15 written policies programs and some common sense
16 and a sense of ethics about what you do and how
17 you do it, all the computerization and software in
18 the world is not going to help.

19

20

MR. HAYLLAR: You're correct, but the problem --

21

22

COUNCILMAN NUTTER: So what went on before all the technology?

23

24

25

MR. HAYLLAR: The problem was that there was no method in which the people who physically paid the invoices could compare that

00053

1
2 invoice to a contract. In fact, over the last
3 three years, the number of contracts that are
4 written, we got fewer and fewer. People had what
5 they called "signature authority," where the boss
6 told you to go buy this and you go buy it.
7 COUNCILMAN NUTTER: What did -- did you
8 get the --
9 MR. HAYLLAR: But let me say,
10 Councilman Nutter, when you talk about ethics and
11 a sense of right and wrong, you're now dealing
12 with the essential ingredient that was missing in
13 a lot of these instances.
14 COUNCILMAN NUTTER: Okay. Well, tell
15 me about this: did you get one of the 76ers
16 schedules in the mail?
17 MR. HAYLLAR: Yes.
18 COUNCILMAN NUTTER: With your bill?
19 MR. HAYLLAR: Yes.
20 COUNCILMAN NUTTER: Now, why are people
21 getting 76ers and Phillies schedules in their PGW
22 bills?
23 MR. HAYLLAR: The 76ers -- the large
24 reason is because we want people to look at the
25 stuff that they get in their bill, other than just

00054

1

2 the bill. So if you send them something they
3 might be interested in, they'll look through the
4 material in there. There's a newsletter, there's
5 often notices.

6 COUNCILMAN NUTTER: I'm sorry. What
7 did you say earlier? If you want people to do
8 what?

9 MR. HAYLLAR: I want them to go through
10 the envelope that the bill comes in, other than
11 just to look at the bill 'cause there's a
12 newsletter --

13 COUNCILMAN NUTTER: Why?

14 MR. HAYLLAR: Because there's a
15 newsletter that contains information that's
16 important. We want to increase value of the
17 mailing. We send out a half a million pieces of
18 mail to most residents of the City every year, and
19 that's of value, and I'd like to enhance it.

20 In the case of the 76ers schedule, that
21 has our logo on it, which is a form of
22 advertising, and people save those to have the
23 schedule. The ratepayer did not pay for that. It
24 was done -- the printing was done at the cost of
25 the 76ers. We simply stuffed it for them and sent

00055

1
2 it out. So it was no cost to the ratepayer.
3 COUNCILMAN NUTTER: And what's the
4 value to the PGW of this?
5 MR. HAYLLAR: Those who are 76ers fans
6 have, as many of us do, a schedule sitting on
7 their desk or their bureau with the games, and
8 it's a value to the company in that there is a
9 logo on it PGW. It's to replace in small part --
10 COUNCILMAN NUTTER: Do you really think
11 somebody's going to forget about PGW?
12 (Unintelligible; parties talking over
13 each other.)
14 COUNCILWOMAN TASC0: I don't think
15 500-and-some thousand ratepayers are going to
16 forget about PGW.
17 MR. HAYLLAR: Yeah.
18 COUNCILMAN NUTTER: I -- I'm -- you
19 know, it --
20 MR. HAYLLAR: But it is a positive
21 message that --
22 COUNCILMAN NUTTER: But I'm still
23 perplexed to understand the connection between
24 that and what you do and what your core business
25 is, or with the Phillies earlier this year.

00056

1
2 MR. HAYLLAR: Mm-hmm.
3 COUNCILMAN NUTTER: I wrote to Mr.
4 Driscoll about it; he chose not to respond to that
5 letter back in August.
6 COUNCILWOMAN BLACKWELL: Excuse me,
7 Councilman.
8 COUNCILMAN NUTTER: Is there a cost to
9 PGW for that?
10 MR. HAYLLAR: For the Phillies
11 schedule?
12 COUNCILMAN NUTTER: Yes.
13 MR. HAYLLAR: Yes. There is a few
14 thousand dollars for the printing cost. Now, the
15 76ers --
16 COUNCILMAN NUTTER: Well, don't you
17 have a fairly serious financial situation?
18 MR. HAYLLAR: Yeah, but we also have a
19 budget for advertising, and it came under that.
20 COUNCILMAN NUTTER: And the value to
21 mailing the Phillies schedule was what?
22 MR. HAYLLAR: Same thing. It's
23 advertising, it's something that has a long shelf
24 life and people keep it, and it's something nice
25 to give to the customers.

00057

1
2 COUNCILMAN NUTTER: Maybe we should let
3 the Phillies and the Sixers worry about getting
4 their schedules into people's hands and not
5 through PGW, since it's fairly clear that you have
6 enough trouble getting the bills right, getting
7 them out, running the company. It might be a
8 little less to worry about who has what
9 schedules.
10 I mean, have you ever gotten any
11 complaints from PGW customers that they don't know
12 when Phillies or the Sixers are playing?
13 MR. HAYLLAR: We've gotten some calls
14 from people thanking us.
15 COUNCILMAN NUTTER: Well, people will
16 thank you for virtually anything for free. I'm
17 talking about doing what you do and trying to do
18 that well before you worry about advertising.
19 MR. HAYLLAR: We agree on that issue.
20 COUNCILMAN NUTTER: Thank you.
21 I yield.
22 COUNCILWOMAN BLACKWELL: Councilman
23 Kenney?
24 COUNCILMAN KENNEY: Thank you, Madam
25 Chairperson.

00058

1
2 Mr. Hayllar, you said there's 500,000
3 PGW customers?
4 MR. HAYLLAR: There's about 512,000.
5 There's about 487,000 that are residential.
6 COUNCILMAN KENNEY: 487 residential.
7 Of that 487,000 residential, how many currently
8 are on automatic meter-reading?
9 MR. HAYLLAR: About 80 percent.
10 COUNCILMAN KENNEY: Okay. Are there
11 any commercial customers on AMR?
12 MR. HAYLLAR: Yes.
13 COUNCILMAN KENNEY: What's the
14 percentage of those?
15 MR. HAYLLAR: Dennis Stinson runs this
16 program. Instead of him whispering in my ear, I
17 think it would be helpful if he answered.
18 COUNCILMAN KENNEY: Sure.
19 MR. STINSON: It's approximately 25
20 percent.
21 COUNCILMAN KENNEY: So it's 75 percent
22 outstanding commercial customers.
23 MR. STINSON: Yes.
24 COUNCILMAN KENNEY: And commercial
25 customers generally aren't the problem. It's my

00059

1
2 understanding that it's the residential readings
3 that are the most problematic.
4 MR. STINSON: The residential readings
5 are often the most difficult to get into, yes,
6 sir.
7 COUNCILMAN KENNEY: All right.
8 MR. STINSON: We are actively working,
9 though, on completing the commercial-industrial
10 customers with the AMR device.
11 COUNCILMAN KENNEY: The 80 percent
12 residential customers, their bills are based on
13 the drive-by with the computer?
14 MR. STINSON: Yes, sir.
15 COUNCILMAN KENNEY: And the information
16 generated from that?
17 MR. STINSON: Yes, sir.
18 COUNCILMAN KENNEY: Of that percentage,
19 of that 80 percent, can you give me a general
20 percentage as to what you think are bills that are
21 incorrect out of that grouping? Or are there --
22 MR. STINSON: My understanding is that
23 if we have an AMR read in the current month --
24 COUNCILMAN KENNEY: I'm sorry?
25 MR. STINSON: If we have an AMR read in

00060

1
2 a current month for that customer, they get
3 accurate an accurate bill, if there's nothing else
4 wrong with the bill process.
5 COUNCILMAN KENNEY: Okay.
6 MR. STINSON: It's the customers who
7 get an estimated bill for some reason that seem to
8 have the biggest problem with getting a bill.
9 MR. HAYLLAR: So during the summer,
10 Councilman, there was a period when the Itron
11 units were converted through Y2K, and for one
12 month, some of the automatic meter reads, the one
13 that we assumed were accurate, went out
14 inaccurate, and it had something to do with the
15 Y2K patch that they put. We are unaware of that
16 problem reoccurring on AMRs.
17 COUNCILMAN KENNEY: So how many
18 incorrect bills were issued relative to the Y2K
19 patch on current AMR customers?
20 MR. HAYLLAR: Don't know.
21 COUNCILMAN KENNEY: But was it a
22 widespread --
23 MR. HAYLLAR: It was enough that people
24 called up about it.
25 COUNCILMAN KENNEY: Okay. I mean, do

00061

1
2 you have any idea as to how many calls came in on
3 that one glitch?
4 MR. HAYLLAR: No, I don't.
5 COUNCILMAN KENNEY: Could we find out
6 how many people were affected that -- so I
7 understand, basically, you're saying that of the
8 80 percent of the people who are currently under
9 AMR, it's very unlikely that they're going to have
10 a problem with their bill.
11 MR. STINSON: That's the current
12 status. Yes, sir.
13 COUNCILMAN KENNEY: But there was a
14 short period of time where, because of this Y2K
15 patch, there was some little problem.
16 MR. STINSON: Yes, sir.
17 COUNCILMAN KENNEY: So we're talking
18 basically here about the 20 percent who are not
19 AMR, who are getting estimated bills that are
20 incorrect?
21 MR. STINSON: Yes.
22 COUNCILMAN KENNEY: Is that what we're
23 talking about here today?
24 MR. STINSON: Primarily.
25 COUNCILMAN KENNEY: Of that group,

00062

1
2 isn't there a history of gas usage for those
3 customers? I would think that many or all of
4 those customers have not been on this system for
5 less than a year, that there have been years of
6 prior usage that you could compare to in order to
7 determine what it was they used in February of
8 '98, you know, in December of '97, March of '96,
9 in order -- so that the comparison could be made
10 that we're not that far out of whack, so that
11 people aren't getting 0 numbers or \$640 numbers,
12 that in some way, we have a history of the people
13 who have paid their bills on those residential
14 properties over the past, say, 10, 15, 20 years.

15 MR. HAYLLAR: That's correct. The
16 problem is the volume of bills that got out each
17 night. For each cycle, there's about 22,000
18 bills, and you cannot manually go through all of
19 them to find those errors. What we have been
20 installing in the last month is a quality-control
21 system that, in fact, eyeballs every bill, and
22 that's how we've been catching them.

23 COUNCILMAN KENNEY: But can we not
24 segregate the AMR bills? Of that 22,000 per
25 month, a certain percentage are AMRs, a certain

00063

1
2 percentage are non-AMRs and estimated. Now, of
3 the people who have actual readings, not AMRs,
4 they are accurate, generally?

