

1
2 COUNCIL OF THE CITY OF PHILADELPHIA
3 COMMITTEE ON THE ENVIRONMENT
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6 Room 400, City Hall
Philadelphia, Pennsylvania
7 Monday, December 5, 2011
1:25 p.m.
8
9

PRESENT:

10 COUNCILMAN JAMES KENNEY, CHAIR
COUNCILMAN FRANK DiCICCO
11 COUNCILMAN CURTIS JONES, JR.
COUNCILWOMAN BLONDELL REYNOLDS BROWN
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BILL 110829 - An ordinance amending Subcode
14 "A" (The Philadelphia Administrative Code) of
Title 4 of The Philadelphia Code, entitled
15 "The Philadelphia Building Construction and
Occupancy Code," by providing for the manner
16 of payment of building permit fees when a
solar electric or photovoltaic system is
17 installed...
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2 COUNCILMAN KENNEY: May I have
3 your attention. The Committee on the
4 Environment will begin the hearing by
5 taking testimony, and then when we have a
6 quorum, we will move to the public
7 meeting and vote the bill out of
8 Committee.

9 With me is Councilmember
10 Reynolds Brown. On the way are
11 Councilman Jones and Councilman DiCicco.

12 This is a public hearing of
13 Bill No. 110829, which is an ordinance
14 amending Subcode "A" (The Philadelphia
15 Administrative Code) of Title 4 of The
16 Philadelphia Code, entitled "The
17 Philadelphia Building Construction and
18 Occupancy Code," by providing for the
19 manner of payment of building permit fees
20 when a solar electric or photovoltaic
21 system is installed, under certain terms
22 and conditions.

23 Kristin Sullivan, please.

24 (Witnesses approached witness
25 table.)

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2 COUNCILMAN KENNEY: Good
3 afternoon. Please identify yourself for
4 the record.

5 MS. SULLIVAN: Good afternoon.
6 My name is Kristin Sullivan. I am the
7 Energy Manager for the City of
8 Philadelphia.

9 COUNCILMAN KENNEY: Please
10 proceed.

11 MS. SULLIVAN: Good afternoon,
12 Chairman Kenney and members of the
13 Committee on the Environment. Again, as
14 I said, my name is Kristin Sullivan and I
15 am the Energy Manager for the City, but
16 I'm also the Program Director for the
17 DOE-funded Solar America Cities Program.
18 I really appreciate your time here today
19 and appreciate the support for this
20 legislation.

21 I'm here to testify on Bill No.
22 110829, which was introduced by
23 Councilman Kenney and proposes changes to
24 the building permit fee structure for
25 solar energy projects.

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Target No. 4 of Greenworks

Philadelphia, the City's comprehensive sustainability plan, is to purchase or generate 20 percent of electricity used in Philadelphia from alternative energy sources. Adopting this fee structure for building permits will help move Philadelphia closer to this goal by providing a reprieve for businessowners, residents or other entities that want to build larger-scale solar projects throughout the City of Philadelphia.

The Mayor's Office of Transportation and Utilities, along with the Department of License and Inspections and the Mayor's Office of Sustainability, appreciate Councilman Kenney's office introducing this bill. We agree that this is a great complement to the recently passed Bill No. 110533, which improves the fee structure for electrical permits. These kinds of changes that help reduce the, quote/unquote, balance of system's costs are precisely what the

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2 industry is calling for here in this
3 region.

4 We fully support this bill,
5 which seeks to reduce permitting fee
6 costs for solar projects built in the
7 City by modifying the existing fee
8 structure for building permits. The
9 modification excludes the cost of solar
10 panels and inverters in the construction
11 value. Eliminating the cost of the
12 panels within the construction value
13 creates a more reasonable fee structure.
14 The core intention of the bill is to
15 provide reprieve for all sizes of solar
16 projects. We believe that the reduction
17 in fees will not adversely affect the
18 City's revenue stream on any significant
19 level.

20 Providing this reduction in
21 permitting costs can help to offset the
22 current struggles in the solar market.
23 To further add difficulty, the
24 Pennsylvania Solar Renewable Energy
25 Credit market is what many have been

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tagging as suffering from success. The solar industry answered the call of the Alternative Energy Portfolio Standard with resounding reaction and provided more than enough SRECs, Solar Renewable Energy Credits, for state compliance. This success has caused the market slump, weakening the economics for solar installs both large and small.

