

Testimony of Joseph Otis Minott, Esq., Clean Air Council Executive Director and Chief Counsel:

I. INTRODUCTION

Clean Air Council (the Council) is grateful for the opportunity to submit these comments on the *Philadelphia Gas Works Business Diversification Study* (the Study) commissioned by the Office of Sustainability (OOS). The Council is a non-profit environmental health organization headquartered in Philadelphia. For over 50 years the Council has worked to protect everyone's right to a healthy environment. The Council and its members who reside in Philadelphia share with you a direct interest in the long-term viability of a city-owned utility.

The Council greatly appreciates this opportunity, provided by the Committee on Finance and the Committee on Transportation and Public Utilities, to speak on the need for PGW to diversify its operations beyond fossil gas. The biggest flaw in the Study is its underlying assumption that the city owned utility must continue to operate primarily as a gas utility. There is no justification for such an assumption and starting with that as a premise substantially limits future options for a city owned utility. Unfortunately, this resulted in a weak and unambitious study.

The Council believes that these hearings should urge the Office of Sustainability to quickly commission a more rigorous study that would move the city owned utility away from being mainly a gas utility. Yet there is enough in the present Study for City Council to begin to build upon its recommendations and require PGW to quickly begin the work of diversifying its operations. In support of our views, the Council offers four points for the Committee's consideration:

- 1) **The transition away from fossil gas is necessary to meet carbon reduction goals and to maintain the health of Philadelphia's residents.** It is well established that reliance on fossil gas contributes to greenhouse gas emissions and global climate change. In addition, recent studies have shown that the use of gas for cooking creates unsafe indoor air quality that threatens the health of Philadelphia families, especially children. PGW's infrastructure is very old and leaks extensive amounts of methane, a particularly potent greenhouse gas.
- 2) **Diversification of PGW's business represents a prudent strategy to manage the financial risks that Philadelphia's residents will face when PGW transitions away from being mostly a gas utility.** There are significant market and regulatory risks now facing the U.S. gas industry. Gas utilities across the United States are examining alternative future business models. The best path for PGW to manage the

risks facing the gas industry is to substantially diversify its operations. In addition, decarbonization of the existing fossil gas system will be a transition of enormous complexity and scale. PGW will better manage the transition if it acts promptly and deliberately, avoiding the need for sudden and costly changes that a delay would bring.

3) **The Study overlooks several important aspects of PGW gas operations and the gas transition, such that the potential for alternative business models to meet Philadelphia’s heating needs may in fact be greater.** In particular, the Study does not adequately incorporate the cost of gas storage, the asymmetric risk to Philadelphians from dependence on “renewable natural gas”, and the trend of declining costs for heat pumps.

4) **The Committee should build on the Study’s recommendations and go further to require specific and concrete requirements for PGW to execute the recommendations contained in the Study.** The Study is an important first step in the transition of Philadelphia’s fossil gas heating system to a decarbonized future. But it is only a first step. The Council submits for your consideration: concrete and specific actions to ensure that PGW actually executes the Study’s recommendations. The Council respectfully offers five areas of action:

i. PGW should develop a Weatherization Finance and Service business

- o The Committee should build on the Study recommendation and go further to require that PGW submit a weatherization business plan within six months.

ii. PGW should immediately undertake a pilot project for Network Geo Districts.

The Committee should build on the Study recommendation and go further to require:

- o OOS to commission a geothermal feasibility study
- o PGW to develop a site selection process for geo district
- o PGW to complete a cost estimate to transition an existing neighborhood
- o OOS to complete a cost estimate to construct housing utilizing a geo district

iii. Require PGW to develop organizational capacity around a “Tactical Thermal Transition” to understand the key reliability and revenue interactions between gas and electric systems on a block-by-block level.

iv. Require OOS to convene a Regulatory Reform Task Force that would specifically analyze the obstacles to new business models and systematically identify possible solutions.

v. Make approval of the PGW operating and capital budgets conditional on implementation of these recommendations.

Philadelphia has an opportunity to embark on the long-term transition and diversification of PGW. We urge you to take concrete steps to get started, now.