5 MR. HAYLLAR: Generally.

6 COUNCILMAN KENNEY: Okay. So we're
7 even talking about a smaller pool of people. Of
8 that 22,000 per month, we should be able to
9 segregate which of those are non-AMR-estimated
10 people.

11 MR. HAYLLAR: We are now trying to do
12 that. We are today testing a system that the
13 vendor has put out, that would pull out the
14 estimate reads so we that would send out the
15 correct AMRs and then correct the problem with
16 estimation. You are correct.

17 COUNCILMAN KENNEY: For how many months
18 have we experienced this glitch, or large glitch,
19 of incorrect estimated bills?

20 MR. STINSON: Since July.

21 COUNCILMAN KENNEY: Well, I guess my
22 question is -- and, again, I mean, hindsight is
23 20/20. Why not in August or September had we not
24 said, you know, in order to be safe for both the
25 company and the customer, let's pull those people

00064

1
2 out and look at what they paid in August or
3 September of last year or the year before and bill
4 them based on that, because it's probably going to
5 be about the same amount of money anyway.
6 MR. HAYLLAR: You are correct. That
7 should have been done. Once Ram Technologies got
8 into the system and began to understand it and
9 once these other areas were fixed and we began to
10 see these principal problems then, we were able to
11 do it.
12 COUNCILMAN KENNEY: Okay.
13 MR. HAYLLAR: But it was Ram that
14 introduced to SPL the need to do that.
15 COUNCILMAN KENNEY: Now, I haven't been
16 -- I'm not on the Commission, and I haven't been
17 in the midst of this. The company who did the
18 AMRs Itron, correct?
19 MR. HAYLLAR: Correct.
20 COUNCILMAN KENNEY: And the company who
21 handled the computer system is BCCS?
22 MR. HAYLLAR: No, that's a company
23 called SPL Worldwide.
24 COUNCILMAN KENNEY: And they were
25 separate from the contract with Itron.

00065

1

2 MR. HAYLLAR: Yes.

3 COUNCILMAN KENNEY: So the Itron

4 contract is over here, and this \$25 million is for
5 the --

6 MR. HAYLLAR: BCCS -- billing,
7 collection, and customer service.

8 COUNCILMAN KENNEY: Okay, okay, fine.

9 Now, is there any form of audit that's
10 going on now as it relates to the BCCS contract,
11 as it relates to the problems that we've
12 experienced with some of the executive
13 expenditures that have caused and created so much
14 controversy? Are we not -- either the City
15 Controller or an outside auditor or the Inspector
16 General or someone taking a look at this entire
17 contract, what was billed, what was paid, who it
18 was paid to, and what the purpose of the billings
19 and invoices were?

20 MR. HAYLLAR: I believe the District
21 Attorney is doing that as part of that
22 investigation.

23 COUNCILMAN KENNEY: Of the BCCS?

24 MR. HAYLLAR: I believe so.

25 Secondly, we have charged Ram

00066

1
2 Technologies to a forensic audit of everything
3 that took place in the past. Their principle goal
4 is to get it stabilized and fixed, but they're
5 going back through the history of the contract as
6 well.

7 COUNCILMAN KENNEY: Who is Ram
8 Technologies?

9 MR. HAYLLAR: Ram Technologies is a
10 local organization that's been used by the City in
11 a number of areas with Myra Management. Water
12 billing was one of them. They have five people on
13 site full-time.

14 COUNCILMAN KENNEY: Now, is that a
15 separate contract?

16 MR. HAYLLAR: Yes, it is.

17 COUNCILMAN KENNEY: All right. And
18 what's the level amount of that contract?

19 MR. HAYLLAR: There's two contracts,
20 each for \$200,000.

21 COUNCILMAN KENNEY: How much?

22 MR. HAYLLAR: Each for \$200,000. One
23 is in the City Finance Department, and that is the
24 area dealing with the forensic audit of what's
25 happened simply because --

00067

1

2 COUNCILMAN KENNEY: The audit of the

3 BCCS contract?

4 MR. HAYLLAR: Yes.

5 COUNCILMAN KENNEY: Okay.

6 MR. HAYLLAR: And that's because that's
7 inappropriate for the owner to deal with.

8 The other piece is a PGW contract,
9 which is for the remediation and the stabilization
10 of this system.

11 COUNCILMAN KENNEY: Okay so that's
12 Ram's charge.

13 MR. HAYLLAR: Yes, sir.

14 COUNCILMAN KENNEY: Okay. Now, will we
15 potentially be considering any legal action
16 against the BCCS vendor and/or those executives
17 that have since been dismissed as a result of the
18 trying to recoup some of the monies that obviously
19 were clearly improperly spent for personal
20 reasons; and, secondly, potentially improperly
21 spent as it relates to the administration of the
22 BCCS contract?

23 MR. HAYLLAR: Yes, on both cases. On
24 the second question, the District Attorney has
25 asked -- she asked as of last February for us not

00068

1

2 to proceed with civil matters until the criminal
3 investigation was over with. But once that is
4 done, we are prepared to do that.

5 COUNCILMAN KENNEY: Is the vendor of
6 the BCCS contract part of ongoing criminal
7 investigation?

8 MR. HAYLLAR: We believe the DA has
9 looked at that contract, but that decision -- we
10 don't believe that request pertains to the vendor,
11 and we are looking at the vendor's
12 responsibilities in this problem very strongly.

13 COUNCILMAN KENNEY: But we don't know
14 as of today.

15 MR. HAYLLAR: No.

16 COUNCILMAN KENNEY: Now, let me ask you
17 a question. I mean, the District Attorney's
18 Office is a tremendous office and they are very
19 hard-working people, but do they have the capacity
20 to delve into this issue, into the minutia that's
21 there in an effective way? And, again, this is
22 not to denigrate the DA's Office because they do a
23 great job, but is this not something where we
24 would perhaps need an outside inspector or
25 investigator or investigation group, perhaps even

00069

1
2 from a governmental agency or from some other? I
3 can't believe that the DA's Office has enough
4 time, considering the workload across the street,
5 that they have enough time to look at this.
6 MR. HAYLLAR: They have hired a number
7 of consultants to assist them, and throughout the
8 investigation, they have utilized the resources of
9 the City Controller's Office. And I know they've
10 retained consultants to assist them in a number of
11 areas. And, really, that's as far as know of what
12 her resources are.
13 COUNCILMAN KENNEY: Okay.
14 MR. HAYLLAR: She's been at it for 13
15 months.
16 COUNCILMAN KENNEY: Okay. Let me ask
17 you, what's the average amount of time right now
18 for the phone to be answered for a service call?
19 MR. HAYLLAR: It depends on the day.
20 Fridays are better than Mondays. On average, I
21 would guess -- and I'll ask Al to correct me if
22 I'm wrong. On average, I would guess that it's
23 about five and a half minutes, unless we're being
24 absolutely crushed.
25 COUNCILMAN KENNEY: Well, let me go

00070

1

2 back and ask you how many rings there are before
3 either a person or the automatic -- or the
4 automatic answering machine picks up?

5 MR. HAYLLAR: That part is almost
6 instantaneous. It shouldn't be a lot of rings.
7 Then you get into the system, and then after a
8 while, you get to listen to our music.

9 COUNCILMAN KENNEY: All right, but we
10 don't know exactly the number -- the amount of
11 time. And I'll give you a good example. I'm on
12 the Board of Blue Cross. And one of the things
13 that the Board discusses every month without fail
14 is a report on the length of time it takes for
15 someone to pick up that phone and begin
16 interaction with the customer.

17 MR. HAYLLAR: We have that.

18 COUNCILMAN KENNEY: I need to know, and
19 I think if we don't know -- one of the our
20 problems is, we need to pay more attention to that
21 issue, and I know you've talked about paying
22 attention to it, but if we don't know how much
23 time -- and they know over at IBC and other
24 companies like that, they know down to the second
25 it takes on average for someone to be interacting

00071

1

2 with that customer.

3

MR. HAYLLAR: We know. We have that data. It changes on a day-by-day basis. I gave you, I think, a typical response right now.

6

The other big number we look at is the time it takes our people to dispense with a call, the talk-time number, which has been coming down, which is good. And those reports are produced on a daily basis in 15-minute intervals.

10

COUNCILMAN KENNEY: What's the average number of service calls per week?

13

MR. HAYLLAR: Well, yesterday, we had 12,000 -- no, we had 12,000 billing calls and about 2,500, 3,000 service calls yesterday.

16

COUNCILMAN KENNEY: All right. On the service calls, what's the average number of days it takes to respond to the service request?

19

MR. STINSON: This morning, it was either the same-day or next-day service, depending upon how early you called.

22

COUNCILMAN KENNEY: Okay.

23

MR. STINSON: The warm weather, obviously, had something to do with that.

24

COUNCILMAN KENNEY: And the warm

25

00072

1
2 weather had a lot of things to do with, I guess,
3 billing, collections, revenues, lots of problems.
4 MR. STINSON: Yes.
5 COUNCILMAN KENNEY: Or it does reduce
6 the number of --
7 MR. STINSON: That's what I was
8 implying.
9 COUNCILMAN KENNEY: Okay.
10 MR. STINSON: It's not all wonderful
11 things at PGW. The weather has a lot to do with
12 it.
13 COUNCILMAN KENNEY: All right. Now, do
14 we find that people are continuing to call and say
15 that they smell gas on a regular basis, whether
16 they smell it or not, because they've recognized
17 that, similar to 911, if you call with a man with
18 a gun, the police are going to come faster, and if
19 you call the Gas Works with a smell of gas,
20 they're coming faster? And have we been able to
21 determine just how widespread that kind of request
22 is made in an effort to get quick service?
23 MR. STINSON: Unfortunately, with the
24 tie-up on the phones in the past few months, that
25 has actually gotten worse. More and more folks

00073

1

2 call the emergency line in an effort to get
3 quicker service.

4 COUNCILMAN KENNEY: So that's beginning
5 to tax you even more.

6 MR. STINSON: And we respond to every
7 leak complaint.

8 COUNCILMAN KENNEY: Okay. I can come
9 back to some more questions later. Thank you.

10 COUNCILWOMAN TASC0: I just want to
11 pick up on what Councilman Kenney said. You
12 talked, Mr. Stinson, about the service calls. I
13 have gotten in the last couple of days a few calls
14 relative to -- regarding appointments not being
15 kept. And, you know, one lady had called me at
16 home the other night to tell me that Sunday night,
17 her daughter had made several appointments and
18 then no one showed up. I had a lady call me on
19 Election Day. They had turned her gas off and
20 didn't come back to turn the gas on. I mean, in
21 the last week, I've gotten several calls like that
22 and they're not tied to the BCCS, are they?

