

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON FINANCE

Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, March 8, 2011
1:25 p.m.

PRESENT:

COUNCILWOMAN MARIAN B. TASCO, CHAIR
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN FRANK DiCICCO
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN WILLIAM K. GREENLEE
COUNCILWOMAN BLONDELL REYNOLDS BROWN

BILL 110001 - An Ordinance amending Bill No. 100307, entitled "An Ordinance approving the Fiscal Year 2011 Capital Budget providing for expenditures for the capital purposes of the Philadelphia Gas Works"...

BILL 110109 - An Ordinance authorizing the continuation and modification of the extended trial program authorized by Bill No. 090003 by establishing an Authorized Program under which advance approval is given to the Philadelphia Facilities Management Corporation to enter into certain contracts...

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2 COUNCILWOMAN TASC0: Good
3 afternoon. I'd like to call the Council
4 Committee on Finance to order and note
5 that there is a quorum in the presence of
6 Councilmembers Blondell Reynolds Brown,
7 Bill Greenlee, Wilson Goode, Jr. and
8 Jannie Blackwell and yours truly, and
9 Frank DiCicco, who just popped in. Thank
10 you.

11 It's either feast or famine.
12 Good for the feast.

13 Let us move forward and have
14 the Clerk read the title of the bill.

15 THE CLERK: Bill No. 110001, an
16 Ordinance amending Bill No. 100307,
17 entitled "An ordinance approving the
18 Fiscal Year 2011 Capital Budget providing
19 for expenditures for the capital purposes
20 of the Philadelphia Gas Works (including
21 the supplying of funds in connection
22 therewith) subject to certain constraints
23 and conditions, and acknowledging receipt
24 of the Forecast of Capital Budgets for
25 Fiscal Years 2012 through 2016," by

1 3/8/11 - FINANCE - BILLS 110001 & 110109
2 approving a Revised Capital Budget for
3 Fiscal Year 2011.

4 Bill No. 110109, an Ordinance
5 authorizing the continuation and
6 modification of the extended trial
7 program authorized by Bill No. 090003 by
8 establishing an Authorized Program under
9 which advance approval is given to the
10 Philadelphia Facilities Management
11 Corporation to enter into certain
12 contracts and transactions arising
13 thereunder for the purchase, storage,
14 distribution, transportation and/or
15 transmission of natural and other gas
16 supply on behalf of the Philadelphia Gas
17 Works, subject to certain terms and
18 conditions.

19 (Witnesses approached witness
20 table.)

21 COUNCILWOMAN TASCO: Thank you
22 very much.

23 The Chair recognizes the two
24 witnesses before us.

25 Would you state your name for

1 3/8/11 - FINANCE - BILLS 110001 & 110109
2 the record and begin your testimony on
3 Bill 110001.

4 MS. PARRISH: Thank you,
5 Chairwoman Tasco. My name is Janet
6 Parrish. I'm the Executive Director of
7 the Philadelphia Gas Commission.

8 MR. GALLAGHER: Good afternoon.
9 I'm William Gallagher. I'm Director of
10 Budget Reporting for the Philadelphia Gas
11 Works.

12 COUNCILWOMAN TASCO: Thank you.

13 MS. PARRISH: Thank you for the
14 opportunity to appear today on behalf of
15 the Gas Commission in support of this
16 bill. We have submitted written
17 testimony, which I'm not going to read,
18 but attached to that testimony is a copy
19 of the Gas Commission's Resolution and
20 Order in this matter, which was approved
21 at its January 18th, 2011 meeting.

22 We are urging approval of the
23 bill, which reflects the Gas Commission's
24 recommendations in this matter for an
25 amendment to PGW's Fiscal Year 2011

1 3/8/11 - FINANCE - BILLS 110001 & 110109
2 Capital Budget. We will also be
3 requesting a suspension of the rules so
4 the bill may have first reading at the
5 next session of Council.