Supporting solar energy in Philadelphia provides a multitude of benefits for the City, residents and the region. More solar installations within the City will increase distributed generation, which reduces the need for conventionally fueled generation, reduces grid concession during high peak times, which is when solar installations are most likely providing electricity, and reduces emissions regionally.

Furthermore, solar provides an important visual indication of the City's commitment to sustainability.

Thank you, and I'm very happy

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2 to answer any questions.

3 COUNCILMAN KENNEY: Thank you
4 very much. Just one question relative to
5 the SREC issue. I thought that the rate
6 in Pennsylvania was prohibitively low
7 compared to New Jersey and that's the
8 reason why people can't get their
9 projects financed, because the SREC rate
10 in Pennsylvania, which is a coal and
11 gas-driven state, seems to be or is lower
12 than, for example, New Jersey, which
13 people can easily get financing for their
14 solar projects. Could you --

15 MS. SULLIVAN: Sure. The
16 market in New Jersey has been suffering
17 for some of the same reasons as it has in
18 Pennsylvania, but we've had more of an
19 issue here because we have -- our
20 set-aside is a lot smaller. That
21 contributes to the fact that all our
22 highest costs that we had seen in the
23 solar SREC, a cost per megawatt hour of
24 \$259, whereas in New Jersey it went up as
25 high as \$659.

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2 Another element of that was the
3 way that the alternative compliance
4 penalty was structured. So if you didn't
5 comply to the Portfolio Standard that the
6 state set, that compliance payment also
7 dictated how low the cost would go. So
8 we had a lower compliance payment as
9 well.

10 COUNCILMAN KENNEY: Okay.

11 Could you please identify
12 yourself for the record and proceed.

13 MR. YOUNG: Yeah. My name is
14 John Young. I'm with the Department of
15 Licenses and Inspections. I just came to
16 answer any questions that Councilpeople
17 might have had.

18 COUNCILMAN KENNEY: For the
19 record, could you give us an idea of some
20 examples of what the average savings on a
21 small residential or commercial project
22 would be?

23 MS. SULLIVAN: Sure.
24 Specifically for the building permits --
25 well, in general, it's safe to say that

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2 the building permit fee will be cut in
3 half more or less in all cases. I think
4 that's a fair generalization to make
5 across all of the different sized
6 projects.

7 Specifically speaking, for your
8 average residential installation that
9 might be five kilowatts, whereas that
10 would cost around \$30,000, again
11 depending on market prices for the
12 panels, normally the panels and inverters
13 cost about half of that. So before when
14 we were talking about the construction
15 value, you would have paid \$25 per
16 thousand dollars worth of the cost of
17 that project. So \$25 of the \$30,000,
18 which would be around \$750. When you
19 half that to not include panels and
20 inverters, you're at 15,000 and you're
21 paying 375.

22 COUNCILMAN KENNEY: Okay.

23 Any questions for these
24 witnesses?

25 (No response.)

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2 COUNCILMAN KENNEY: Thank you
3 very much.

4 MS. SULLIVAN: Thank you.

5 COUNCILMAN KENNEY: Ron
6 Celentano, Micah Gold and Courtney Lane.

7 (Witnesses approached witness
8 table.)

9 COUNCILMAN KENNEY: Please
10 identify yourself for the record and
11 proceed.

12 MR. CELENTANO: Ron Celentano.
13 I'm the President of Pennsylvania Solar
14 Energy Industries Association and a
15 consultant.

16 COUNCILMAN KENNEY: Please
17 proceed.

18 MR. CELENTANO: Good afternoon,
19 Chairman Kenney and members of the
20 Committee on the Environment. I'm Ron
21 Celentano, as I said, President of
22 Pennsylvania Solar Energy Industries
23 Association, or PASEIA. I'm also the
24 present Vice-President of Mid-Atlantic
25 Solar Industries Association, or MSEIA,

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2 in the three state area, and I'm
3 President of Celentano Energy Services
4 where I have been a solar photovoltaic
5 industry consultant for the last 15
6 years, primarily focused in Pennsylvania.
7 Among other boards that I'm on, I'm also
8 on the Technical Advisory Board of the
9 DOE-funded Philadelphia Solar City
10 Partnership Program. I am here to
11 testify on Bill No. 110829, which was
12 introduced by Councilman Kenney and
13 proposes changes to the building permit
14 fee structure for solar energy projects
15 in the City of Philadelphia.