23 MR. STINSON: Oh, yes, ma'am.

24 COUNCILWOMAN TASC0: But once they make
25 the appointment, what is the process for getting

00074

1
2 -- 'cause at one point, I thought that you all
3 had, you know, had improved on the appointment
4 service, that once an appointment, you know, the
5 appointment was kept. What's going on with that?
6 MR. STINSON: We've changed the
7 dispatch system in conjunction with the BCCS to a
8 brand-new system, and we're going through a lot of
9 the same learning experiences that the folks in
10 the call center are going through as well --
11 although it's nowhere near as complex as the
12 BCCS. So it's getting over the hump with this new
13 system in the service end of the business as well.
14 COUNCILWOMAN TASCO: Mm-hmm. Mr.
15 Hayllar, when the Gas Commission passed the
16 Capital Budget, we ordered your auditor, Deloitte
17 & Touche, to review spending of the IT system
18 against the approved budget. Where is that, and
19 have you --
20 MR. HAYLLAR: We've had several
21 meetings with Deloitte & Touche on this
22 assignment. Much of the data has been done
23 internally. They need to test it. I believe that
24 that report is due 15 days after the annual audit
25 is done, and we expect to make that deadline.

00075

1
2 COUNCILWOMAN TASC0: Let me --
3 MR. HAYLLAR: And I'll tell you, I'm
4 sure David Veman (ph.), the partner in charge of
5 the audit, would be happy to talk to you or to
6 your staff about any aspect of that.
7 COUNCILWOMAN TASC0: But I'm asking you
8 where PGW is in fulfilling the orders by the
9 Commission.
10 MR. HAYLLAR: And I answered that.
11 COUNCILWOMAN TASC0: On the \$16
12 million, could you tell me, where was the money
13 found to pay for the overrun?
14 MR. HAYLLAR: Simply out of capital and
15 operating expenses -- predominantly capital
16 operating. They just drew on it.
17 COUNCILWOMAN TASC0: All right. So
18 what is going uncared for? If you're taking money
19 from some other area, what areas are you not
20 spending it on?
21 MR. HAYLLAR: Certain elements of other
22 IT initiatives were not done in order to make
23 money for BCCS 'cause they consider it to be more
24 important. I've mentioned several of them. The
25 WAMs segment of the mobile dispatch center was not

00076

1
2 done simply because that money was not used toward
3 BCCS.

4 COUNCILWOMAN TASC0: So how do you plan
5 to make up for this \$16 million overrun?

6 MR. HAYLLAR: Well, we need to
7 determine what must be done over what time from
8 the initial IT plans that we have to complete, and
9 that's additional money that will have to be
10 spent, what can be deferred, and we're working on
11 that now, and I believe the Commission has asked
12 for that information.

13 COUNCILWOMAN TASC0: What controls have
14 been implemented to ensure that spending
15 authorization requests will be submitted to City
16 Council and the Gas Commission in a timely manner
17 to avoid violating approved spending
18 authorizations in the future? 'Cause you overrun
19 -- you have --

20 MR. HAYLLAR: Yes.

21 COUNCILWOMAN TASC0: You're supposed to
22 come back to Commission and Council. Have you
23 done that in the past?

24 MR. HAYLLAR: No, we have not. I
25 believe that we're doing that in the fall.

00077

1
2 COUNCILWOMAN TASC0: Okay.
3 MR. HAYLLAR: Because we're trying to
4 get our arms around this issue as well. And while
5 we know we have to come back before Council on the
6 previous years' overspending on authorizations, we
7 wanted to get this problem solved. It's just a
8 matter of priorities. We know we have to do it.
9 COUNCILWOMAN TASC0: So it seems to me
10 that if you needed to go beyond the Capital Budget
11 as approved, there would be some checks and
12 balances if you come back to Council --
13 MR. HAYLLAR: Yes.
14 COUNCILWOMAN TASC0: -- and to the
15 Commission before you spend the money.
16 MR. HAYLLAR: Yes.
17 COUNCILWOMAN TASC0: Otherwise, it's
18 after the fact once you've done it.
19 MR. HAYLLAR: That's correct.
20 COUNCILWOMAN TASC0: Well, do you think
21 that's a prudent way to do business?
22 MR. HAYLLAR: Of course not.
23 COUNCILWOMAN BLACKWELL: Mr. Hayllar,
24 what is the cap on your authorization for spending
25 without Board approval?

00078

1

2

3 MR. HAYLLAR: I believe it's -- on
4 contracts and vendor payments, I believe mine is a
5 half million dollars, and everything after a
6 million goes to the Board.

6

7 (Mr. Hayllar confers with a colleague

8

9 off the record.)
10 MR. HAYLLAR: I'm sorry. I stand
11 corrected. One of the things we did was reduce
12 that. Everything above 500,000 goes to the Board
13 now.

12

13 COUNCILWOMAN BLACKWELL: Well, when was
14 this change made?

14

15 MR. HAYLLAR: It was done last

16

17 November.
18 COUNCILWOMAN BLACKWELL: It's hard to
19 believe that we could focus a lot of time on
20 sending information through the mail and not have
21 a system for how we spend money, the taxpayers'
22 money within the system. There's an old saying
23 that where there's no law, there's no
24 transgression. And there is no way we can
25 understand that we can even pay a dollar to do
mailing for the Eagles and not have a real system
for how we spend money, who spends it, how far it

00079

1
2 goes, and where it starts and stops.
3 With that, Councilman Cohen.
4 COUNCILMAN COHEN: Have you heard from
5 the Public Utilities Committee?
6 MR. HAYLLAR: We're in frequent
7 communication with them.
8 COUNCILMAN COHEN: About what?
9 MR. HAYLLAR: About the transition to
10 the PUC next July 30th -- or June 30th.
11 COUNCILMAN COHEN: What's the date?
12 MR. HAYLLAR: June 30th, year 2000.
13 COUNCILMAN COHEN: Isn't there a
14 pending legislation in Harrisburg to change that
15 date?
16 MR. HAYLLAR: You mean, to move it up?
17 COUNCILMAN COHEN: To move it up, yes.
18 MR. HAYLLAR: There may be. We have
19 opposed it, and I am told that the PUC is not
20 interested in having it moved, so it's not -- it
21 shouldn't be an issue.
22 COUNCILMAN COHEN: You were told the
23 PUC is not interested in taking jurisdiction?
24 MR. HAYLLAR: They are not interested
25 in having the date moved up.

00080

1
2 COUNCILMAN COHEN: What's that?
3 MR. HAYLLAR: They're not interested in
4 having the date moved up.
5 COUNCILMAN COHEN: Well, you said you
6 were informed that the PUC was not interested in
7 taking jurisdiction at all.
8 MR. HAYLLAR: No, no, that's not what I
9 said. I said that the legislation, which the
10 Majority Leader of the House introduced, was not
11 supported by either PGW or the PUC. I'm told it's
12 not going anywhere, it's not going to move.
13 COUNCILMAN COHEN: That's the
14 legislation that's moving the date up.
15 MR. HAYLLAR: That's correct.
16 COUNCILMAN COHEN: How about the
17 original legislation?
18 MR. HAYLLAR: That's passed.
19 COUNCILMAN COHEN: Well, that passed,
20 but that had a history. Before it passed, there
21 was a time when it was not passed. In the time
22 when it was not passed, the story was, from good
23 sources in PUC, that they were not interested in
24 taking jurisdiction, that they did not feel as if
25 they were in a position to do that.

00081

1

2 MR. HAYLLAR: Well, I can't speak for
3 them. They have given every indication that
4 they're trying to discharge their
5 responsibilities, but I can't speak for what their
6 view is.

7 COUNCILMAN COHEN: What do you see
8 their responsibility as?

9 MR. HAYLLAR: They will be responsible
10 for the regulation of the Gas Works in much the
11 same fashion as any other publicly-owned utility.

12 COUNCILMAN COHEN: And how does that
13 differ from what occurs now.

14 MR. HAYLLAR: It's very much -- there
15 is very much overlap. The difference -- big
16 difference is that currently, the Gas Commission
17 approves the Capital Budget before sending it to
18 Council for approval and approves the Operating
19 Budget. The PUC has not determined whether it
20 even wants to do that or not. But in the law that
21 has passed, they would have complete regulatory
22 authority over rates and standards and
23 performance.

24 COUNCILMAN COHEN: And what is it that
25 the PUC has not decided yet that it wants to do?

00082

1

2 MR. HAYLLAR: Apparently, they are not
3 -- have made no decision about whether they wish
4 to have budgetary approval or anything like that,
5 which is currently enjoyed by the Gas Commission.
6 It's not an issue they've undertaken, to my
7 knowledge -- or a discussion that they've
8 undertaken.

9 COUNCILMAN COHEN: Say that again? I
10 did not get that. What is your understanding as
11 to what they desire to do with respect to
12 regulatory authority?

13 MR. HAYLLAR: They will regulate -- the
14 Philadelphia Gas Works sets standards and approves
15 rates, as they do other utilities. The Gas
16 Commission, in addition to that, approves our
17 budgets, approves the Operating Budget finally and
18 then approves a Capital Program and sends it to
19 City Council. That component, the PUC does not --
20 in the legislation, does not have authority to
21 undertake, and I don't know that they've made any
22 decisions as to whether they want to do it or not.

23 COUNCILMAN COHEN: To undertake. . . ?

24 MR. HAYLLAR: Budgetary approval.

25 COUNCILWOMAN BLACKWELL: That is not

00083

1

2 clear, it's not clear.

3 COUNCILMAN COHEN: Hmm?

4 COUNCILWOMAN BLACKWELL: It's not

5 clear. What you're saying, Mr. Hayllar, is not
6 clear.

7 We're trying to find out the
8 implications of a possible takeover. And also,
9 coupled with that, ask us how all of this impacts
10 the -- since we're dealing with Year 2000 cost
11 overruns from 1999, we've got a lot of issues here
12 that we're not clear on.

13 MR. HAYLLAR: Mm-hmm.

14 COUNCILWOMAN BLACKWELL: And I echo
15 Councilman Cohen's continued questions. You're
16 not being clear about the implications of the
17 State takeover.

