

**PHILADELPHIA ENERGY AUTHORITY
FISCAL YEAR 2024 BUDGET TESTIMONY**

APRIL 19, 2023

INTRODUCTION

Good afternoon, Council President Clarke and Members of City Council. I am Emily Schapira, President and CEO of the Philadelphia Energy Authority (PEA).

I am pleased to provide testimony on PEA's Fiscal Year 2024 Operating Budget. We are a nimble team of eleven, building a robust, equitable clean energy economy in Philadelphia. In 2016, with the leadership of Council President Clarke, we launched the Philadelphia Energy Campaign, a pledge to invest \$1 billion in energy efficiency and clean energy projects to create 10,000 jobs over 10 years. Through 2022, we have supported \$380 million in projects and programs, and helped create nearly 3,300 jobs. We expect to nearly double that impact in 2023 and 2024, with \$375 million more in projects breaking ground this year.

PEA leverages clean, efficient, affordable energy as a tool for impact to advance the four main goals of the Philadelphia Energy Campaign, spurring economic development, creating jobs, alleviating poverty, and improving public health.

We hold long-term contracts on behalf of the City, which are common and necessary in energy work, and we facilitate and support project development and execution for municipal and institutional clean energy projects. This includes projects like the Streetlight Improvement Project, the School District's energy savings projects and Adams Solar, which will provide 25% of municipal electricity needs starting in 2024.

We also run programs that address similar issues in housing, commercial and industrial buildings, and small businesses. Those programs include: Solarize Philly, which has supported over 1300 homeowners to add solar on their roofs; our Water and Sewer Service Line Protection Program, which serves 90,000 homes and has saved consumers over \$45 million in repairs, C-PACE (or Commercial Property-Assessed Clean Energy financing), which has facilitated over \$160 million in energy projects in commercial and industrial buildings in Kensington, Germantown, the Navy Yard, West Philly and Center City; and Built to Last, our low-income home preservation initiative, which restored 50 homes last year to safe, healthy and affordable condition, many with heat pumps (which provide heating AND cooling), and solar, for long-term affordability and resilience. Built to Last has a current pipeline of 297 interested, qualified homeowners.

PEA has received an average of \$796K annually from the City over the last 6 fiscal years, which has catalyzed an average of \$63.3MM per year of clean energy investment over the course of the Energy Campaign. That is an 80X return on every dollar the City has invested in PEA.

Last summer, the federal government passed the Inflation Reduction Act (IRA) and in doing so, has given Philadelphia the opportunity to bring literally billions of dollars to clean energy projects and initiatives in our City – from installing new technologies like solar, batteries, and EV chargers, to retrofitting commercial buildings and converting to electric heating and cooling. This is an historic moment in federal

PHILADELPHIA ENERGY AUTHORITY

funding with the IRA and Bipartisan Infrastructure Law, and our goal is to bring \$5 billion to Philadelphia in the form of formula and competitive grants, rebates and tax credits, which are now available to government institutions and non-profits as well as traditional tax-paying entities. PEA must build critical capacity to be able to manage the increased scale, so we are asking for an increase to the City's investment in our work, from FY23's City allocation of \$1 million to an FY24 allocation of \$3 million. At that level, City funding would account for 31% of PEA's annual budget – an investment in line with the percentage of our budget the City has funded in previous years. We have raised over \$6MM in other funds for FY24.

DEPARTMENT MISSION & PLANS

Mission: PEA aims to be a catalyst for the growth of a robust, equitable, diverse clean energy economy in Philadelphia through the development of long-term energy projects, policy, education and market-building activities.

Plans for Fiscal Year 2024: In Fiscal Year 2024, PEA expects to drive over \$300MM in new, equitable economic development in FY24 through programs like Commercial Property Assessed Clean Energy (C-PACE) financing, our efficiency work with the School District, our low-income housing restoration and electrification program, Built to Last, and energy projects with the City like the LED streetlighting conversion (beginning construction in this fiscal) and our upcoming RFPs for the quadplex and health centers and additional off-site renewable energy procurement. PEA will support the Philadelphia Water Department's efforts to maintain and appropriately develop its cogeneration plant, and will continue to work with Sustainability and the Energy Office to drive more renewable energy procurement to meet the City's goals.

In FY24, we expect to:

- Restore 200 low-income homes through the Built to Last program
- Support over 500 homes to add rooftop solar through Solarize Philly
- Release two new Requests for Proposal (RFPs) for major City projects
- Support the School District of Philadelphia's next 2 rounds of energy efficiency work and hopefully begin our support of their solar schools and advanced energy procurement initiatives
- Move construction forward on the Philly Streetlight Improvement Project, which will replace over 120,000 roadway and alleyway lighting with long-lasting, energy efficient fixtures citywide
- Complete construction on the 70MW Adams Solar Project and place it into service
- Run 3 additional cohorts of Green Retrofit Immersive Training (GRIT) and Bright Solar Futures training programs, plus continue to support the growth of our Career and Technical Education (CTE) program at Frankford High School
- Enable over \$150MM of commercial and industrial energy efficiency and renewables projects through Commercial Property Assessed Clean Energy (C-PACE) Financing

PHILADELPHIA ENERGY AUTHORITY

Specifically related to Inflation Reduction Act preparation and action, PEA is hiring consultants now to identify, scope and apply for specific funding opportunities in IRA and BIL, develop public and targeted messaging and resources for consumer-facing rebates and tax credits, support PEA's work with CBOs and the private sector to specifically target projects that could benefit from available subsidies, and more. PEA will need focused staff on IRA given the complexity, breadth and depth of the opportunities, which are included in this budget proposal.

