

**PHILADELPHIA ENERGY AUTHORITY  
FISCAL YEAR 2025 BUDGET TESTIMONY  
APRIL 10, 2024**

**INTRODUCTION**

Good afternoon, Council President Johnson 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 2025 Operating Budget. We are a nimble team of sixteen building a robust, equitable clean energy economy in Philadelphia. In 2016, with the leadership of then 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 2023, we have supported \$904 million in projects and programs, and helped create over 7,600 jobs. Again, that is **\$904 million invested and over 7,600 jobs created**. This initiative works as designed, and is almost to its goal more than 2 years ahead of schedule. For every dollar the City has invested in us, we have returned \$132 in economic development. **Again, that return on investment is 132x.**

PEA leverages clean, efficient, affordable energy as a key entry point for Philadelphia's biggest challenges: spurring equitable economic development, creating jobs, alleviating poverty, and improving public health. We help make Philadelphia safer, cleaner and greener, with equitable opportunity for all, and are in full support of Mayor Parker's and Council's efforts towards those ends.

We are one of Philadelphia's best-kept secrets, because we exist to serve our City behind the scenes, facilitating key projects and programs on behalf of others. We do work that only we uniquely are able to do to help bring more dollars to Philadelphia, advance the City's climate goals across administrations, and enable the City's ecosystem to serve all Philadelphians.

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, which is about quarter of the way through replacing over 130,000 street and alleyway lights citywide. Projects like the over \$250 million in School District energy saving and capital projects across 23 schools, and Adams Solar, which will provide 25% of municipal electricity needs starting this month, after 5 years of work! We hope you'll all join us to flip the switch on April 30th.

We also run programs that address similar issues in housing, commercial and industrial buildings and small businesses. I'll mention four of those programs briefly:

1. **Solarize Philly**, which has supported over 2700 homeowners to add solar on their roofs, over 45 percent of whom are low- or moderate-income;
2. **Water and Sewer Service Line Protection Program**, which serves 90,000 homes and has saved consumers over \$60 million in repairs, and supported 105 homes with "last resort" funding for water and sewer emergencies that could not be covered by BSRP or the Water Department's HELP loan due to tangled title or foreclosure prevention programs. 75% of those claims were serviced by M/W/DBE plumbers.
3. **C-PACE** (or Commercial Property-Assessed Clean Energy financing), which has facilitated over \$197 million in energy projects in commercial and industrial buildings in 7 of 10 Council Districts, with recent projects done in Kensington, Port Richmond, Germantown and Center City.

6 of those projects were multi-family, and typically built about 30% more efficiently than code requires; and

4. **Built to Last**, Philly's Whole Home Repair program. Built to Last is a low-income home preservation initiative that coordinates, layers and supplements Philly's existing home repair programs, including Basic Systems Repair, Weatherization, utility programs through PECO and PGW, senior services, Habitat's critical home repair program, health department programs and more. We have served over 300 homes so far, restoring homes to safe, healthy and long-term affordable conditions. Many of these homes replace old and outdated heating systems with electric heat pumps, which provide heating AND cooling, and solar for long-term affordability and resilience.

With existing funding from the state Whole Home Repair program (which was modeled after Built to Last by Senator Saval), we have enough to take an additional 200 homes off of our waitlist, for a total of about 500 homes served. That waitlist totals over 1100 households, with no marketing or outreach at all, so it will leave at least 900 homeowners without funding to move forward. Significantly more funding is needed to even begin to meet the current need.

**In this year's budget request of Council, we are asking for \$5 million in City funding for Built to Last.** Built to Last receives no funding currently from City coffers – we fund that work through state, federal and philanthropic grants, as well as our own program revenue. After receiving lots of national and community-based recognition this year, we come to the City to ask for your help to match federal funding and help us direct available rebates and resources to Philly's low-income communities.

I have provided a link in my written testimony (<https://www.youtube.com/watch?v=2eFkwq8vn8w>) to view a short documentary made by the Sierra Club, Physicians for Social Responsibility, Hunting Park NAC and the HERE4CJ coalition featuring six Built to Last clients explaining the program and what we did in their homes. And two weeks ago, we hosted a press conference with Governor Shapiro, Senators Williams, Saval and Street, Chairs Harris and Cephas and Representatives Hohenstein and Krajewski, at the home of one of our Built to Last recipients, Ms. Dominique Young. Ms. Young has two children and bought her home in Kingsessing 5 years ago. She had no idea there were some serious issues with the property until she started having electrical issues, and experiencing \$400 and \$500/month electric bills. At one point last winter, she said she had to take her kids and go to an AirBnB because the heat wasn't functioning in the home.