18 MR. HAYLLAR: I apologize if it's
19 unclear.

20 The difference between the Gas
21 Commission's authority and the PUC's authority is
22 that in addition to standard utility regulatory
23 work, the Gas Commission approves Operating and
24 Capital Budgets. The PUC would only, at this
25 point, take over the regulatory authority, and

00084

1
2 they have made no indication whether they wish to
3 assume budgetary authority as well.
4 COUNCILWOMAN TASC0: Explain
5 regulatory.
6 (Unintelligible; parties speaking over
7 each other.)
8 MR. HAYLLAR: What?
9 COUNCILMAN COHEN: What does
10 "regulatory authority" mean to you?
11 COUNCILWOMAN BLACKWELL: Explain that.
12 MR. HAYLLAR: Regulatory authority is
13 approving the rates charged by the company, the
14 structure of the company, the tariff of the
15 company, the terms in which the company would have
16 to conduct its business, information it would
17 provide its customers. It could be as detailed as
18 the size and format of a bill.
19 It is all those materials that they can
20 dictate to a utility. And that's the role they
21 would assume as well as --
22 COUNCILMAN COHEN: Does the Public
23 Utilities Commission hold hearings in different
24 parts of the State?
25 MR. HAYLLAR: I believe they do.

00085

1
2 COUNCILMAN COHEN: Do they do that on a
3 regular basis?
4 MR. HAYLLAR: I believe they do. I
5 know they have a hearing examiner in Philadelphia.
6 COUNCILMAN COHEN: In regard to
7 complaints?
8 MR. HAYLLAR: I don't know.
9 COUNCILMAN COHEN: What do you mean you
10 don't know?
11 MR. HAYLLAR: What I mean is, I don't
12 know if they have hearings --
13 COUNCILMAN COHEN: You don't know the
14 content of their hearings?
15 MR. HAYLLAR: I don't know if they have
16 hearings in other parts of the State regarding
17 complaints. I'm advised that they do. Someone
18 behind me said yes.
19 COUNCILMAN COHEN: Well, our
20 understanding is that they do very, very little of
21 that, that generally, they require people to come
22 to Harrisburg if they wish to testify orally. I
23 understand further that they rarely hear oral
24 complaints.
25 MR. HAYLLAR: Okay.

00086

1
2 COUNCILMAN COHEN: Do you have any
3 information about that?
4 MR. HAYLLAR: No, I do not. I have
5 never been regulated by the PUC, so I don't know.
6 COUNCILMAN COHEN: What will you do
7 when the courts reverse the legislation and
8 overrule it?
9 MR. HAYLLAR: Do what the courts tell
10 us to do, as always.
11 COUNCILMAN COHEN: Well, sometimes some
12 people advise contempt.
13 MR. HAYLLAR: I don't think we have
14 been advised or would advise that course of
15 action, sir.
16 COUNCILMAN COHEN: You know that people
17 generally regard the City of Philadelphia as
18 having been a coconspirator. We're not sure of
19 whom. We know of Representative Perzel, but
20 beyond him, we don't know whom.
21 MR. HAYLLAR: We have all been on
22 records as opposing the initial legislation.
23 COUNCILMAN COHEN: Yes, you did. And
24 at the same time, you conducted negotiations to
25 let the State legislature know precisely how you

00087

1

2 would like to have it done, if it were done. But
3 you opposed it, you know, like a puff of wind that
4 blows away at the first --

5 MR. HAYLLAR: I don't -- I don't think
6 so. I think the Mayor went on record opposing
7 it. We did have to make certain that the PUC
8 understood the underlying structure of our debt so
9 what they did would not cause our tax-exempt
10 status of our bonds to be destroyed. That we did,
11 and we told you that.

12 COUNCILMAN COHEN: Are you sure of
13 that?

14 MR. HAYLLAR: Yes.

15 COUNCILMAN COHEN: Because there is a
16 case in Pennsylvania case law which asserts that
17 once a contract has been entered into with the
18 bondholder, it cannot be changed. And this
19 certainly changes the guarantees given to the
20 bondholders. So I would hedge my bets, were I
21 you, at the outcome.

22 MR. HAYLLAR: I recognize that your
23 preparation of the case will be based, you know,
24 on a strong reading of the law, and, you know, we
25 will abide, as we do, by whatever the decision is,

00088

1
2 Councilman.
3 COUNCILMAN COHEN: Thank you, Madam
4 Chair.
5 COUNCILWOMAN BLACKWELL: Thank you.
6 Councilwoman Tasco?
7 COUNCILWOMAN TASC0: Assuming -- we
8 don't know what's going to happen with the case,
9 but assuming that PGW goes to the PUC in July of
10 the year 2000, and given the financial situation
11 and condition at PGW, do you plan to ask for a
12 rate increase?
13 MR. HAYLLAR: Not at this time. And
14 that is not a hedged answer. I do want to do
15 that.
16 COUNCILWOMAN TASC0: At what time?
17 MR. HAYLLAR: Not at this time, not on
18 November 11, 1999. We do not want to --
19 COUNCILWOMAN TASC0: What about in July
20 of the year 2000?
21 MR. HAYLLAR: I can't tell you where we
22 will be then. We have always stated that the last
23 option is a rate increase. We do not want to do
24 that.
25 COUNCILWOMAN TASC0: Well, how do you

00089

1
2 plan to put your fiscal house in order, and when
3 do you plan to do that absent continuing to borrow
4 and go into debt? And at what point will PGW give
5 an honest, clear-cut financial status of PGW?
6 MR. HAYLLAR: I refer you to the
7 Five-Year Financial Plan, which, in 430 pages,
8 describes how we can avoid a rate increase in 2002
9 and stave off a borrowing in 2003. We recognize
10 it's difficult and we recognize that we have
11 different opinions on the quality of that work,
12 but that's the best work we have right now.
13 COUNCILWOMAN TASC0: You talked earlier
14 about, when I asked you about coming back to
15 Council, and you said something about coming back
16 to us in the fall to clear up the 1999 budget?
17 MR. HAYLLAR: No, there's some
18 authorization expenditures, exceeded
19 authorizations, from previous years, and we need
20 to go back to Council to correct that.
21 COUNCILWOMAN TASC0: So when do you
22 plan to do that?
23 MR. HAYLLAR: As soon as we get the --
24 COUNCILWOMAN TASC0: Well, at what
25 point do you begin to look at your books? And I

00090

1
2 don't know how you do that since you don't seem to
3 have anybody over there that understands what
4 they're doing, to say we're getting ready to
5 exceed our authority and need to go back to the
6 Commission, we need to go back to Council and get
7 approval before we do this. At what point do you
8 do that?

9 MR. HAYLLAR: Way before that happens.

10 COUNCILWOMAN TASC0: Well, when is that
11 going to happen? Because in the fall of 1998, you
12 said that you were going to put internal audit
13 controls in place to monitor the spending. That
14 has not happened.

15 MR. HAYLLAR: No, much of it has.

16 COUNCILWOMAN TASC0: But it's -- well,
17 what needs to happen to control that portion of
18 that piece that is not in place to control your
19 spending? 'Cause evidently, someone over there is
20 not in charge of what money is being spent.
21 Somebody is not monitoring the process.

22 And all I want to know is, at what
23 point do you implement that piece where you'll
24 know that there is a contract for a certain amount
25 of money and that you shouldn't spend beyond that

00091

1
2 contract without someone knowing about it, that
3 you, the CEO, understanding and knowing about
4 what's going on at PGW?
5 MR. HAYLLAR: We are doing that
6 manually now, but with the piece that was taken
7 out, we believe it can be done permanently and
8 just a part of the procedure. Right now, it has
9 to be watched. There's a lot of change that has
10 to go over in the way people spend money over
11 there. We recognize that, and much of that
12 changes with.
13 COUNCILWOMAN TASC0: So people over
14 there will still be using their credit cards and
15 still be --
16 MR. HAYLLAR: No, ma'am, they are not.
17 COUNCILWOMAN TASC0: How do you know?
18 MR. HAYLLAR: 'Cause they don't have
19 any.
20 COUNCILWOMAN TASC0: Well, how do you
21 know that other personal spending not going on?
22 MR. HAYLLAR: I think the one thing
23 people have been extremely cautious of over the
24 there is the use of any credit or personal
25 expenditures. It's being monitored very

00092

1

2 carefully.

3 COUNCILWOMAN TASC0: But we can spend
4 \$16 million on the IT system, and nobody knows how
5 it gets spent.

6 MR. HAYLLAR: If people wish to conceal
7 things, it can be concealed for a while, but then
8 they get caught.

9 COUNCILWOMAN TASC0: Thank you.

10 COUNCILWOMAN BLACKWELL: Councilman
11 Cohen?

12 COUNCILMAN COHEN: A series of things.
13 There seems to be agreement on the part of both
14 candidates that the senior-citizen discount will
15 be preserved. Upon what does anybody base that
16 prediction?

17 MR. HAYLLAR: Well, that's a decision
18 of the owners, and the Mayor is -- represents one
19 of the strongest voices of ownership, as does
20 Council.

21 COUNCILMAN COHEN: (Inaudible, off
22 mike.)

23 Suppose there were a sale. Would the
24 senior citizens' rate be preserved?

25 MR. HAYLLAR: I'm sure it could be.

00093

1

2 I'm not sure it would be purchased with that as a
3 permanent part of the structure of the company.

4 I can't speak for a future owner but I
5 know it's expensive, and I know if there were a
6 sale, that would be something that they would look
7 at as something they eventually would probably
8 like to get rid of. It's one of the reasons we
9 don't think a sale is a serious option, that the
10 owners want the discount at least at some level.

11 COUNCILMAN COHEN: Is there any other
12 circumstance -- is there any other option other
13 than a sale that could cause that to happen? Say
14 the Public Utility Commission opted to --

15 MR. HAYLLAR: I have been told by
16 lawyers that there is a possible argument that a
17 senior-citizen discount can be perceived as
18 discriminatory against other people in the class,
19 and I have been told that that senior-citizen
20 discount would not be successfully challenged in
21 front of the PUC. So I've heard arguments both
22 ways.

23 COUNCILMAN COHEN: But that would be
24 the difference between making a sale attractive to
25 a buyer and not making it.

00094

1

2

3 MR. HAYLLAR: No, it's one of the many
4 things that I think make the notion that PGW could
5 be sold impractical. The largest -- I think the
6 two largest -- three largest things that make the
7 sale of PGW not probable is, A, because we do not
8 have equity investment, we don't sell stock, all
9 of our capital costs come through the sale of
10 debt. Therefore, we have very high debt.

