

1
2 COUNCIL OF THE CITY OF PHILADELPHIA
3 PUBLIC HEARING AND PUBLIC MEETING
4 BEFORE THE COUNCIL COMMITTEE ON FINANCE

5 - - -
6 Room 400, City Hall
7 Philadelphia, Pennsylvania
8 Wednesday, June 9, 1998
9 2:55 p.m.
10 - - -

11
12 BILL 990361 - Being held.

13 BILL 990419 - Approving the Fiscal Year 1999
14 Capital Budget providing for expenditures for the
15 capital purposes of the Philadelphia Gas Works,
16 including the supplying of funds to be obtained in
connection therewith and rejecting the forecast
for the Fiscal Years 2000 through 2004

17
18 PRESENT: COUNCILWOMAN JANNIE BLACKWELL, Chair
19 COUNCIL PRESIDENT ANNA C. VERNA
20 COUNCILMAN DAVID COHEN
21 COUNCILMAN MICHAEL A. NUTTER
22 COUNCILWOMAN MARIAN B. TASCO

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

INDEX

Gregory Martin 4
Executive Vice President
and Chief Operating Officer
Philadelphia Gas Works

Mr. Stensin. 7
Philadelphia Gas Works
(First name and title not identified for the
record.)

1 6/9/99 FINANCE COMMITTEE, BILL 990419

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

3 COUNCILWOMAN BLACKWELL: Good

4 afternoon. Thank you for your patience. It's
5 been a day of hearings, and there's one after this
6 one as well.

7 We are now calling the Finance
8 Committee public hearing into session. We have a
9 quorum. Councilman Nutter to my right, Vice Chair
10 Councilwoman Tasco to his right, and to my left,
11 Councilman David Cohen. The clerk will read the
12 title of the bill.

13 Before that, let me announce that Bill
14 No. 990361 will be held.

15 The clerk will please read the title of
16 Bill No. 990419.

17 THE CLERK: Bill No. 990419, an
18 ordinance approving the Fiscal Year 1999 Capital
19 Budget providing for expenditures for the capital
20 purposes of the Philadelphia Gas Works, including
21 the supplying of funds to be obtained in
22 connection therewith and rejecting the forecast
23 for the Fiscal Years 2000 through 2004.

24 COUNCILWOMAN BLACKWELL: Thank you very
25 much.

1 6/9/99 FINANCE COMMITTEE, BILL 990419

2 Thank you again for your patience.

3 Please identify yourself for the record and then
4 begin your testimony, Mr. Martin.

5 MR. MARTIN: Good afternoon, Chairwoman
6 Blackwell, Vice Chairwoman Tasco, and other
7 members of the committee. My name is Gregory
8 Martin. I'm Executive Vice President and Chief
9 Operating Officer of PGW.

10 I'm appearing on behalf of PGW, asking
11 the Committee to consider and to report favorably
12 on Bill No. 990149. PGW's also asking the
13 committee to recommend that the City Council
14 approve and authorize the Fiscal Year 1999 Capital
15 Budget Program in an amount totalling
16 \$45,598,208. In addition, we're asking for a
17 suspension of the rules to permit earlier report
18 and consideration of the bill.

19 The proposed capital budget would
20 supply enough resources to manage and operate the
21 Gas Works in a manner maintaining properties in
22 good order and condition consistent with the best
23 in economical processes that are usually customary
24 for a regulated gas distribution utility. In
25 addition -- excuse me, in general, the budget

1 6/9/99 FINANCE COMMITTEE, BILL 990419

2 reflects resources needed to distribute and
3 deliver natural gas to the citizens of
4 Philadelphia. Included are:

5 \$1.8 million for the initial phase of
6 replacing the liquified natural gas plant, \$21.6
7 million for installing mains and services for new
8 and existing customers.

9 \$8 million for the Automatic
10 Meter-Reading Program and new meters.

11 \$8.84 million to complete the
12 implementation of the technology infrastructure.

13 \$1.1 million for the Y2K contingency.

14 \$2.76 million to replace an aging
15 telephone system.

16 And nearly a million dollars to replace
17 the supervisory control and data acquisition
18 system that manages and controls the gas
19 distribution system.

20 This Capital Program enables PGW to
21 continue to provide safe and reliable gas service
22 to its customers. We encourage the committee to
23 vote favorably on the bill. And we're here to
24 answer any questions that you may have.

25 COUNCILWOMAN BLACKWELL: Thank you. I

1 6/9/99 FINANCE COMMITTEE, BILL 990419

2 think we only have two questions. I have one and
3 Councilwoman Tasco has one.

4 Would you explain why the Gas
5 Commission rejected the proposed forecast for Year
6 2002 and 2004. Do you have any idea on that?

7 MR. MARTIN: I do have an idea,
8 Chairwoman Blackwell. I believe that there were
9 some inconsistencies with the forecast that we
10 were proposing -- proposing in our filing and some
11 inconsistencies with the answers that we provided
12 the Gas Commission during the course of the
13 proceedings and needing further explanation. And
14 we did not convince the Gas Commission
15 sufficiently to recommend approval of the
16 forecast.

17 COUNCILWOMAN BLACKWELL: Thank you.
18 Councilwoman Tasco?

19 COUNCILWOMAN TASCO: Thank you.
20 Good afternoon, Mr. Martin.

21 MR. MARTIN: Good afternoon,
22 Councilwoman.

23 COUNCILWOMAN TASCO: Where are we on
24 the AMR installations? I notice you have money in
25 here for the AMR installations. Where are we in

1 6/9/99 FINANCE COMMITTEE, BILL 990419

2 terms of completion of that project?