6 As is detailed in the
7 testimony, just briefly, we are
8 recommending a \$1.168 million amendment
9 to the approved Capital Budget, and this
10 would support a project which will
11 deliver gas service to the Philadelphia
12 Water Department's biosolids treatment
13 facility, which I think you're familiar
14 with from much prior discussion in
15 Council. What's needed at this point is
16 to do certain expansions to the City Gate
17 Station where the interstate pipeline
18 connects to PGW's system in order to
19 provide the gas service required to
20 service the facility and also be -- there
21 will be a requirement to install
22 additional high-pressure gas mains. And
23 so that is what this amendment would
24 support.

25 PGW does anticipate that 100

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2 percent of the cost of this project will
3 be reimbursed by third parties. There is
4 a little bit of a question mark on some
5 of that, so that's why we're bringing
6 forward the budget amendment, just to
7 protect PGW in the event that costs may
8 vary slightly from the cost estimates.

9 And this project will benefit
10 PGW ratepayers by generating some
11 \$300,000 a year in new revenues.

12 Now, relatedly, as is our
13 custom, we have taken a hard look at what
14 the DBE participation goals would be in
15 conjunction with this project. PGW has
16 established goals that are in the range
17 of 25 to 35 percent for this particular
18 project, of which 15 to 20 percent is the
19 range for MBEs and 10 to 15 percent for
20 WBEs. About 70 percent of the total
21 project cost does represent internal PGW
22 costs as well as the highly specialized
23 equipment, for example, to do the
24 upgrades at that interstate gate station
25 that I mentioned. But there is a DBE

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2 participation opportunity for \$331,000 of
3 the total project cost.

4 And for your information, the
5 Gas Commission has continued to require
6 quarterly updates on PGW's attainment of
7 its stated DBE participation goals.
8 We've also been meeting quarterly with
9 the City's Office of Economic
10 Opportunity.

11 You may recall that PGW's goal
12 for Fiscal '11 was in the range of 17 to
13 21 percent, and to date -- that's the
14 first five months of the fiscal year --
15 they are at 19 percent. That is actual
16 spending, by the way, not just a contract
17 amount which may or may not result in
18 actual expenditures.

19 So that's the gist of the
20 project. PGW also has submitted written
21 testimony in this matter which provides
22 additional detail, and we're happy to
23 answer any questions you may have.

24 COUNCILWOMAN TASCO: Thank you.

25 Are there any questions?

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2 (No response.)

3 COUNCILWOMAN TASC0:

4 Mr. Gallagher, you want to say anything?

5 MR. GALLAGHER: No. Our
6 testimony I think covers the whole
7 subject.

8 COUNCILWOMAN TASC0: Well, we
9 thank you very much for your testimony.

10 Janet, we thank you and PGW for
11 having such a good, collaborative
12 relationship and working towards the --
13 bringing PGW working together on the
14 issues that come before us as a
15 Commission and that have to come before
16 this Council, and certainly know you took
17 heed to the questions that the Committee
18 asked around minority participation a
19 couple years ago and took the initiative
20 to move forward to take action to develop
21 your own goals. So we appreciate that.

22 MS. PARRISH: Thank you.

23 MR. GALLAGHER: Thank you.

24 COUNCILWOMAN TASC0: Now we
25 will hear testimony on Bill 110109.

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2 (Witness approached witness
3 table.)

4 COUNCILWOMAN TASC0: Good
5 afternoon.

6 MS. PARRISH: Good afternoon.
7 Once again, I'm Janet Parrish, the
8 Executive Director of the Philadelphia
9 Gas Commission.

10 MR. MOSER: I'm Douglas Moser,
11 Senior Vice-President of Gas Management
12 at PGW.

13 COUNCILWOMAN TASC0: Okay.

14 MS. PARRISH: Good afternoon,
15 Chairwoman Tasco and members of the
16 Committee. We have submitted written
17 testimony in support of the ordinance,
18 passage of the ordinance before you.
19 Again, I will not read that testimony,
20 but it does contain attached to it as an
21 appendix the Gas Commission's Resolution
22 and Order in this matter, with a
23 recommended form of ordinance, which
24 matches the bill that is before you.
25 These recommendations to City Council

1 3/8/11 - FINANCE - BILLS 110001 & 110109
2 were unanimously approved at the Gas
3 Commission's meeting on February 8th,
4 2011. So we are urging approval of this
5 bill, together with a suspension of the
6 rules so it may have first reading at the
7 next session of Council.