11

12 If we sold the company and you then had
13 to pay the debt from the proceeds, there would be
14 very little left. Presumably the City would want
15 the \$18 million a year that PGW provides them.
16 That would probably not happen. The buyer would
17 most likely be a for-profit company. Therefore,
18 the \$900 million in tax-exempt debt would have to
19 be converted to taxable debt. That's like with
20 the 54-55 million premium on top of that.

21

22 Finally, if the company were sold, I
23 believe that, much as we see with PECO and the
24 Chicago company it's merging with, there would be
25 an effort to reduce the workforce. And I have no
reason to believe that the owners of the company,
as embodied by Council and the Mayor, are terribly
interested in seeing large numbers of layoffs that

00095

1
2 would be generated by a sale. I just don't think
3 it's an option.

4 COUNCILMAN COHEN: That's reassuring,
5 as the Public Utility Commission does not take the
6 bull by the horn and decide that it is, A, it is
7 legal, that the law passes muster. And if that
8 happens, the Public Utility Commission may be
9 emboldened. They could care less about
10 Philadelphia, don't they?

11 MR. HAYLLAR: I can't answer that. I
12 don't know what their interests are.

13 COUNCILMAN COHEN: Well, aren't they
14 used to making evaluations of the financial worth
15 of the company?

16 MR. HAYLLAR: Mm-hmm.

17 COUNCILMAN COHEN: And of its solidness
18 as far as being a going concern? And wouldn't it
19 be natural for them to view, from their prism of
20 past experience, the concept that people ought not
21 to -- maybe they ought to get little special
22 consideration, but they ought not to get anything
23 that would really help them?

24 MR. HAYLLAR: Well, I can't project
25 what they're going to do in that regard,

00096

1
2 Councilman.
3 COUNCILMAN COHEN: All right. Thank
4 you.
5 Madam Chair, thank you.
6 COUNCILWOMAN BLACKWELL: Thank you.
7 Do we have any more questions?
8 (No further questions.)
9 COUNCILWOMAN BLACKWELL: All right. We
10 have others who are here to testify with regard to
11 this bill. Is there anyone from PGW's side?
12 (No response.)
13 COUNCILWOMAN BLACKWELL: All right. I
14 believe that we have Reverend Shine from the Black
15 Clergy of Philadelphia and vicinity who is here,
16 and certainly, we welcome him.
17 (Reverend Shine comes forward.)
18 COUNCILWOMAN BLACKWELL: We're very
19 happy to have you. Would you formally identify
20 yourself for the record, Reverend. Thank you for
21 coming.
22 REVEREND SHINE: Yes, Madam Chairman.
23 Madam Chair and Councilwoman Tasco, Councilman
24 Cohen, I have two regrets as I, Reverend Robert
25 Shine, Chairman of the Civic and Social Committee

00097

1
2 of Black Clergy of Philadelphia and vicinity, and
3 I come before this chamber with these two
4 regrets: The first being that I have no
5 particular document to submit to the Chairlady;
6 and secondly, that this chamber is not filled, not
7 filled with citizens of our city to express their
8 outrage over the recent information that we have
9 received, first being brought to the public's
10 attention through the news media.

11 I am before you, Madam Chairperson, to
12 express the outrage of a number of our citizens
13 regarding the news that we received of the pending
14 discharge of Mr. Gregory Martin from the position
15 of Vice President and employment at the
16 Philadelphia Gas Works. It is in the opinion of
17 the clergy of this city, of whom I sit to
18 represent this afternoon and for which I give
19 thanks to you for permitting me to make this
20 public pronouncement of outrage.

21 COUNCILWOMAN BLACKWELL: Thank you.

22 REVEREND SHINE: When we learned of
23 Mr. Gregory Martin's pending discharge from the
24 Gas Works, we looked at the history of those of
25 African-American descent -- Mr. Jim Hawes, Mr.

00098

1
2 Gregory Martin, Miss Connie Bradford -- and we
3 began to see a systemic nature pattern that had
4 been in place, and we want to voice our opposition
5 to what is now about to occur.
6 We unanimously adopted a resolution at
7 the clergy meeting to wholeheartedly support the
8 retention of Mr. Martin as well as Miss Connie
9 Bradford. It is in our good judgment and the
10 reputation of the clergy that we believe we enjoy
11 in this city to disclaim that the position taken
12 by Mr. Ben Hayllar that Mr. Martin is solely
13 responsible for the cost overruns, as has been
14 alleged, thus resulting in his pending dismissal.
15 We believe that he could not singularly
16 have been responsible, given the knowledge that we
17 have. That is, that a subordinate to Mr. Martin
18 was given oversight of a project. That I am sure
19 and am convinced, having been in the corporate
20 community for 29 years, that as a subordinate to a
21 senior vice president, that he was given -- this
22 subordinate was given complete oversight of the
23 project but not reporting -- didn't directly
24 report to the vice president, Mr. Martin, but was
25 to directly report to the CEO and President, once

00099

1

2 again, Mr. Ben Hayllar.

3 If, then, Mr. Martin was singularly
4 responsible and, therefore, singled out as the one
5 that must be dismissed, then all who were on this
6 project that called for the overruns should
7 equally receive the same equal treatment. If
8 justice and fairness and equality is to be
9 administered in the positive sense, then it must
10 also be distributed in the negative sense.

11 We do not believe that PGW, and through
12 its COO, Mr. Martin, that on this project, he be
13 -- Mr. Martin be taken off or out of the loop of
14 bringing in this particular project, that his
15 responsibility, as one who has come to our city
16 and has provided for us what we believe to be
17 unimpeachable management. And that, certainly,
18 there is always in every case some human
19 misjudgment but that goes as far as any CEO as
20 well. All of us are not perfect.

21 But with what relationship our
22 community has enjoyed with the management skills
23 that were provided through PGW through Mr. Martin,
24 we believe that this is an unacceptable, untenable
25 action that was taken. And, therefore, it is our

00100

1
2 opinion to request of this body that any
3 legislative bills or actions be held until such
4 time as a more appropriate fact-finding can be
5 held to ascertain for the public good; for PGW
6 does, in fact, serve us and serve us well, but
7 there are problems even there. And unless we're
8 going to multiply the problems, then we believe
9 that we should, first of all, in good judgment and
10 good common sense, review the actions thus far
11 taken that have allowed for these cost overruns.
12 And, once again, Madam Chairman, I do
13 not believe -- and I believe it is the unanimous
14 opinion of the clergy -- that Mr. Martin could
15 not, by any stretch of the imagination, be solely
16 responsible for those cost overruns.
17 The grounds for Mr. Martin's dismissal,
18 which we believe is to take place in two weeks, we
19 believe that they are unfounded grounds if it
20 includes such a meager item as a security system
21 at his residence. I indicated moments ago that
22 having been in the corporate community for more
23 than 29 years and having dealt with labor all that
24 while, I understand well the potential that when
25 you go through labor negotiations with management,

00101

1
2 oftentimes, it does occur that there is some
3 indication of threats on the homes of management.
4 Thus, security for their home and their family.
5 Anyone would want to secure that. And, therefore,
6 we believe that if his system was not appropriate
7 for his comfort and his family's security, then I
8 believe any man would take whatever action
9 appropriate to provide for that and should not be
10 held in harm's way for having done so.

11 That raises the question of the cost
12 for the provision of that security system that was
13 in question. How did that impact or impede upon
14 the project, and how was that project then to be
15 brought in? Again, referencing my own experience
16 in corporate community, it is always anticipated
17 that there will be cost overruns. There is the
18 design community, there is the management, the
19 project leader.

20 And if the minds never get together,
21 and I as a designer leave my design plan for the
22 management to figure out the budget and then I
23 leave it to someone else to vote on it without the
24 consideration of all the other components to bring
25 this project in on time, the vendor's

00102

1
2 consideration, the training of the personnel to
3 operate a new system, the testings of the new
4 systems going beyond the time constraint for going
5 on line with the new system, all these are
6 continued mounting expenses. Then there's the
7 debugging of the new system and bringing over the
8 data from the old system to the new system, which
9 always has in itself some problems of conversion.

10 And so I think that when we would
11 separate and distinguish between the management
12 ability and skills provided by Mr. Martin and the
13 fact that there has been apparently been some
14 mismanagement, it cannot be laid at the feet
15 solely of Mr. Martin.

16 And, once again, Madam Chair, Madam
17 Tasco, and Councilperson Cohen, our unanimous
18 conclusion, therefore, is that any legislation or
19 any appeal for legislation from the management of
20 Philadelphia Gas Works be delayed until such time
21 as this matter is satisfactorily concluded with
22 respect to Mr. Martin and Miss Connie Bradford.
23 And I might add a third person -- Miss Lynn
24 Fields.

25 We would like to be observers of what

00103

1
2 action is to be taken. When I failed as Chairman
3 of the Civic Committee and I owe to our
4 organization and the peoples of our city and
5 congregations, I owe to them an apology for my
6 failure as chairman of this committee, and they
7 have given to me that responsibility, when I did
8 not first raise the concern at the dismissal of
9 Mr. Jim Hawes.

10 And let me say a point there, if I
11 may. In my conclusion, once again, in the
12 corporate community, the legal position that we
13 have, and that is, when one is discharged, it is
14 with the understanding, the clear understanding,
15 that no letter would follow him to any potential
16 place of employment that he or she may be
17 seeking. Tantamount to that, perhaps no letter
18 was, but when the news media in effect has the
19 same effect, thus it would bode against anyone
20 gaining gainful employment. Therefore, how so
21 ever the media learned whatever was leaked to the
22 media, whatever was given to the media, how ever
23 the media learned through their own means, this
24 had the effect, I then believe that it is a
25 responsible agent acting responsibly to have put

00104

1
2 on notice to news media for the action that would
3 misrepresent their position.
4 Therefore, once again, I appeal to this
5 body, this hearing committee, that you would give
6 consideration that we might become more closely
7 involved in observing what has happened, and then
8 I would like the privilege to return to this
9 chamber before another scheduled hearing and to
10 provide an update of information that will come to
11 our hands.
12 Thank you, Madam Chair, for this
13 opportunity.
14 COUNCILWOMAN BLACKWELL: Thank you very
15 much, Reverend Shine.
16 Are there any questions?
17 (No questions.)
18 COUNCILWOMAN BLACKWELL: Thank you so
19 much.
20 We now have testimony from the Gas
21 Workers' Union. We thank you for your comments
22 and we will be making our own. Thank you.
23 (Joe Given comes forward.)
24 COUNCILWOMAN BLACKWELL: Welcome.
25 Please identify yourself for the record and make

00105

1

2 your testimony. Thank you, glad to have you.

