

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**  
**Harrisburg, Pennsylvania 17105-3265**

**Pennsylvania Public Utility Commission,  
Bureau of Investigation and Enforcement**

v.

**Philadelphia Gas Works**

**Public Meeting held July 16, 2013**

**OSA-2278312**

**Docket No. C-2011-2278312**

**STATEMENT OF COMMISSIONER WAYNE E. GARDNER**

The natural gas explosion which occurred on January 18, 2011, was a tragic event which took one young man's life and also caused severe property damage. As tragic as the event was, the loss of life would have been much greater if the Philadelphia Fire Department had not taken prompt and decisive action very early in this episode to clear a perimeter around the gas leak. If not for the actions of the PFD, this tragic event could have been an incredible catastrophe. I wish to acknowledge and commend the Philadelphia Fire Department for a professional job well done.

Today, we approve the Settlement entered into between the Commission's Bureau of Investigation and Enforcement and Philadelphia Gas Works (PGW). Our approval of this Settlement means that PGW will have to revise its processes for responding to natural gas leaks, retrain its employees regarding these procedures, and pay a civil penalty of \$400,000 and make an additional contribution of \$100,000 to the Philadelphia Fire Department's smoke detector program. I believe that this Settlement is a fair resolution of this case in that PGW will have to pay \$500,000, the maximum civil penalty that the Commission can impose upon a utility.<sup>1</sup> However, I note that had the incident taken place today, the Commission could have imposed a civil penalty of approximately \$1.6 million.

As a City owned utility, PGW's organizational structure is very different from our investor owned utilities in that all financial repercussions caused by the Company's actions eventually flow back to ratepayers. There are no "shareholders" to absorb civil penalties and as such, unless disallowed, the taxpayers of Philadelphia and/or PGW ratepayers will eventually pay any civil penalties levied by the Commission in rates. When the Commission expressly forbids recovery through rates, taxpayers in the City of Philadelphia must bear the burden. By today's action, the Commission is moving away from its previous policy of not levying civil penalties against PGW. Beginning in 2008, given PGW's precarious financial position at that time, the Commission chose to handle violations in a manner that would help to preserve PGW's financial viability. By not levying civil penalties against PGW, the Commission also shielded PGW's ratepayers and Philadelphia's taxpayers from additional financial obligations on top of those they already were

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<sup>1</sup> When the January 18, 2011 explosion occurred, former Section 3301(c) of the Code capped civil penalties for gas pipeline safety violations at \$500,000 for any related series of violations, or subject to a penalty provided under federal pipeline safety laws, whichever is greater. Act 11 of 2012 amended Section 3301(c), which now provides that any public utility that violates any gas pipeline safety provisions of the Code "shall be subject to a civil penalty of not to exceed \$200,000 for each violation for each day that the violation persists, except that the maximum civil penalty shall not exceed \$2,000,000 for any related series of violations, or subject to a penalty provided under federal pipeline safety laws, whichever is greater." 66 Pa. C.S. § 3301(c).

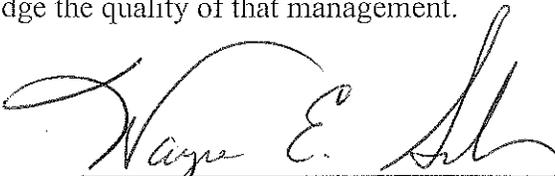
facing, these included \$1.2 billion in long-term debt, \$25-\$30 million in long term debt service annually, approximately \$14/mmbtu gas prices, \$18 million annual payment to the City, high CAP cost burden, etc.

PGW is no longer in the crisis mode that it was in back in 2008 thanks to emergency relief provided by this Commission, which gave the Company the critical rate income needed to restructure and pay down its debt while imposing much needed business performance standards.<sup>2</sup> The incredible expansion of low-priced Pennsylvania produced natural gas has also helped PGW's finances tremendously.

As such, shielding Philadelphia's taxpayers from civil penalties is no longer in their best interest. Civil penalties and their effects on rates will send clear and transparent signals to customers/taxpayers regarding the City's management of the utility. We will leave it to the customers and ratepayers of Philadelphia to judge the quality of that management.

July 16, 2013

Date



Wayne E. Gardner, Commissioner

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<sup>2</sup> <http://www.puc.state.pa.us/pcdocs/1028800.doc>