Ms. Young applied for Basic Systems Repair, and though she was income-qualified, the cost of repairs exceeded BSRP's maximum, and she was denied any service. We did a holistic home assessment through Built to Last and saw that she had rotting joists in the kitchen that presented a safety issue, and water penetration happening on the rear of the house that was causing structural issues, in addition to her major electrical and heating issues.

PHDC and PEA worked together to split up needed repairs and are collaborative partners in this program. BSRP invested over \$15,000 to deal with the water penetration and structural issues. Built to Last spent roughly \$18,000 on electric issues and removing inefficient electric baseboard heating and replacing it with a high efficiency heat pump that provides both heating and cooling. We are in the process of adding solar and completing final insulation and punch list, which will leverage other federal funding for about \$8,500.

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Built to Last fundamentally restores homes that build generational wealth, that preserve neighborhoods, that help Philadelphia families like Ms. Young's stay in their homes and avoid displacement from gentrification or disrepair. Built to Last was designed with feedback from communities and the organizations that serve them to support Philadelphia's existing home repair programs to make them more effective together. This program has been nationally recognized by the Alliance to Save Energy, the Department of Energy and many others as the model for lower-income home repair.

When Congress passed the Inflation Reduction Act (IRA), we were thrilled to learn that there would be loans and rebates available for things like rooftop solar and efficient heating and cooling systems. But we quickly learned that federal funds cannot be matched by other federal funds in most cases. Without non-federal matching sources of funding, low-income homeowners will not be able to take advantage of millions of dollars in incentives. I urge Council to help us fund this important program and ensure that these federal dollars make it to those who need it most.

While funding Built to Last is incredibly important, we will not be able to continue to scale our work up without an increase to our City-funded operating budget. In Fiscal Year 2024, we received \$2.05 million from the City, which covered 20% of our overall budget. The other 80% was from federal, state and philanthropic grants as well as our own program revenue. In Mayor Parker's FY2025 budget, we have a \$1.05 million line item under the Managing Director's Office. This is a nearly 50% reduction from FY24. **We are seeking Council's help to increase our City operating budget from \$1.05 million in the current administration budget to \$3.6 million.**

We ask for this increase at a critical time. With support from the William Penn Foundation, we have spent the last year supporting the City, Commonwealth, DVRPC and various other stakeholders and CBOs to apply for competitive federal funding. We have submitted over \$2.7 billion in requests, including \$250 million in partnership with the Pennsylvania Energy Development Authority for low-income solar subsidies statewide; \$200 million in Climate Pollution Reduction Grant requests with DVRPC and over forty subawardees from PHA, PHDC and the School District, to Philly Youth Basketball and SHARE Food Program; and multiple Environmental Justice Community Change grants focused on home repair and more in Kensington and Greys Ferry with ECA, Philly Thrive, Impact Services and NKCDC. There are a number of major funding opportunities still to come in the next year, including CleanPorts, Clean Heavy Duty Vehicles, subawards for the Greenhouse Gas Reduction Fund and more.

PEA will need to build operational and compliance capacity to manage significant federal grants, scale up programs like Built to Last, Solarize Philly and municipal projects like the one currently active for the Quadplex, health centers and homeless services buildings. This will allow us to provide additional services to the administration related to City utilities, expand and speed up City projects, and continue to provide support to ensure the School District and others get all of the federal IRA funds possible. We believe we can draw down \$5 billion to Philadelphia from the IRA. This is the year we need your support to make that happen. If we wait until FY26, it will be too late.

**Our final budget request this year is for \$2 million for the Philadelphia Green Capital Corp (PGCC), our green bank affiliate.** This funding would provide loan loss reserves, credit enhancement and other tools to ensure that federal loan dollars are deployed not only to moderate and higher income

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Philadelphians, but also to lower-wealth communities in ways that are supportive and appropriate, in particular for those between 60 and 80 percent of Area Median Income. This funding could support energy upgrades for 700 households to make their homes safer, healthier and more affordable for the long term. It would enable at least \$10 million of federal funding deployed to targeted communities.