3 MR. GIVEN: Good afternoon. My name's

4 Joe Given. I'm President of the Gas Works

5 Employees Union.

6 And I wasn't going to testify here

7 today, I wasn't going to get involved with this

8 politics but for Mr. Reverend Shine to imply that

9 some of our union people threatened Mr. Martin is

10 totally outrageous. He talks about being

11 outrageous and responsible. I think that's an

12 irresponsible remark from Mr. Reverend Shine to

13 even mention that our members would threaten Mr.

14 Martin.

15 And as far as Mr. Hawes, my

16 understanding is that he resigned.

17 And as far as Miss Connie Bradford, she

18 deals with two African-American union reps in her

19 department, who are constantly saying that she was

20 incompetent in that job.

21 And I think it's totally irresponsible

22 for him to imply that our union members would even

23 think about threatening the CEO of PGW.

24 Thank you.

25 COUNCILWOMAN BLACKWELL: Thank you, Mr.

00106

1

2 Given.

3 Are there any other individuals here
4 who would like to testify?

5 (No response.)

6 COUNCILWOMAN BLACKWELL: All right. I
7 think this will end or public hearing, and we will
8 now go into our stated meeting.

9 In fact, let me retract that. We also
10 do not have a quorum so we will leave it in the
11 public hearing phase, but let the Chair make these
12 statements:

13 Number one, we do not know -- this
14 committee has no idea, nor obviously does PGW,
15 about the cost overruns to the City to the tune of
16 \$16 million, nor have we received any information
17 about how to correct it. Before we resume this
18 hearing, we want information, specific
19 information, on what PGW plans to do in that
20 regard.

21 Number two, a new audit plan was
22 referred to by the Vice Chair of this committee.
23 That was to be instituted in 1998. We have no
24 information with regard to that, and we want
25 information before we will even continue

1
2 continuing this hearing in that regard.

3 And, number three, we are now dealing
4 with the budget for the Year 2000. However, we
5 have no information with regard to cost overruns
6 even for 1999, and this committee does not intend
7 to continue some of these unknown and, in my
8 opinion, irresponsible acts to the taxpayers of
9 this city with regard to information that we get.

10 Let me say that many years ago, when
11 former Congressman Lucien Blackwell was Chair of
12 the Commission and they came before him for a rate
13 increase, not only did he not allow it, but he
14 insisted that the management folks at PGW take a
15 5 percent decrease. So we understand that in
16 spite of all of these issues, that there are
17 certain latitudes that everyone in their
18 respective positions has.

19 Now, we believe -- in fact, I neglected
20 to ask Reverend Shine if he requested a meeting
21 with PGW, and I suspect that he has and that it
22 was not granted until after PGW chose to make
23 certain actions. Let me say this: that we are
24 here for the public good. We do not intend on any
25 group of people, any race of people, any

00108

1

2 ratepayers to be disrespected, overlooked, or
3 ignored under our watch.

4 We expect that before again that this
5 committee hearing resumes, that we have answers to
6 those three issues, that we have some specific
7 detail about costs in general, about how PGW deals
8 with taxpayers' money, about how you deal with
9 this audit process, who is involved, and what the
10 levels of responsibility are. All of this, this
11 committee expects to receive so that we can pass
12 it out to members of the committee and other
13 members of Council.

14 With that, are there any other
15 comments?

16 COUNCILWOMAN TASCOT: Thank you, Madam
17 Chairwoman.

18 I would just like to say that with
19 regard to -- I may be mistaken in this comment,
20 but I thought I heard that the information
21 relative to the cost overrun was passed on to the
22 District Attorney. If that is true, I'd like to
23 know, on what basis was it passed? Was there an
24 internal investigation to establish that there was
25 some criminal activity associated with the cost

00109

1

2 overrun?

3

And if there was not, I think we need to know why it was passed on to the District Attorney's Office to investigate prior to PGW doing any internal investigation to establish the responsibility for the cost overrun, and that runs to the responsibility of the PFMC Board.

9

COUNCILWOMAN TASCO: So those are five issues that we've mentioned, to which we expect specific written documentation before this hearing will resume.

13

And with that, Councilman Cohen?

14

COUNCILMAN COHEN: Just one question. Following up Councilwoman Tasco, could we get an answer to your question now?

17

COUNCILWOMAN TASCO: Yes, could we?

18

COUNCILMAN COHEN: I believe that that ought to be known at this time.

20

COUNCILWOMAN BLACKWELL: Mr. Hayllar, we would ask you to come back to the witness stand.

23

(Mr. Hayllar returns to witness table.)

24

COUNCILWOMAN BLACKWELL: Councilman Cohen is asking an answer to the last question

25

00110

1

2 raised by Vice Chair Marian Tasco with regard to
3 cost overruns being referred to the DA and why.

4 MR. HAYLLAR: A legal question deserves
5 a legal answer.

6 (Abby Pozefsky comes forward.)

7 MS. POZEFSKY: Madam Chair, I'm Abby
8 Pozefsky, General Counsel for the Gas Works.

9 We've been involved in an investigation
10 with the District Attorney's Office for
11 approximately the last year, and we have
12 cooperated with the District Attorney in every
13 request that the District Attorney has made. She
14 asked for us to provide to her materials in which
15 the cost overrun was described. Those were
16 materials that had been presented to the Board at
17 one of the executive sessions of the Board
18 meeting. And as is our practice when the District
19 Attorney has asked us for materials, we have
20 passed them on to her, and we did so.

21 COUNCILWOMAN TASCO: Could you tell us,
22 how did the District Attorney know about the IT
23 cost overrun? How would she know about that if
24 that's an internal matter and as relative to the
25 budget? How was she notified about it? How did

00111

1

2 she know about it? He would she even know to ask
3 about a cost overrun? Who told her?

4

5 MS. POZEFSKY: I'm not sure. The
6 District Attorney, at this point, has interviewed
7 and has had before the grand jury many of our
8 Board members and many of our employees. In terms
9 of how she actually learned about this particular
10 cost overrun, I'm sorry, I just don't know the
11 answer to that.

11

12

COUNCILWOMAN TASC0: Well, who knows
how she knows about it?

13

14

15

16

COUNCILWOMAN BLACKWELL: Mr. Hayllar
said we should go legally, and we're doing that.
Now, if you're the top person, then somebody's got
to know.

17

18

19

20

MS. POZEFSKY: We really don't -- I
really don't know how the District Attorney -- I
don't know how she got the --

21

22

23

24

25

COUNCILWOMAN TASC0: When did she ask
for the information on the cost overrun?

MS. POZEFSKY: It was not a specific
request for information respecting the cost
overrun; it was a request for information
respecting a Board meeting on October the 19th.

00112

1

2 And in the information that was provided to the
3 Board for that meeting, there was information
4 respecting the cost overrun. There was not a
5 specific request for that.

6 COUNCILWOMAN TASC0: And who took the
7 information to the Board meeting?

8 MS. POZEFSKY: Who brought the
9 information to the Board meeting?

10 COUNCILWOMAN TASC0: Mm-hmm.

11 MS. POZEFSKY: There was a Board book
12 that was prepared by me.

13 COUNCILWOMAN TASC0: Mm-hmm. And who
14 presented it to the Board?

15 MS. POZEFSKY: It was presented to the
16 Board by me and by Mr. Hayllar.

17 COUNCILWOMAN TASC0: So prior to
18 October 19th, you mean the Board had no knowledge
19 of the cost overrun? And this has been going on a
20 long time with the IT system. There was no
21 information given to the Board, they had no idea
22 what was going on with the IT system until October
23 19th?

24 MS. POZEFSKY: What the Board knew
25 prior to October 19th and what the authorizations

00113

1

2 consisted of were these. There was an initial
3 authorization for the contract for \$9.75 million,
4 and that was in 1997 that that occurred. At that
5 time, the contract request was reviewed by the
6 Board and it was approved.

7 The Board had a policy in effect at
8 that time, which was changed last year, that if a
9 contract was more than a million dollars, it
10 needed to be approved by the Board. Last year, it
11 was reduced to \$500,000.

12 In every month, in every Board book,
13 there is -- any contract that is exceeding the
14 amount of a \$500,000 contract or a \$500,000
15 overrun is supposed to be presented to the Board.
16 The last that the Board saw with respect to the
17 authorization on the SPL contract, which is the
18 primary BCCS contract, was the authorization that
19 the Board gave in 1997 for the \$9.75 million.

20 COUNCILWOMAN TASC0: Well, the Board
21 submits to us a budget each year and it's supposed
22 to be done as of last year. And any
23 correspondence or requests coming to the
24 Commission comes with a resolution. Does that
25 mean they sent us a resolution with a budget that

00114

1

2 they hadn't reviewed? Wouldn't they have seen the
3 cost overrun in the budget?

4 MS. POZEFSKY: They certainly approved
5 the resolution and they certainly saw the Capital
6 Budget. The Capital Budget doesn't have a
7 reference point back to individual contracts or
8 individual projects with what was initially
9 authorized and what is then subsequently

10 authorized. In other words, there's no reference
11 point, there's nothing that says \$9.75 million,
12 authorized \$18 million and counting spent. So
13 although the Capital Budget was approved, it was
14 not approved with reference back to what the
15 original categories of authorized spending were.

16 And, again, the Board's assumption is
17 that on individual contracts, they have demanded
18 approval of anything over \$500,000. And their
19 assumption is that if there is an overrun, it's
20 the responsibility of the CEO or the COO to come
21 back to the Board with that information for an
22 additional Board authorization.

23 COUNCILWOMAN TASC0: And to Council and
24 to the Commission?

25 MS. POZEFSKY: Absolutely, and to

00115

1

2 Council and to the Commission.

3 COUNCILWOMAN TASC0: And did that
4 happen?

5 MS. POZEFSKY: It did not.

6 COUNCILWOMAN TASC0: Mr. Hayllar, since
7 you were the acting CEO, why were we not informed
8 and why was not the Board informed?

9 MR. HAYLLAR: The Board was informed as
10 soon as the information was compiled. As I told
11 you, the corporate counsel and myself and others
12 were trying to get the information. It was not
13 made readily available. When it was finally
14 compiled --

15 COUNCILWOMAN TASC0: You were trying to
16 get the information from whom?

17 MR. HAYLLAR: The IT section.

18 COUNCILWOMAN TASC0: Okay. So they
19 couldn't give you -- how long did it take you to
20 get the information? Sounds like us, right, when
21 we ask you for information and can't get it?