16 PASEIA, which represents over
17 80 business members that work in the
18 solar energy industry in Pennsylvania,
19 very much appreciate the introduction of
20 this bill by Councilman Kenney. Recently
21 Bill No. 110533 was passed, which
22 improves the electrical permit fee
23 structure for solar photovoltaic systems
24 by excluding the material cost of the
25 solar PV modules and the inverters from

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2 the permit fee calculation. It makes a
3 lot of sense to align the building
4 construction permit fee structure in a
5 similar manner such as proposed in
6 Councilman Kenney's Bill No. 110829.

7 Currently, there's about 5,400
8 solar PV systems installed in
9 Pennsylvania, totalling over 121
10 megawatts of capacity. And in
11 Philadelphia, there are well over 200
12 systems, totaling over two megawatts.
13 Most of these systems were installed with
14 the help of grants and rebates from
15 various sources over recent years. The
16 state funding sources now have been
17 drying up to a trickle. The Federal
18 Section 1603 Treasury Grant is expiring
19 at the end of this month and the American
20 Recovery and Reinvestment Act funds are
21 exhausted. No one is expecting any of
22 these funding sources to come back to
23 life. But even though the price of PV
24 modules has dropped substantially over
25 recent years, the equipment cost of the

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2 solar PV modules and inverters are still
3 over half the total installation cost for
4 a solar PV project.

5 Even with the Pennsylvania
6 Alternative Energy Portfolio Standard
7 Act, which mandates utilities and
8 electric suppliers to purchase solar
9 renewable energy credits, or SRECs, as
10 part of the ongoing production from these
11 solar PV systems, the SREC price has
12 plummeted because of the very recent
13 substantially oversupplied SREC market.
14 This has become a serious issue for
15 system owners who were relying on the
16 revenue to help finance their projects.
17 It also adds to slowing down the
18 development of new projects coming
19 online. We hope the current Pennsylvania
20 House Bill 1580 will pass to help correct
21 this problem.

22 However, solar systems will
23 continue to be installed in spite of the
24 financial adjustments that have to be
25 considered. That is why it is so

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2 important to minimize or remove the
3 barriers for implementing solar system
4 installations such as with the electrical
5 and building permit ordinance and fee
6 structures. Philadelphia has been
7 recognized nationally for making
8 significant strides in this area with the
9 help of the Department of License and
10 Inspections, and by reducing the building
11 permit fees for solar projects is one of
12 the important obstacles that can be
13 minimized for solar project development
14 to continue to grow in Philadelphia,
15 particularly for non-profit entities that
16 cannot take advantage of any tax credits
17 for this technology. And that means more
18 jobs, clean energy power production,
19 reduced electric grid congestion, and a
20 means for ratepayers to control their
21 energy costs.

22 Therefore, PASEIA
23 enthusiastically supports Councilman
24 Kenney's Bill No. 110829.

25 Thank you, and I'm happy to

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2 take any questions.

3 COUNCILMAN KENNEY: Thank you
4 very much.

5 Whoever is next, please
6 identify yourself for the record and
7 proceed.

8 MR. GOLD-MARKEL: Good
9 afternoon, Chairman Kenney and members of
10 the Committee on the Environment. My
11 name is Micah Gold-Markel and I'm the
12 founder of Solar States. Thank you for
13 the opportunity to present testimony
14 today on Bill 110829, introduced by
15 Councilmembers Kenney and Reynolds Brown
16 that aims to reduce building permitting
17 fees for solar projects.

18 This morning I'm coming from a
19 30 kilowatt rooftop solar installation at
20 Finanta, located at 1301 North 2nd
21 Street. We are going forward with this
22 project despite challenges in the SREC
23 market that Ron and Kristin have spoken
24 about and in an adverse environment for
25 solar energy projects.

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2 Recently -- this bill is
3 particularly important because of recent
4 developments in the solar market. Just
5 last week, there was a ruling from an
6 American company called Solar World,
7 which has sued China or Chinese
8 manufacturers of solar panels, to create
9 a higher price for solar panels, and the
10 International Trade Court, the ITC,
11 recently found in favor of them, and we
12 anticipate panel prices going up by a
13 minimum of 10 percent in January.