As I mentioned earlier, federal funding cannot often be matched with other federal funding, so City funding would be incredibly valuable in this context. We are expecting more than \$100 million of federal loan funds to become available to Philadelphia and the region during FY25 to PGCC.

**Our total funding request for FY25 is \$10.6 million across all three priorities: Built to Last, PEA's operating budget and PGCC's credit enhancements.** This is an increase of \$9.55 million over the allocation contemplated in the administration's budget. We have worked hard over the last 8 years to build a reputation of being an effective, strategic organization that does what we say we are going to do. I hope our strong track record of success and the overwhelming support of partners, stakeholders and community members lends credibility to our request. Thank you for your consideration.

## 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 2025:** In Fiscal Year 2025, PEA expects to drive over \$100MM in equitable economic development 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 RFPs for the quadplex and health centers, additional off-site renewable energy procurement and additional on-site renewables procurement. PEA will support the Philadelphia Water Department's efforts to maintain and appropriately develop its cogeneration plant while meeting its regulatory obligations and collaborating with PGW on biogas, and will continue to work with Sustainability and the Energy Office to drive more renewable energy procurement to meet the City's goals. PEA expects to draw down significant federal funds, establish low-income supports for federal rebates and loans, and

In FY25, we expect to:

- Restore 250 low-income homes through the Built to Last program
- Support over 1500 homes to add rooftop solar through Solarize Philly
- Select vendors and seek Council approval for two new RFPs for major City projects
- Support the School District on upcoming energy efficiency projects, solar schools pilot, and energy procurement partnership with City
- Complete 75% of Philly Streetlight Improvement Project to replace 130,000 roadway and alleyway lighting with long-lasting, energy efficient fixtures citywide
- Supply 25% of the city's electricity needs with clean energy from the completed Adams Solar Project
- Build staff capacity to support program growth including hiring for the following positions:
  - Business Engagement & Career Coordinator
  - Program Manager, Workforce Development
  - Senior Manager, Residential Programs
  - Program Managers, Solar for All (2)
- Run additional cohorts of GRIT and Bright Solar Futures training programs, plus continue to support the growth of our CTE program with a summer program at Mayfair School
- Enable over \$60MM of commercial and industrial energy efficiency and renewables projects through CPACE

If our \$10.6MM FY25 funding request is met we will also be able to:

- Hire roles critical to managing and tracking federal funding obligations and seeking further opportunities to draw down federal funds to improve municipal infrastructure:
  - Senior Manager, Municipal
  - Compliance Specialist

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- Communications Director
- Operations Manager
- Data Specialist (related to federal funds)
- Make 400 additional low-income homes energy healthy, comfortable, and affordable through Built to Last
- Reach 700 moderate-income homes with low-interest financing for energy upgrades

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**BUDGET SUMMARY & OTHER BUDGET DRIVERS**

Classes	FY2019		FY2020		FY2021		FY2022		FY2023		FY2024		FY2025	
Class 100 - Wages, Salaries, Benefits	\$	387,000	\$	548,500	\$	726,206	\$	964,148	\$	1,164,583	\$	2,329,750	\$	3,240,809
Class 200 - Professional Services	\$	310,400	\$	534,000	\$	1,843,453	\$	1,724,335	\$	3,021,879	\$	6,032,900	\$	13,470,720
Class 300 - Supplies & Materials	\$	114,700	\$	505,271	\$	118,200	\$	145,000	\$	183,000	\$	278,500	\$	440,000
Class 400 - Equipment	\$	3,000	\$	3,000	\$	5,000	\$	6,000	\$	18,000	\$	66,000	\$	66,000
Class 500 - Taxes	\$	135,395	\$	185,635	\$	42,281	\$	59,251	\$	80,302	\$	160,563	\$	143,900
<b>TOTAL BUDGET</b>	\$	<b>950,495</b>	\$	<b>1,776,406</b>	\$	<b>2,735,140</b>	\$	<b>2,898,734</b>	\$	<b>4,467,764</b>	\$	<b>8,867,713</b>	\$	<b>17,436,586</b>
<i>Grants and Revenue</i>	\$	(107,495) 11%	\$	(1,040,158) 59%	\$	(2,217,140) 81%	\$	(1,960,735) 68%	\$	(3,467,764) 78%	\$	(6,817,713) 77%	\$	(6,836,795) 39%
<b>TOTAL CITY REQUEST</b>	\$	<b>843,000</b> 89%	\$	<b>735,274</b> 41%	\$	<b>518,000</b> 19%	\$	<b>938,000</b> 32%	\$	<b>1,000,000</b> 22%	\$	<b>2,050,000</b> 23%	\$	<b>10,600,000</b> 61%