22 MR. HAYLLAR: About four months.

23 COUNCILWOMAN TASC0: Okay. So how long
24 did it take you --

25 MR. HAYLLAR: About four months.

00116

1
2 COUNCILWOMAN TASC0: -- to get the
3 information?
4 MR. HAYLLAR: Much of it came from the
5 vendor.
6 COUNCILWOMAN TASC0: But --
7 MR. HAYLLAR: Much of it came from the
8 vendor.
9 COUNCILWOMAN BLACKWELL: Well, I'm back
10 to the original question that the Councilwoman
11 asked, which was, how did the DA know to
12 investigate anything? I'm still waiting for that
13 answer.
14 MR. HAYLLAR: The DA's investigation
15 started on September 30, 1998. It was generated
16 by stories that appeared in the Daily News.
17 It has been pervasive. They have been
18 in residence in the building almost continually.
19 They have had tens of thousands of documents
20 subpoenaed and sent over to them. They have
21 interviewed before the grand jury scores of our
22 people, including the Board members.
23 MS. POZEFSKY: Madam Chair, if I may,
24 if I may. Apparently there is a simpler
25 explanation, and I'm reminded of it.

00117

1

2

On October the 22nd, Mr. Martin was placed on administrative leave, and that was announced in the newspaper. It was at that point, the District Attorney asked us to provide materials that had been provided to the Board on which the administrative leave was prefaced. So that's how the District Attorney -- that's -- apparently, the timing of it would suggest that that's how she learned about it.

10

11

COUNCILWOMAN TASC0: I thought you said that it was given to her October 19th.

12

13

MS. POZEFSKY: The first Board meeting was October 19th, the continuation of the Board meeting was October 21st. The materials were provided after the administrative leave on October the 22nd, I believe.

14

15

16

17

18

COUNCILWOMAN TASC0: But you gave it to her October 19th?

19

20

MS. POZEFSKY: No, I'm sorry. That was the Board meeting. The Board materials of October 19th, they were provided to her subsequent to that date.

21

22

23

24

COUNCILWOMAN TASC0: So she called you after she read in the paper that he was leaving.

25

00118

1

2 MS. POZEFSKY: I'm not sure whether it
3 was a call or not. David Gressing (ph.) in our
4 office is the one who handles those matters.

5 COUNCILWOMAN TASC0: Well, why would
6 she ask you about cost overruns? Did she think it
7 was a criminal matter, a criminal issue?

8 MS. POZEFSKY: I'm sorry. As I think
9 I've said, it --

10 COUNCILWOMAN TASC0: Have you all
11 determined that it's criminal?

12 MS. POZEFSKY: No, we have not. It's
13 not within our purview to determine whether it's
14 criminal.

15 COUNCILWOMAN TASC0: Do you plan to
16 have an investigation as to why the cost overrun
17 exists and who was responsible prior to the
18 dismissal of Mr. Martin? Was there an internal
19 investigation to establish that he was solely
20 responsible for it?

21 MS. POZEFSKY: There was a --

22 COUNCILWOMAN TASC0: What is your
23 process by which you, Mr. Hayllar, and the Board
24 dismissed Mr. Martin? Was there an internal
25 investigation?

00119

1

2 MS. POZEFSKY: There was a --

3 COUNCILWOMAN TASC0: Was there a

4 detailed internal investigation as to who was
5 responsible for the cost overrun?

6 See, we have a CEO, who is a former
7 Finance Director of the City, who was a member of
8 the Board, who knows absolutely nothing about
9 what's going on over at PGW.

10 Thank you. I'm finished.

11 COUNCILWOMAN BLACKWELL: You can't
12 answer that question, Mr. Hayllar, either?

13 MR. HAYLLAR: I've answered that
14 question.

15 COUNCILWOMAN BLACKWELL: Well, would
16 you repeat the answer, please.

17 MR. HAYLLAR: She wants to know why the
18 District Attorney found out about this?

19 COUNCILWOMAN BLACKWELL: The entire
20 committee would like to know, sir.

21 MR. HAYLLAR: I think we've answered
22 that question. We have had countless records
23 subpoenaed and sent over to the District
24 Attorney's Office. She has had before the grand
25 jury scores of our people, including --

00120

1
2 COUNCILWOMAN BLACKWELL: The question
3 I'm asking is --
4 MR. HAYLLAR: Please let me finish.
5 COUNCILWOMAN BLACKWELL: The question
6 I'm asking is --
7 MR. HAYLLAR: Please let me finish.
8 COUNCILWOMAN TASC0: The question I'm
9 asking is, was there an internal investigation to
10 establish responsibility for the cost overrun for
11 the IT system? And on what basis was Mr. Martin
12 given to the Board for dismissal? That's the
13 question I want to have answered.
14 MS. POZEFSKY: There was a series of
15 memos that were prepared and that were given to
16 the Board, and on October the 19th, there was the
17 Board booklet that indicated that --
18 COUNCILWOMAN TASC0: What was the
19 process for termination of Mr. Martin? Was there
20 an internal investigation to establish that he was
21 solely responsible for the cost overrun of the
22 system? What was the determination on why he was
23 let go?
24 MR. HAYLLAR: Because he had the
25 company pay for improvements to his own private

00121

1

2 residence, and that's wrong.

3 COUNCILWOMAN TASC0: What was the
4 internal investigation to prove that? Was there a
5 hearing, was there a process by which that was
6 established? Did he have an opportunity to answer
7 and to defend himself before the Board?

8 MS. POZEFSKY: The process on this,
9 Councilwoman, was that on October the 19th, the
10 Board had a meeting in which the initial materials
11 were reviewed. And on --

12 COUNCILWOMAN TASC0: Did Mr. Martin
13 have an opportunity to go before the Board --

14 MS. POZEFSKY: Yes.

15 COUNCILWOMAN TASC0: -- and defend
16 himself?

17 MS. POZEFSKY: Yes, he did. On October
18 the 21st, the Board met again to review the
19 materials and to speak with Mr. Martin. Mr.
20 Martin did have an opportunity to defend himself.

21 I was not present at that meeting but
22 my understanding is that he spoke with the Board
23 for an extensive period of time. The Board met
24 that day between 2 in the afternoon and quarter
25 till 8 at night. So my understanding is that he

00122

1

2 had an opportunity at that point to speak directly
3 with the Board members.

4 COUNCILWOMAN BLACKWELL: Was he
5 informed as to the intent of this meeting and what
6 the allegations were, what the charges were?
7 Again, we go back to process.

8 MS. POZEFSKY: My understanding is that
9 he was.

10 COUNCILWOMAN BLACKWELL: I don't think
11 so.

12 Mr. Hayllar, you said you have been
13 around since 1994? And we are -- we have to
14 question? My goodness, we've been talking process
15 for the last 15 minutes, and you have no
16 information that you can give us specifically as
17 to how any of this happens, with all of these
18 people who are announced that they have been let
19 go or somehow forced out, and this public record
20 can't indicate anything with regard to process and
21 what PGW does and how and why?

22 MR. HAYLLAR: If people wish to conceal
23 things, they will conceal them until they're
24 discovered, and they were discovered.

25 COUNCILWOMAN BLACKWELL: But I'm

00123

1
2 talking about you with your record with regard to
3 PGW since 1994. You've been involved with PGW, by
4 your own admission today, since 1994. How could
5 we ask all these questions and you have not have
6 answers and just continue to accuse people and
7 take the ratepayers' money?

8 MR. HAYLLAR: I have not accused anyone
9 of --

10 COUNCILWOMAN BLACKWELL: If this were a
11 private company, maybe we could have a different
12 discussion, but we have a public responsibility
13 here, and that is why we're taking it so
14 seriously. And we still get no answers. And you
15 think that we're going to pass a budget of this
16 size with no answers? That we are not responsible
17 to the people of this city? I don't think so.

18 We have absolutely no intentions of
19 passing a budget without think answers, without
20 information that makes since so that we can
21 justify what we do. We will not take dollars from
22 unemployed people, from poor, ill seniors and
23 others in this city who are having a hard time
24 making ends meet when we can't justify why we're
25 doing it. We won't do it, sir, will not do it.

00124

1
2 Councilman Cohen?
3 COUNCILMAN COHEN: I was struck during
4 the newspaper articles that many people, or a
5 number of people seem to state that what Mr. Hawes
6 and Mr. Martin specifically did -- well, it was
7 Mr. Hawes, I don't know whether it was Mr. Martin
8 at the time -- whether they specifically followed
9 industry practices. Do you remember that?
10 MR. HAYLLAR: I believe they made that
11 statement, yes.
12 COUNCILMAN COHEN: Is there anything
13 that would --
14 MR. HAYLLAR: I don't believe that --
15 COUNCILMAN COHEN: Did you ever find
16 out whether it was the industry practice?
17 MR. HAYLLAR: Depending on the --
18 COUNCILMAN COHEN: Well, they had come
19 from the private sector, hadn't they?
20 MR. HAYLLAR: Yeah.
21 COUNCILMAN COHEN: I don't think that
22 in the private sector, that some of the things
23 that they did would be tolerated under
24 circumstances. They're perhaps more tolerant than
25 we are, but this is a publicly-owned utility and

00125

1
2 the highest standards have to be applied, and they
3 weren't done. And I don't think the --
4 COUNCILMAN COHEN: Well, I --
5 MR. HAYLLAR: And I don't think
6 industry standard permits free work being done on
7 personal residences.
8 COUNCILMAN COHEN: Permits what?
9 MR. HAYLLAR: Free work, having the
10 company pay for improvements to a private
11 residence. I just don't think that's tolerated
12 anywhere.
13 COUNCILMAN COHEN: Well, do you know?
14 I mean, you say you think it's not done, but
15 you've been in the public sector for a long time,
16 where everything is scrutinized.
17 MR. HAYLLAR: Yeah. I don't -- I can't
18 think of any -- and Gregory Driscoll has stated
19 in, I think, the same article that you read that
20 he had never heard of such a thing. And to say
21 that it's somehow an industry practice, I think,
22 is a serious mistake. And it should not be
23 tolerated.
24 COUNCILMAN COHEN: Well, even if it
25 were the industry standard --

1

2 MR. HAYLLAR: The quote was that it was
3 not, and I don't believe anyone would countenance
4 doing that. And if it were industry practice in
5 the private sector -- and, obviously, it's not the
6 norm in the public sector and it's not something
7 we should countenance. We should not be allowing
8 ratepayers to pay for improvements to a private
9 residence.