14 Now, the merits of this case
15 can be discussed at length. Regardless
16 of that, it means that the prices for our
17 materials are going up. And we want to
18 continue doing projects inside the City
19 of Philadelphia. And what does this
20 mean? Well, at Finanta we're not only
21 putting solar panels up onto the roof of
22 the building, we are also assisting PECO
23 with upgrading their utility poles and
24 transformers. We are trying to remain
25 competitive so that we keep jobs in

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2 Philadelphia rather than going over to
3 New Jersey where the market is thriving.
4 Currently, I believe New Jersey is second
5 behind the State of California -- and
6 this is hard to say for me -- in solar
7 jobs, and we really want to be right up
8 there with them.

9 To get back to the anti-dumping
10 case, we're going to see prices going up,
11 and thus if we can see any reduction in
12 regulatory prices and L&I costs going
13 forward, that would greatly assist with
14 continuing our push for installs in the
15 Philadelphia area.

16 Lastly, it's important to
17 realize that solar installations create
18 jobs across a wide array of skill sets.
19 It's not just an engineer or
20 college-educated person who gets to work
21 on these installs. As I left the
22 installation this morning, we had folks
23 who were working on it with simply a high
24 school degree who had been trained in how
25 to properly install solar panels. So

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2 from high school graduates all the way up
3 to college graduates, to people who are
4 engineers, there is a vast array of jobs
5 available, and I think it's important
6 that we encourage this sector to grow so
7 that we can see jobs across all education
8 levels.

9 Thank you for your time, and
10 I'd be happy to answer any questions.

11 COUNCILMAN KENNEY: Then again
12 I think I mentioned this at the last
13 hearing, but I'm very happy for our North
14 Bowl meeting up in Northern Liberties,
15 which allowed us to meet each other and
16 over a beer discuss all these issues, and
17 I think that's some of our better
18 legislation comes as a result of out
19 there meeting and greeting people and
20 hearing what they had to say. So thank
21 you.

22 COUNCILMAN DiCICCO: Absolutely
23 over a beer, right?

24 COUNCILMAN KENNEY: Well, he
25 had one, too.

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2 Councilman Jones.

3 COUNCILMAN JONES: Yes,
4 Mr. Chairman, and I'll be brief,
5 considering I was late to your committee.

6 By way of Arthur Ashe, they
7 recently installed close to 100 panels on
8 their roof. By way of pre this piece of
9 legislation reducing the fees, what's the
10 cost difference on something like that?

11 MR. GOLD-MARKEL: For the
12 electrical fees, I knew that we were
13 cutting the cost about in half, and I
14 anticipate roughly the same for building
15 fees. So, for example, I'm not sure if
16 there's a maximum on the building fees.
17 I'm a little more familiar with the
18 electrical fees, which I testified for
19 before, but for the electrical fees,
20 there was a max of \$7,500, so we were
21 seeing that cut in half.

22 Generally when I run a budget
23 for a project in the City of
24 Philadelphia, I look at -- fees can come
25 in anywhere from 3 to 5 percent of the

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2 total install costs. It's significant,
3 significant. So any reduction we can see
4 in that certainly helps.

5 COUNCILMAN JONES: And then
6 finally, are we -- is the demand such
7 that -- Councilman Kenney's been way out
8 front on this issue. Can we see
9 manufacturing expansions here?

10 MR. GOLD-MARKEL: You know, I
11 think it's certainly possible. It's all
12 market driven. We want to see
13 manufacturing here in the United States.
14 And I think there's a common
15 misconception that in China one of the
16 reasons why they make cheap panels, at
17 least in the solar industry, is because
18 they have cheap labor or that they've
19 devalued their currency. In fact, I
20 don't believe that to be true. They have
21 very advanced techniques. A lot of it is
22 completely automated, so there's very
23 little human labor involved with the
24 manufacturing process. It's just a
25 matter of having the intellectual

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2 property and having the willpower to
3 support this industry.

4 COUNCILMAN JONES: Thank you.

5 MR. GOLD-MARKEL: And that's
6 something that we lack. And as I like to
7 finish all of my testimony, the sun is
8 the source of all power, period.

9 COUNCILMAN JONES: Thank you,
10 Mr. Chairman.

11 COUNCILMAN KENNEY: Thank you
12 very much.

13 Please identify yourself for
14 the record.

15 MS. LANE: My name is Courtney
16 Lane. I'm the Senior Energy Policy
17 Analyst with the PennFuture Energy
18 Center.

19 Good afternoon and thank you
20 for the opportunity to present testimony
21 today on Bill No. 110829 that aims to
22 reduce building permitting fees for solar
23 projects. My name is Courtney Lane and,
24 as I mentioned, I'm with an organization
25 called PennFuture. PennFuture is a

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2 statewide public interest membership
3 organization working to enhance
4 Pennsylvania's environment and economy,
5 with offices in Harrisburg, Philadelphia,
6 Pittsburgh and Wilkes-Barre. We've been
7 working on promoting the development of
8 solar energy in Pennsylvania since the
9 passage of the state's Alternative Energy
10 Portfolio Standard in 2004.