Over the last eight years, PEA built up substantial alternative forms of funding, relying on the City for less and less of its revenue. In FY2024, PEA has raised significant outside funds that flow through its own and partners’ budgets, and is asking the City to fund a larger portion of expenses to support specific programming like Built to Last and PGCC. The primary drivers of our budget are Class 100 staffing levels, supporting additional City projects, expanding Built to Last and leveraging federal funding through PGCC. In FY2025, 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 the Mayor's budgeted contractual allocation of \$1,050,000 to \$10,600,000 in FY25 (a total increase of \$9.55 million from budgeted).

- \$2,550,000 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.
- \$5,000,000 would support Built to Last, serving an additional 400 homes
- \$2,000,000 would support credit enhancements for up to 700 lower and moderate-income homes and rental properties to access federal Greenhouse Gas Reduction Fund loans for energy upgrades.

In FY24, the City provided \$2,050,000 of PEA's overall budget of \$8.8 million. PEA has developed external funding resources to support its growth, and has helped develop over \$900 million 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 from the Inflation Reduction Act and to ensure those resources are driven to those who need it most.

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.



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### STAFFING LEVELS

PEA currently has 16 full-time staff and is supplemented with a number of consultants and interns. For FY25, 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 6 full-time positions and 3 grant-funded positions.

New hires include:

- Senior Manager, Residential Programs
- Business Engagement & Career Coordinator (grant funded)
- Program Managers, Solar for All (2) (grant funded)
- Senior Manager, Municipal
- Compliance Specialist
- Communications Director
- Operations Manager
- Data Specialist

### CURRENT STAFF AND BOARD DEMOGRAPHICS

- Total staff: 16
- 74% women, 50% BIPOC
- Total Board of Directors: 7
- 57% women, 57% BIPOC

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**OTHER BUDGETARY IMPACTS**

**Federal and State (Where Applicable)**

PEA has raised over \$5 million in outside funding for FY25 including awards from the federal government (Weatherization Assistance Program Innovation Grant, Good Jobs Challenge, Congressionally Directed Spending for Built to Last, Clean Energy Workforce award with PhilaWorks) and from philanthropic sources, and is pursuing over \$2 million additionally from other federal sources that we expect to flow through our budget in FY25.

Projected Non-City Revenue	Funding Type	Amount	Percent of total
Annual Water/Sewer Admin Fee	Program Fee	\$ 100,000	
Water/Sewer Program Fees	Program Fee	\$ 800,000	
Solarize Program Fees	Program Fee	\$ 185,000	
CSPACE Program Fees (estimated)	Program Fee	\$ 350,000	
<b>SUBTOTAL Program Fees</b>		<b>\$ 1,435,000</b>	<b>8%</b>
PCT	Grants	\$ 650,000	
WPF IRA Support	Grants	\$ 178,000	
WPF BTL Support	Grants	\$ 422,000	
PHARE Grant - LMI Solar & roofs	Grants	\$ -	
Other Grants*	Grants	\$ 150,000	
<b>SUBTOTAL Grants</b>		<b>\$ 1,400,000</b>	<b>8%</b>
Whole Home Repair for Workforce Dev	State	\$ -	
Whole Home Repair for BTL Prog Mgmt/TA	State	\$ -	
<b>SUBTOTAL State</b>		<b>\$ -</b>	<b>0%</b>
Congressionally-Directed Spending for Built to Last Program Mgmt	Federal	\$ 768,757	
WAP E&I Award	Federal	\$ 270,081	
PhilaWorks - Good Jobs Challenge	Federal	\$ 850,000	
CPRG*	Federal	\$ 750,000	
Solar For All*	Federal	\$ 1,265,000	
PhilaWorks & DOE - Clean Energy Grants (workforce)	Federal	\$ 97,957	
<b>SUBTOTAL Federal</b>		<b>\$ 4,001,795</b>	<b>23%</b>
<b>Total Non-City Revenue</b>		<b>\$ 6,836,795</b>	<b>39%</b>
<b>Requested City Revenue</b>		<b>\$ 10,600,000</b>	<b>61%</b>
<b>TOTAL</b>		<b>\$ 17,436,795</b>	