3 MR. MARTIN: Okay. If I may, I'd ask
4 Mr. Stensin to come up to help with this response.
5 In general, I believe that we are -- we have about
6 400,000 AMRs installed, and it looks like another
7 year and a half before we complete the 520,000 or
8 so AMRs on the entire system.

9 (Mr. Stensin comes forward.)

10 COUNCILWOMAN TASC0: All right,
11 Mr. Stensin?

12 MR. STENSIN: We've been working very
13 hard at this, and Gregory probably hasn't read the
14 latest report, but we're up to 460,000 installed,
15 and we probably ought to finish it next year
16 sometime.

17 COUNCILWOMAN TASC0: Is that in keeping
18 with the time schedule you gave to us at the
19 Commission?

20 MR. STENSIN: I believe that when the
21 program began in 1994, we predicted seven years in
22 the beginning, and that would have 2001.

23 We ought to have most of it done by the
24 Year 2000. There's going to be some carry-over on
25 hard-to-install's. We believe that might take

1 6/9/99 FINANCE COMMITTEE, BILL 990419

2 some installs, but not very many, into 2001.

3 COUNCILWOMAN TASC0: Just for
4 clarification on the AMRs, once a meter is
5 installed, should a ratepayer get a monthly
6 reading?

7 MR. STENSIN: Yes, ma'am.

8 COUNCILWOMAN TASC0: And there should
9 be no more estimated bills?

10 MR. STENSIN: There should not be any
11 more estimated bills. Every once in a while,
12 there's a problem with the software or with the
13 system, and an estimated bill may go out then
14 because of an error in technology.

15 COUNCILWOMAN TASC0: But generally --

16 MR. STENSIN: But generally, it should
17 not.

18 COUNCILWOMAN TASC0: Okay. I know I
19 said I only had one question, Councilwoman, but if
20 you'll indulge me for one other second.

21 During the hearing on the Council Bill
22 990285, the bond refinancing -- and Mr. Martin,
23 you may not be able to answer this question
24 because the Finance Director, Mr. Hayllar,
25 answered this. He informed the Finance Committee

1 6/9/99 FINANCE COMMITTEE, BILL 990419

2 that PGW overspent its approved capital budget for
3 Fiscal Year 1998 by \$7 million.

4 MR. MARTIN: I was not at that hearing,
5 Vice Chairwoman Tasco, so I don't know the
6 specifics of that.

7 What I can tell you is that our
8 forecasted spending -- capital spending for Fiscal
9 Year 1999, at this point, if we spend at the
10 levels that the various departments have
11 projected, that we may overshoot the budget by
12 about that amount of money. But as of right now,
13 we have not done that. And we're going to do
14 everything that we can to contain our spending to
15 within the authorized capital spending level.

16 And what I will also say is that to the
17 extent that we feel that we will not be able to do
18 that, we would come back to the Council for
19 authorization to lift that capital spending.

20 COUNCILWOMAN TASCO: You said '99.
21 What we might do is ask Mr. Hayllar to respond to
22 this because the year was 1998, not 1999.

23 MR. MARTIN: All right.

24 COUNCILWOMAN TASCO: So what we'll do,
25 Madam Chair, is ask Mr. Hayllar to respond to his

1 6/9/99 FINANCE COMMITTEE, BILL 990419
2 statement in terms of the overspending in 1998.
3 And if so, what were the budget categories that
4 the company overspent on, and what do you plan to
5 do to deal with the overspending?

6 MR. MARTIN: Vice Chairwoman Tasco, I
7 can tell you right now that as of now April 30,
8 1999, the approved capital spending was
9 \$79,579,000. We have spent to date \$72,584,000.
10 We are right now about \$6.99 million below the
11 authorized capital spending level as of April 30,
12 1999.

13 COUNCILWOMAN TASCO: And that would be
14 the 1998 fiscal year?

15 MR. MARTIN: Yes, it would be for
16 Fiscal Year 1998.

17 COUNCILWOMAN TASCO: Okay, thank you
18 very much.

19 Are there any deviations in this budget
20 from what you've submitted to the Gas Commission?

21 MR. MARTIN: MARIANO: There are none.

22 COUNCILWOMAN TASCO: None?

23 MR. MARTIN: MARIANO: There are none.

24 COUNCILWOMAN TASCO: Thank you.

25 COUNCILWOMAN BLACKWELL: Thank you very

1 6/9/99 FINANCE DEPT. Public Meeting

2 much.

3 Any other questions?

4 (No further questions.)

5 COUNCILWOMAN BLACKWELL: I've got to
6 get one more person for our quorum. Let me get
7 the Council President again because Councilman
8 Cohen just stepped out.

9 Councilman Mariano, would you sit in
10 for the vote. We'll make him a member for
11 purposes of a quorum.

12 Our public hearing is now recessed for
13 Bill No. 990419.

14 - - -

15 COUNCILWOMAN BLACKWELL: We will now
16 entertain a motion for a suspension of the rules
17 and we are now entering committee meeting so that
18 this bill may be reported out of committee.

19 May I have a motion with regard to Bill
20 990419, that it be reported out of committee and
21 that the rules of Council be suspended so as to
22 consider it at our next hearing?

23 COUNCILMAN MARIANO: So moved.

24 (Duly seconded.)

25 COUNCILWOMAN BLACKWELL: All in favor?

1 6/9/99 FINANCE DEPT. Public Meeting

2 Opposed?

3 The ayes have it and the bill is
4 reported out.

5 Thank you members. Thank you,
6 Councilman Mariano.

7 (Adjourned at 3:01 p.m.)

8 - - -

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1

2

C E R T I F I C A T E

3

4

5

6

7

8

9

10

11

12

13

RE: COUNCIL COMMITTEE ON FINANCE

14

BILL NO. 990149

15

16

17

18

19

20

21

22

23

24

25

JOSEPHINE CARDILLO,

Registered Professional Reporter