PHILADELPHIA ENERGY AUTHORITY

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Classes	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Class 100 - Wages, Salaries, Benefits	\$ 378,000	\$ 387,000	\$ 548,500	\$ 726,206	\$ 964,148	\$ 1,164,583	\$ 2,329,750
Class 200 - Professional Services	\$ 212,400	\$ 310,400	\$ 534,000	\$ 1,843,453	\$ 1,724,335	\$ 3,021,879	\$ 6,817,450
Class 300 - Supplies & Materials	\$ 44,040	\$ 114,700	\$ 505,271	\$ 118,200	\$ 145,000	\$ 183,000	\$ 278,500
Class 400 - Equipment	\$ 3,000	\$ 3,000	\$ 3,000	\$ 5,000	\$ 6,000	\$ 18,000	\$ 66,000
Class 500 - Taxes	\$ 115,560	\$ 135,395	\$ 185,635	\$ 42,281	\$ 59,251	\$ 80,302	\$ 160,563
TOTAL BUDGET	\$ 753,000	\$ 950,495	\$ 1,776,406	\$ 2,735,140	\$ 2,898,734	\$ 4,467,764	\$ 9,652,263
<i>Grants and Revenue</i>	\$ (10,000) 1%	\$ (107,495) 11%	\$ (1,040,158) 59%	\$ (2,217,140) 81%	\$ (1,960,735) 68%	\$ (3,467,764) 78%	\$ (6,652,263) 69%
TOTAL CITY REQUEST	\$ 743,000 99%	\$ 843,000 89%	\$ 735,274 41%	\$ 518,000 19%	\$ 938,000 32%	\$ 1,000,000 22%	\$ 3,000,000 31%

Over the last six years, PEA has grown from relying on the City for 89% of its funding in FY19, to building a more sustainable organization that gets more than two thirds of its funding from other sources. Those sources include program revenue, fees for service and grants from foundations, corporate partners and state and federal awards. The primary drivers of our budget are Class 100 staffing levels and expanded programming like Built to Last, C-PACE and our Workforce Development programs. In FY2024, our work on the federal Inflation Reduction Act requires significant funding and staffing commitment.

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The Philadelphia Energy Authority is requesting an increase from its FY23 contractual allocation of \$1,000,000 to \$3,000,000 in FY24.

- \$1,200,000 of the requested increase will support improved operations capacity to manage multiple new federal grants, administer multiple large capital project procurements and scaling of programming in Classes 100, 200, 300 and 500, including two hires specifically designated for work on the Inflation Reduction Act.
- \$800,000 will support Class 200 consulting support specifically for the Inflation Reduction Act.

In FY23, the City provided 22% of PEA's overall budget at \$1MM. PEA has developed external funding resources to support its growth, and has helped develop nearly \$400MM in climate- and equity-focused projects in Philadelphia to date. PEA is seeking additional funding from the City this year to ensure that PEA has the resources to help drive massive market shifts in the clean energy economy through significant federal subsidy. The \$3,000,000 budget request would constitute 31% of PEA's FY24 budget.

Over the next 3 years, PEA intends to collaborate with City agencies, Sustainability, and external stakeholders to draw down \$5 billion to Philadelphia from federal grants, rebates and tax credits that will help us leap forward in energy efficiency, clean energy, electric vehicle adoption and building electrification. PEA cannot meet the scale of the opportunity, nor the scaling that has already begun of existing programs, without this additional funding for capacity building.

PHILADELPHIA ENERGY AUTHORITY

STAFFING LEVELS

PEA currently has 11 full-time staff and is supplemented with a number of consultants and interns. For FY24, in order to meet the demands of our growth in grant funding and expansion of programming, along with the federal Inflation Reduction Act, PEA seeks to add 5 full-time positions and 2 additional grant-funded positions.

New hires include:

- Finance Director
- Communications Director
- IRA Director
- IRA Coordinator
- Program Manager
- Good Jobs Challenge Director (grant funded)
- Good Jobs Challenge Philly Workforce Programs Manager (grant funded)

CURRENT STAFF AND BOARD DEMOGRAPHICS

- Total staff: 11
- 82% women, 36% BIPOC
- Total Board of Directors: 7
- 57% women, 71% BIPOC

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

PEA has raised over \$5 million in outside funding for FY24 including awards from the federal government (Weatherization Assistance Program Innovation Grant, Good Jobs Challenge, Congressionally Directed Spending for Built to Last) and from state government (Whole Home Repair and Clean Energy Workforce Development Grant), and is pursuing \$1.7 million additionally from foundations and corporate sponsors.