

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

**Philadelphia Gas Works – Philadelphia, PA  
Management Efficiency Investigation  
Evaluating the Implementation of Selected  
Recommendations From the 2015  
Stratified Management and Operations  
Audit.**

**Public Meeting – September 20, 2018  
2627521 - Audits  
Docket No. D-2017-2627521**

**STATEMENT OF COMMISSIONER DAVID W. SWEET**

Before the Commission today is the Management Efficiency Investigation of Philadelphia Gas Works. The scope of this investigation was confined to an examination of the Company's progress in implementing 65 of the 76 original recommendations from the Stratified Management and Operations Audit released in October 2015.

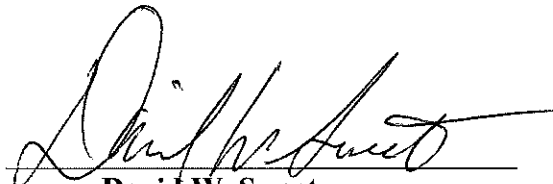
While I commend PGW for effectively or substantially implementing 28 of the 65 prior recommendations and for acting on most of the remaining recommendations prepared by the Commission's Bureau of Audits (Audits), my comments today involve a specific recommendation and subsequent follow up finding within PGW's MEI regarding the Company's duplicative governance structure and its associated expense averaging \$954,000 for the 2016 and 2017 fiscal years.

Since 1972, PGW has been governed by two city entities – the Philadelphia Facilities Management Corporation (PFMC) and the Philadelphia Gas Commission (PGC). At its inception, both organizations were tasked with separate responsibilities; PFMC functioning much like a traditional board of directors, while the PGC's responsibilities included ratemaking and adjudicating consumer complaints within PGW's service territory. However, when the Public Utility Commission (PUC or Commission) assumed jurisdiction over PGW in 2000, the PGC's role evolved to focus on approving budgets, gas contracts and real estate acquisition – all functions both previously and currently assigned to the PFMC. As I mentioned earlier, these redundancies not only create a layer of administrative confusion, but it comes at a cost of nearly one million dollars and it's a cost borne by PGW ratepayers.

The Commission's Bureau of Audits has recommended that PGW streamline its governance structure ever since ratemaking authority fell under the Commission's jurisdiction. In the Company's most recent 2015 Stratified Management and Operations Audit and follow up Management Efficiency Investigation, it was noted that "without the necessary changes to PGW's governance structure, the company [will] continue to be constrained by a duplicative and unclear governance structure that falls short of meeting standard governance practices."

Yet, despite numerous recommendations made by Audits Staff, PGW's overlapping governance structure has largely remained unchanged. In its 2015 Management Audit, the Company cited that governance changes are beyond the capacity of executive management, noting that any changes to its current structure would require an amendment to the City of Philadelphia's ordinance, an action which must be taken by City Council and the Mayor. Therefore, I urge the City of Philadelphia to seriously evaluate PGW's governance structure and to create the changes needed to reduce the financial impact that the current duplicative structure has on the city's ratepayers.

**DATE: September 20, 2018**



**David W. Sweet**