8 Just briefly, the bill is a
9 continuation of work that we have done
10 with City Council and others regarding
11 PGW's gas purchase/procurement contracts
12 and a series of ordinances that this
13 Council has approved since the year 2004,
14 and what we have done is provided a trial
15 program whereby PGW's gas purchase
16 agreements could be pre-approved by this
17 Council so long as they fell within
18 certain constraints and conditions. This
19 program has been renewed a year at a
20 time, two years at a time. We have found
21 overall that it's worked very
22 successfully to enable PGW to have the
23 flexibility it needs to go out and
24 purchase gas in a dynamic market and
25 still preserve accountability, reporting

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2 to the stakeholders, the Gas Commission,
3 City Council, the Mayor, the City
4 Solicitor, as the case may be.

5 So we are now before you
6 recommending a further extension of this
7 program, but we really don't think we
8 need to regard it as a trial program
9 anymore, and we're proposing that it be
10 renewed at this point for a four-year
11 period of time. If the case should be
12 that we would need to make some changes
13 to it, we could always come back to
14 Council or Council could always amend the
15 ordinance, but we think it would be a
16 good use of everyone's resources at this
17 time if we didn't need to come back in
18 two years again.

19 Each time the ordinance has
20 come up for renewal, we've carefully
21 reviewed it, together with all the City
22 stakeholders, to see what, if any,
23 modifications were required. In this
24 particular time, we are suggesting
25 several modifications, which are detailed

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2 in my written testimony.

3 Just to give you a brief sense
4 of those, we are proposing that the
5 ordinance would recognize that ancillary
6 contracts where PGW may contract with a
7 third party to manage some of its gas
8 storage capacity would be considered to
9 be within the rubric of this framework.

10 Secondly, we would be reducing
11 PGW's ability to outsource procurement of
12 its gas supply from 50 percent of its
13 volumes down to 30 percent of its
14 volumes. In other words, this actually
15 constrains PGW's ability to go out to a
16 third party and have them manage any of
17 its gas buying without coming for
18 approval by this Council.

19 Third, we would want to confirm
20 that PGW is allowed to use some of its
21 revenues from sale of excess capacity for
22 capital improvements so long as that is
23 something that is within their approved
24 gas cost rate filing by the PUC.

25 And, finally, the ordinance

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2 would institutionalize the process
3 whereby the Gas Commission has acted more
4 or less as the overseer of implementation
5 of the ordinance, and if in fact there
6 would be a situation where we would
7 identify there might possibly have been a
8 violation of the ordinance or potential
9 violation, the Gas Commission would be
10 charged with bringing that to the
11 attention of the City Solicitor, City
12 Council, et cetera, and that really just
13 codifies the process we've already been
14 using, which has worked very well, we
15 think, in identifying any problems which
16 have arisen, which actually have been
17 quite few. I can count them on just a
18 couple fingers. So since 2004, we think
19 that's a pretty good track record, that
20 this framework has really worked very
21 effectively.

22 On another related topic, I'm
23 glad to report to you that we have taken
24 a first-time look at DBE participation in
25 terms of PGW's gas procurement

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activities. This is a very specialized area of purchasing, and there are obviously just so many suppliers out there who are generally national, sometimes multi-national corporations, but we felt that it was important to take a good hard look at whether or not it was possible to increase participation in this area of PGW's purchasing. And I'm glad to report that as a result of the Gas Commission's actions and directives in this matter, we anticipate that very shortly there will be an EOP, an economic opportunity plan, issued by the City's Office of Economic Opportunity that pertains to PGW's gas procurement activities, and also PGW has already undertaken, with the assistance of a consultant, a good hard look and research out into the market to see if they can identify any potential suppliers who could be brought within this program. So we hope to have a status report on that. I believe it's due to the Gas Commission

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2 on March 15th.