10 COUNCILMAN COHEN: Well, I just find it
11 an area of doubt where there is industry practice,
12 and then we, from the public sector, say we've got
13 to get private-industry people who have experience
14 and know how to operate things better than
15 government people, 'cause that's what the saying
16 is most of the time, and then you have them follow
17 the industry practice and then condemn them for
18 it. I mean, maybe it's not a wise policy and
19 maybe it ought not to be followed, but if it is
20 followed --

21 MR. HAYLLAR: Again, we have no reason
22 to believe that a private sector would tolerate
23 the kind of behavior that we had seen in numerous
24 instances from some of those people. It's just
25 not done in any ethical society.

00127

1
2 COUNCILMAN COHEN: I wish I could share
3 your confidence.
4 COUNCILWOMAN BLACKWELL: Thank you very
5 much.
6 Are there any other questions?
7 (No further questions.)
8 COUNCILWOMAN BLACKWELL: Then this
9 hearing will be recessed subject to the call of
10 the Chair.
11 Excuse me, before we do, yes, Reverend
12 Shine?
13 (Reverend Shine returns to witness
14 table.).
15 COUNCILWOMAN BLACKWELL: Just identify
16 yourself again for the record, if you would,
17 Reverend Shine.
18 REVEREND SHINE: Thank you for this
19 renewed privilege. I'm Reverend Robert Shine,
20 Vice President of the Black Clergy, also serving
21 as the Chairman of the Civic and Social Committee
22 of Black Clergy.
23 Madam Chairman, for the record's sake,
24 it was not my intent at this table to imply that
25 the union could possibly have threatened the home

00128

1
2 or the family of the persons now in question. I
3 cited what has happened in previous experiences
4 where I personally was involved from the corporate
5 community. I think it was a unwise remark that
6 was made before this Council to suggest that I had
7 any knowledge that this union would be threatening
8 the home of Mr. Martin or any other person --
9 leading me to another point that I'd like to make.

10 At the senior vice presidency level,
11 all of us are much aware that there is an
12 authorization, a budget authorization, that
13 requires his signature and his signature alone.
14 If, in fact, I was the senior vice president of an
15 organization, my responsibility may include having
16 a million-dollar budget, but I could sign up to a
17 million dollars because of my position in the
18 company.

19 It is not unusual, Madam Chairman, it
20 is not unusual for there to be some maintenance of
21 security. As a matter of fact, it is consistent
22 with if you employed me and I came to you from
23 another state and part of my package in coming
24 here was that the company that I'm going to be
25 employed with would provide me residence or assist

00129

1
2 me in relocating, and I said that included in that
3 relocation would be these factors that I would
4 want to be considered, and if it, in fact, those
5 factors were agreed upon and they were of the
6 nature that my family and I were comfortable with,
7 then that would be part of my agreement to come,
8 my contract. If I were not satisfied and I
9 decided to make some changes or improve and modify
10 those conditions, certainly, it is within the
11 realm and the scope of what my role is because of
12 understanding my leadership.

13 In the case of Mr. Martin, Mr. Martin
14 came to Philadelphia, as I understand it, because
15 he was asked to come. He never sought this
16 position but was asked to come.

17 I believe that if we understood what
18 the contractual arrangement was and that it
19 included certain perks, some benefits that he
20 would be entitled to as a vice president, then of
21 course, if there was some modifications -- not
22 that they were going to renovate his home -- I
23 believe the issue is a security system -- what is
24 the cost of a security system.

25 I further want to make this

00130

1
2 observation, and that is that if this is a
3 criminal action and if this criminal action was
4 started because of something read in the
5 newspaper, how many people would I be asking the
6 District Attorney to bring action against? If
7 this information was forwarded over on the grounds
8 of suspicion and, therefore, wanted to bring in
9 the District Attorney's Office and the District
10 Attorney decided to take some action, it is not
11 based on some hypothetical or some just
12 intuition. It's based on something that was
13 placed in that person's hands, the District
14 Attorney's hands.
15 The District Attorney does not have
16 that role, I believe. I don't believe that it was
17 in the jurisdiction of the policy of her office,
18 unless she is asked to come into it. And then
19 perhaps by protocol -- protocol being that upon a
20 written request from either the Council, upon a
21 written request from the Mayor's Office, perhaps
22 from the Solicitor or from some other office, a
23 request that there be an investigation in this
24 matter, if this was an internal problem, as I have
25 aforestated, whereby mismanagement did not begin

00131

1
2 nor conclude with Mr. Martin, there are other
3 extenuating reasons about this.
4 And I would beg this body -- this
5 hearing to give consideration to the voice of the
6 people of this city. I speak for the clergy, of
7 course, but the people of this city deserve. No
8 longer should we be tolerant but intolerant of
9 those actions at will because there's the feelings
10 of those that would take these courses of action.
11 We must have prudence and wisdom and we must have
12 justice and fairness for all.
13 And until and unless that's done, then,
14 Madam Chair, I'm asking you respectfully if you
15 would withhold any action on this legislation.
16 Thank you once again.
17 COUNCILWOMAN BLACKWELL: Reverend
18 Shine, may I ask you a question. Did you request
19 a meeting on behalf of yourself and the Black
20 Clergy of Philadelphia and the city, the most
21 respected religious group, one of them in our
22 city, did you request a meeting with Mr. Hayllar?
23 REVEREND SHINE: Yes, I did.
24 COUNCILWOMAN TASCO: At the Gas
25 Commission?

00132

1

2 REVEREND SHINE: Yes, I did.

3 COUNCILWOMAN BLACKWELL: And what was
4 your response?

5 REVEREND SHINE: The secretary, when I
6 phoned the office, it became the bureaucratic way,
7 and I asked her if I would please be privileged to
8 speak with Mr. Hayllar. I finally prevailed, but
9 I understood the consternation from the voice that
10 was used by the secretary, or whomever it was that
11 answered the phone -- presumably his secretary.

12 Mr. Hayllar returned my call. Then he
13 offered a date of Wednesday, at 9 a.m., in which
14 we could have such a meeting.

15 The clergy meets Monday and Tuesday.
16 The Philadelphia conference meets. I took that
17 knowledge, and I tried unsuccessfully on Friday
18 evening to reestablish a point of contact with
19 Mr. Hayllar.

20 Being unsuccessful, the issue was
21 brought to the clergy conference. They
22 unanimously did not agree that the Wednesday date
23 was satisfactory, inasmuch as we had been informed
24 that there would be some action taken against Mr.
25 Martin on Tuesday, today.

00133

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

We, therefore, urgently wrote him a letter and sent it by Express Mail in the hope that he would receive our plea to meet with us prior to a meeting today for some course of action. So, in fact, yes, to answer your question. I was giving the scenario of how things did occur.

And I phoned again to -- Mr. Hayllar returned the call in my absence as I am involved in the Public Education and Communities of Faith Conference. And so in an attempt to reach him again, then the decision of the clergy, the unanimous decision, was that in the event that you are unsuccessful in reaching Mr. Hayllar, then we should take another course of action, which we attempted to do.

COUNCILWOMAN BLACKWELL: Thank you very much.

REVEREND SHINE: Thank you.

COUNCILWOMAN BLACKWELL: Thank you again, Reverend Shine.

Mr. Hayllar, would you again come back to the witness stand?

(Mr. Hayllar returns to witness table).

00134

1

2 COUNCILWOMAN BLACKWELL: May I assume
3 then that you know of this organization, know of
4 their work in this city and that they wanted to
5 meet with you?

6 MR. HAYLLAR: Yes. And I have an
7 appointment with them at 9 o'clock tomorrow.

8 COUNCILWOMAN BLACKWELL: Well, then may
9 I ask you, why was there a meeting this morning
10 given the fact that we had this hearing at 10?
11 Why was there a meeting this morning? The rumors
12 were flying all around yesterday. So why, then,
13 was not time granted for this meeting? And why
14 was there a meeting this morning to make a
15 decision to send Mr. Martin a letter firing him
16 before this complete hearing even started?

17 MR. HAYLLAR: The Board set the time of
18 their meeting, and I'm not a member of the Board.

19 COUNCILWOMAN BLACKWELL: Please, Mr.
20 Hayllar, please, please. At least we can act in
21 good faith here.

22 MR. HAYLLAR: I am not a member of the
23 Board and --

24 COUNCILWOMAN BLACKWELL: It's
25 absolutely insulting.

00135

1
2 MR. HAYLLAR: That was the --
3 COUNCILWOMAN BLACKWELL: Please. We
4 all heard it yesterday, we all heard it
5 yesterday. And even when the Black Clergy asked
6 to meet, that they were given a Wednesday date so
7 you could try to do that today, which you also
8 tried to do even before our hearings started so
9 that if we dealt with the issue, it would be moot.
10 Please, let's not insult one another's
11 intelligence.
12 It's absolutely unconscionable when we
13 are acting in the public faith. This is not your
14 company or for you folks over there. This belongs
15 to the public trust. It is so top-heavy and has
16 been traditionally, and yet we continue to have
17 problems and continue to have no answers.
18 So we now have six issues on the
19 table. And one of them is the whole issue
20 specifically of Mr. Martin, the disrespect shown
21 members of our Philadelphia community. And we are
22 asking that this whole issue be reviewed so that
23 we understand just what is going on and feel that
24 everybody paid with public dollars, as was Mr.
25 Martin, that the entire issue is one where the

00136

1

2 public is satisfied that right has been done.

3 And so we are asking that until this

4 issue is cleared up, that no definite decision be

5 made without inclusion and full airing before this

6 committee in that regard. That's from him as

7 employee and whatever other people are involved in

8 all of this whole decision. That is the Chair's

9 recommendation.

10 Are there any other questions from

11 members of the committee?

12 (No further questions.)

13 COUNCILWOMAN BLACKWELL: Is there

14 anyone else here who would like to testify?

15 (No response.)

16 COUNCILWOMAN BLACKWELL: All right.

17 Then this hearing is adjourned subject to the --

18 recessed subject to the call of the Chair.

19 (Adjourned at 1:00 p.m.)

20 - - -

21

22

23

24

25

00137

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

C E R T I F I C A T E

I HEREBY CERTIFY that the foregoing
proceedings of the Council of the City of
Philadelphia of Tuesday, November 9, 1999, were
reported fully and accurately by me, and that this
is a correct transcript of same.

RE: COUNCIL COMMITTEE ON FINANCE
BILL NO. 990712

_____,
JOSEPHINE CARDILLO,
Registered Professional Reporter