11 First I wanted to start by
12 stating that solar energy creates
13 numerous benefits for Philadelphia.
14 Solar energy improves the reliability of
15 our electric grid by reducing demand
16 during peak hours of the day, helping to
17 prevent blackouts and brownouts. It
18 provide a valuable hedge to electric
19 consumers against fossil fuel price
20 uncertainty, and creates local jobs. In
21 fact, solar energy creates more jobs per
22 megawatt hour of capacity than any other
23 energy technology. The 2011 Solar Census
24 stated that there are 4,700 jobs in
25 Pennsylvania.

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2 PennFuture supports this bill
3 because it will encourage the growth of
4 new solar installations and solar jobs in
5 Philadelphia by reducing permitting fees
6 for solar projects. If passed, this bill
7 will also complement 110533 recently
8 signed into law by Mayor Nutter, which
9 reduces electrical permit fees for solar
10 energy projects.

11 Allowing for reductions in
12 permit fees for solar projects is
13 critical at a time when it's becoming
14 harder to finance these projects. Many
15 of the traditional tools available to
16 finance solar systems are no longer
17 available. As mentioned previously by
18 others here today, solar owners used to
19 be able to count on the sale of Solar
20 Renewable Energy Credits to help finance
21 our solar systems. However, due to the
22 oversupply in the market, these credits
23 have plummeted to a high of close to 300
24 down to below \$20 today. This makes it
25 nearly impossible to finance a system on

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2 the value of these credits alone.

3 At the same time, federal and
4 state funding programs for solar,
5 including the Pennsylvania Sunshine
6 Program, the Commonwealth Financing
7 Authority, are almost depleted, and
8 favorable lieu of tax credits at the
9 federal law are also expected to expire
10 at the end of the year.

11 With these financial incentives
12 becoming more scarce, the proposed bill
13 will help reduce the cost of installing a
14 solar system by reducing permitting fees.
15 This will help encourage businesses and
16 residences to make the long-term
17 investment in solar power and will help
18 to keep solar installers employed in the
19 City and help clean up our electricity
20 supply.

21 Thank you for your time and
22 consideration.

23 COUNCILMAN KENNEY: Thank you
24 very much for your testimony.

25 Any questions for these

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2 witnesses?

3 (No response.)

4 COUNCILMAN KENNEY: Seeing
5 none, thank you very much.

6 Anyone else to testify on this
7 bill?

8 (No response.)

9 COUNCILMAN KENNEY: Seeing
10 none, we now would like to acknowledge
11 the presence of Councilman Jones and
12 Councilman DiCicco, along with
13 Councilwoman Reynolds Brown and myself.
14 There's a quorum. And we will end the
15 public hearing, convene the public
16 meeting, and the Chair recognizes
17 Councilmember Brown for a motion on Bill
18 No. 110829.

19 COUNCILWOMAN BROWN: Thank you,
20 Mr. Chairman. I move that Bill No.
21 110829 be reported out of Committee with
22 a favorable recommendation. I further
23 move that the rules of Council be
24 suspended so as to permit first reading
25 at our next scheduled session.

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2 (Duly seconded.)

3 COUNCILMAN KENNEY: Been moved
4 and seconded.

5 All in favor?

6 (Aye.)

7 COUNCILMAN KENNEY: There are
8 none opposed. Bill No. 110829 will be
9 reported out of this Committee favorably
10 and a request will be made for rules
11 suspension to allow for first reading at
12 our next Council session.

13 That concludes the business of
14 the public meeting. Thank you for your
15 attendance.

16 (Committee on the Environment
17 concluded at 1:45 p.m.)

18 - - -

1
2 CERTIFICATE

3 I HEREBY CERTIFY that the
4 proceedings, evidence and objections are
5 contained fully and accurately in the
6 stenographic notes taken by me upon the
7 foregoing matter on December 5, 2011, and that
8 this is a true and correct transcript of same.

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10
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12
13 -----
14 MICHELE L. MURPHY
15 RPR-Notary Public
16
17
18

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20 transcript does not apply to any reproduction
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