3 So, again, we are continuing to
4 bring that diligent attention to this
5 issue in a new area, and we're ready to
6 answer any questions you may have.

7 Thank you.

8 COUNCILWOMAN TASC0: Do you
9 have any comments, Mr. Moser?

10 MR. MOSER: No. I've submitted
11 written testimony, so any questions you
12 have, I'd be glad to answer.

13 COUNCILWOMAN TASC0: Any
14 questions?

15 (No response.)

16 COUNCILWOMAN TASC0: Comments?

17 (No response.)

18 COUNCILWOMAN TASC0: Well, you
19 come in so well prepared.

20 MS. PARRISH: Thank you.

21 COUNCILWOMAN TASC0: And at any
22 time a member of the Committee needs an
23 update or information relative to what's
24 happening with PGW or the Gas Commission,
25 Janet Parrish is always available to come

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2 and meet with you on an individual basis
3 to share what -- because it's a very
4 highly technical kind of department, but
5 they're always willing to come and share
6 information and answer any questions that
7 you may have regarding activities at the
8 Commission and/or PGW.

9 MS. PARRISH: Be happy to do
10 it. Thank you.

11 COUNCILWOMAN TASCO: Thank you
12 very much.

13 MS. PARRISH: Thank you.

14 COUNCILWOMAN TASCO: This ends
15 our public hearing. We'll now go into
16 our public meeting.

17 The Chair now recognizes
18 Councilwoman Blackwell to report out Bill
19 No. 110001 with a favorable
20 recommendation and suspension of the
21 rules.

22 COUNCILWOMAN BLACKWELL: Thank
23 you, Madam Chairman. I move that Bill
24 No. 110001 be reported out of Committee
25 with a favorable recommendation and also

1 3/8/11 - FINANCE - BILLS 110001 & 110109
2 for a suspension of the rules so that it
3 may be considered at our next session of
4 Council.

5 (Duly seconded.)

6 COUNCILWOMAN TASC0: It has
7 been moved and seconded that Bill 110001
8 be reported out of Committee with a
9 favorable recommendation and a
10 recommendation for the Council rules to
11 be suspended so this bill can be heard at
12 its next Council session.

13 All in favor will say aye.

14 (Aye.)

15 COUNCILWOMAN TASC0: Is there
16 any opposition?

17 (No response.)

18 COUNCILWOMAN TASC0: There
19 being none, the motion is carried.

20 The Chair recognizes
21 Councilwoman Blackwell regarding Bill
22 110109.

23 COUNCILWOMAN BLACKWELL: Thank
24 you, Madam Chairman. This Committee
25 reports out Bill 110109 with a favorable

1 3/8/11 - FINANCE - BILLS 110001 & 110109
2 recommendation -- in fact, I move that
3 Bill No. 110109 be reported out of
4 Committee with a favorable recommendation
5 and also a recommendation for suspension
6 of the rules so as to permit
7 consideration at our next session of
8 Council.

9 (Duly seconded.)

10 COUNCILWOMAN TASC0: It has
11 been moved and properly seconded that
12 Bill 110109 be reported out of Committee
13 with a favorable recommendation and
14 recommendation that the Council rules be
15 suspended so that this bill can be heard
16 at Council's next session.

17 All in favor will say aye.

18 (Aye.)

19 COUNCILWOMAN TASC0: Is there
20 any opposition?

21 (No response.)

22 COUNCILWOMAN TASC0: There
23 being none, the motion is carried, and
24 this meeting is adjourned.

25 Thank you.

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2 (Committee on Finance concluded

3 at 1:40 p.m.)

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1
2 CERTIFICATE

3 I HEREBY CERTIFY that the
4 proceedings, evidence and objections are
5 contained fully and accurately in the
6 stenographic notes taken by me upon the
7 foregoing matter on March 8, 2011, and that
8 this is a true and correct transcript of same.

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13 -----
14 MICHELE L. MURPHY
15 RPR-Notary Public
16
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20 transcript does not apply to any reproduction
21 of the same by any means, unless under the
22 direct control and/or supervision of the
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